

Tanzania

Banking and Financial Institutions Act

Banking and Financial Institutions (Non-Interest Banking Business) Regulations, 2025

Government Notice 688 of 2025

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Banking and Financial Institutions (Non-Interest Banking Business) Regulations, 2025 (Government Notice 688 of 2025)

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Tanzania

Banking and Financial Institutions Act

Banking and Financial Institutions (Non-Interest Banking Business) Regulations, 2025

Government Notice 688 of 2025

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Part I – Preliminary provisions

1. Citation

These Regulations may be cited as the Banking and Financial Institutions (Non-Interest Banking Business) Regulations, 2025.

2. Application

These Regulations shall apply to all banks and financial institutions that conduct non-interest business in the United Republic.

3. Interpretation

In these Regulations unless the context otherwise requires—

“**Act**” means [the Banking and Financial Institutions Act](#);

[Cap. 342]

“**Bank**” has the meaning ascribed to it under the Act;

“**bank**” has the meaning ascribed to it under the Act;

“**Board**” means the Board of Directors of a non-interest bank or non-interest financial institution;

“**Committee**” means the Shari’ah Advisory Committee established under regulation [13](#);

“**conventional bank or financial institution**” means a bank or financial institution that offers interest-based banking business;

“**financial institution**” has the meaning ascribed to it under the Act;

[Cap. 342]

“**investment**” means a mode of financing undertaken by a non-interest bank, non-interest financial institution or non-interest banking window in compliance with Shari’ah;

“**non-interest banking business**” means a banking business whose products and services are wholly and exclusively compliant with Shari’ah ;

“**non-interest bank or non-interest financial institution**” means a bank or financial institution licensed to conduct non-interest banking business in accordance with Shari’ah;

“**non-interest banking window**” means a branch or dedicated unit of a conventional bank or financial institution which provides products and services that are Shari’ah compliant;

“**non-permissible income**” means income accruing to a non-interest bank or non-interest financial institution or non-interest banking window in a manner that is not compliant with Shari’ah;

“**profit equalisation reserve**” means an amount appropriated from the income derived from assets relating to profit and loss sharing investors for the purpose of maintaining a specified level of return on investment; and

“**Shari’ah**” means the principles and rules of Islamic commercial jurisprudence.

Part II – Establishment and operations of a non-interest banking business or non-interest banking window

4. Application and conditions for establishment of non-interest banking business

- (1) A person who intends to conduct a non-interest banking business shall comply with the Banking and Financial Institutions (Licensing) Regulations.
- (2) Notwithstanding subregulation (1), the proposed non-interest bank or non-interest financial institution shall—
 - (a) ensure that all transactions are conducted in compliance with Shari’ah;
 - (b) provide explanations on the methods of resource mobilization, business expansion and the nature of business transactions; and
 - (c) indicate the expertise and facilities available for ensuring the operations of the proposed non-interest bank or non-interest financial institution are conducted in compliance with Shari’ah.

[G.N. No. 297 of 2015]

5. Application for establishment of non-interest banking window

- (1) A conventional bank or financial institution may establish a non-interest banking window upon a written application and with the prior written approval of the Bank.
- (2) An application for the establishment of a non-interest banking window shall be addressed to the Bank and shall be accompanied by a feasibility study report providing justification for its establishment.
- (3) A feasibility report referred under subregulation (2) shall include the following:
 - (a) proposed location of the non-interest banking window;
 - (b) Shari’ah compliant products and services to be offered by the non-interest banking window;
 - (c) Shari’ah Advisory Charter of a non-interest banking window;
 - (d) projected balance sheet and income statement for the first three years of operation of the non-interest banking window;
 - (e) proposed organisation structure of a non-interest banking window;
 - (f) the proposed number and location of outlets to be operated in compliance with Shari’ah;

- (g) a written commitment to keep funds and accounts of non-interest banking business completely separate from those of the conventional banking;
- (h) accounting policy;
- (i) Shari'ah compliance policies and procedures of the non-interest banking window;
- (j) details of its staffing, including qualifications and responsibilities; and
- (k) the proposed core banking system capable of processing non-interest banking business transactions in compliance with Shari'ah.

6. Establishment of non-interest banking unit

- (1) A conventional bank or financial institution that intends to conduct non-interest banking shall establish a non-interest banking unit at its head office which shall be responsible for monitoring operations of non-interest banking business.
- (2) The responsibilities of the unit established under subregulation (1) shall include the following:
 - (a) develop non-interest banking business policies and procedures and ensure their full implementation;
 - (b) coordinating the activities and affairs of the Shari'ah Advisory Committee;
 - (c) ensuring the implementation and compliance of regulations, guidelines, and directives relating to non-interest banking business issued by the Bank: and
 - (d) ensuring investment of funds received from non-interest banking business is in compliance with Shari'ah.

7. Shari'ah advisory services

Subject to the approval of the Board, a conventional bank or financial institution operating a non-interest banking window may outsource Shari'ah advisory services.

8. Separation of books of accounts and records

A conventional bank or financial institution shall maintain separate books of account and records for the non-interest banking window.

9. Closure of non-interest banking window

Subject to the approval of the Bank, a conventional bank or financial institution may close or discontinue non-interest banking window.

Part III – Administration and governance

10. Board

- (1) The Board shall ensure non-interest banking activities are compliant with Sharia'ah.
- (2) Notwithstanding subregulation (1), the Board shall—
 - (a) adopt internal controls to ensure adherence to the corporate objectives in providing a range of services that comply with Shari'ah;
 - (b) appoint members of the Committee; and
 - (c) establish a comprehensive risk management framework that addresses the unique risks of a non-interest bank or non-interest financial institution.

- (3) The Board shall ensure that the independence of the Committee in the exercise of its functions.

11. Shariah Advisory Committee

- (1) There is established a Shari'ah Advisory Committee that shall be responsible for provision of Shari'ah advice to the Board regarding the non-interest banking business or non-interest banking window.
- (2) The composition, qualifications of members, tenure and proceedings of the Committee shall be as prescribed in the Schedule.

12. Functions of Committee

The Committee shall—

- (a) advise the Board on Shari'ah to ensure compliance with shari'ah;
- (b) recommend to the Board Shari'ah related policies, guidelines and other procedure manuals;
- (c) recommend to the Board the relevant documents for the introduction of new products and services to ensure compliance with Shari'ah
- (d) recommend to the Board Shari'ah compliance reviews and audit report;
- (e) review and recommend to the Board approval of the disposal of non-permissible income and its purification process;
- (f) prepare and submit a quarterly report to the Board; and
- (g) be accountable and responsible to the Board for all Shari'ah decisions, opinions and views provided;

13. Assessment by Board

- (1) The Board shall carry out assessment of the Committee by—
 - (a) periodically reviewing its composition, qualification of members and other thing it deems fit; and
 - (b) assessing the ongoing suitability and performance of each member of the Committee.
- (2) A non-interest bank or non-interest financial institution or non-interest banking window shall annually submit to the Bank assessment report within thirty days after completion of the assessment.

14. Disclosures

- (1) A non-interest bank, non-interest financial institution or non-interest banking window shall disclose in its audited financial statements the following:
 - (a) information on any non-compliance with Shari'ah rulings, the reasons for such non-compliance, and the manner in which the matter was addressed;
 - (b) information on the amount and nature of activities generating Shari'ah non-compliant income, the manner in which such income was disposed of, and the measures taken to prevent its recurrence; and
 - (c) procedures and eligibility criteria for the distribution of Shari'ah non-compliant income.

15. Internal audit

- (1) A non-interest bank, non-interest financial institution or non-interest banking window shall comply with the Banking and Financial Institutions (Internal Control and Internal Audit) Regulations.

[G.N. No. 286 of 2014]

- (2) Notwithstanding subregulation (1), a non-interest bank, non-interest financial institution or non-interest banking window shall ensure—
 - (a) the terms of reference of the internal audit include the undertaking of Shari’ah compliance reviews in close collaboration with the Committee; and
 - (b) the internal audit consist of professionals with the appropriate skills to conduct Shari’ah compliance reviews and audit.

16. Risk management

A non-interest bank, non-interest financial institution or non-interest banking window shall establish risk management systems that recognise the unique risks inherent in non-interest banking business, and such systems shall be permissible and enforceable under Shari’ah.

Part IV – Modes of financing, profit sharing and non-permissible income

17. Financing structure

A non-interest bank, non-interest financial institution or non-interest banking window may engage in a number of financing structures, including trading in and holding tangible assets, sharing risks with customers through partnerships or equity participation.

18. Modes of financing

A non-interest bank or non-interest financial institution may, in conformity with Shari’ah, invest in the modes of financing proposed by the Committee and approved by the Board.

19. Disclosures on investment accounts

A non-interest bank, non-interest financial institution or non-interest banking window shall make adequate and timely disclosures to investment account holders and to the public of all material and relevant information relating to the investment accounts it manages.

20. Liquidity requirements

A non-interest bank, non-interest financial institution or non-interest banking window shall establish a liquidity policy and comply with the requirements of the Banking and Financial Institutions (Liquidity Management) Regulations.

[G.N. No. 724 of 2023]

21. Deposit

A non-interest bank, non-interest financial institution or non-interest banking window may accept deposits that comply to Shari’ah.

22. Requirements for profit sharing

- (1) A non-interest bank, non-interest financial institution or a non-interest banking window shall—
 - (a) keep record of profits to be shared with the holders of profit-sharing investment accounts; and
 - (b) set aside, in a reserve account, an amount to cater for possible losses arising from projects financed by profit-sharing investment account holders;
- (2) The amount set aside in a reserve account under this regulation shall consist of profits accrued before distribution to holders of profit-sharing investment accounts.

- (3) The reserve account referred under this regulation shall qualify as a general reserve in accordance with the Banking and Financial Institutions (Capital Adequacy) Regulations.

[G.N. No. 727 of 2023]

- (4) A non-interest bank, non-interest financial institution or non-interest banking window shall disclose in its annual financial statements the amounts held in, and paid out of, the reserve account during the year.

23. Treatment of non-permissible income

- (1) Where a non-interest bank, non-interest financial institution, or non-interest banking window receives non-permissible income, such income shall not be treated as income of the non-interest bank, non-interest financial institution, or non-interest banking window.
- (2) A non-interest bank, non-interest financial institution or non-interest banking window shall keep any non-permissible income in a separate account dedicated for that purpose, and ensure that such income is not commingled with its funds.

24. Disposition of non-permissible income

- (1) A non-interest bank, non-interest financial institution or non-interest banking window shall dispose of non-permissible income, by way of donation to an individual in need or to a charitable organisation registered and recognised by the relevant authorities, subject to the following conditions:
 - (a) a non-interest bank, non-interest financial institution or non-interest banking window shall not be connected or affiliated in any manner with a charitable organisation or institution, and shall not, whether directly or indirectly, derive any benefit from a donation;
 - (b) a non-interest bank, non-interest financial institution or non-interest banking window shall not, whether directly or indirectly, derive any benefit from a donation;
 - (c) a charitable organisation shall not confer any benefit on a shareholder, director, member of a committee, employee of the non-interest bank, non-interest financial institution, or non-interest banking window, or on its subsidiaries, associates, or affiliates;
 - (d) the disposition shall not be treated as part of corporate social responsibility of the non-interest bank, non-interest financial institution or non-interest banking window; and
 - (e) a non-interest bank, non-interest financial institution or non-interest banking window shall conduct proper due diligence on any individual or charitable organisation requesting non-permissible income.
- (2) The Committee shall review, approve, post review or ascertain compliance of conditions for disposal of non-permissible income.

- (3) A non-interest bank, non-interest financial institution or non-interest banking window shall ensure the non-permissible income received and disposed is audited by an Internal Auditor.
- (4) An Internal Auditor shall submit the findings and recommendations to the Committee.
- (5) The Committee shall review the recommendations and advise the Board accordingly.

Part V – Accounting, reporting and disclosure

25. Notes to accounts

- (1) A non-interest bank or non-interest financial institution financial statements shall reflect the activities specific to Shari’ah financing as classified based on established accounting principles.
- (2) A conventional bank or financial institution with a non-interest banking window shall incorporate in its financial statements relevant details provided in the notes to the accounts.
- (3) Notes to the financial statements shall include disclosure of—
 - (a) methodology used for calculating distributable profit and the rates of return on deposits; and
 - (b) amount appropriated out of gross income in respect of Profit Equalization Reserve or any mechanism, as the case may be, for mitigating fluctuations in rates of return that arise from changes recorded in income, provisioning and total deposit placements; and
 - (c) amount of funds set aside as Investment Risk Reserve as an allowance to meet potential but unexpected losses that may materialize.

26. Reporting requirements

A non-interest bank, non-interest financial institution or a non-interest banking window shall report its non-interest banking business activities to the Bank in form and at intervals set by the Bank.

27. Publication of financial statements

A conventional bank or financial institution with non-interest banking window shall, as part of its annual published accounts separately include as a note to the account, the detailed results of operations of its non-interest banking window.

28. Penalties

Without prejudice to the penalties provided for in the Act, the Bank may impose on any non-interest bank, non-interest financial institution or a conventional bank or financial institution with a non-interest banking window, any of the following penalties for non-compliance:

- (a) prohibition from declaring or paying dividends;
- (b) suspension of the privilege to issue letters of credit or guarantee;
- (c) suspension of access to financing facilities of the Bank;
- (d) suspension of lending and investment activities;
- (e) suspension of capital expenditure;
- (f) suspension of the privilege to accept new deposits;
- (g) revocation of banking license;
- (h) suspension from office of the defaulting director, officer or employee; or

- (i) disqualification from holding any position or office in any non-interest bank, non-interest financial institution or non-interest banking window in the United Republic.

Schedule (Made under regulation 11(2))

Composition, qualification, tenure and proceedings of the committee

1. Composition

The Committee shall consist of three members appointed by the Board, one of whom shall be the Chairman.

2. Qualification for appointment

The Board shall appoint as a member of the Committee a person who possesses the following qualifications:

- (a) holds at least a bachelor's degree in Shari'ah studies, Islamic finance, Islamic banking, or any other related discipline, or hold a recognised professional certification in Islamic finance;
- (b) has knowledge, skills and experience in Shari'ah; and
- (c) is a person of proven integrity, good moral character and performance.

3. Meetings of the Committee

The Committee shall meet at least once every three months to deliberate on matters relating to the non-interest banking business.

4. Quorum of meetings of Committee

The quorum of the Committee shall be at least two thirds of the members.

5. Decision of Committee

The Committee shall make its decisions by a majority vote of the members present.

6. Tenure

A member of the Committee shall serve for three years and may be eligible for reappointment for a maximum of another two terms of three years.

7. Cessation of membership

A member of the Committee may cease to hold office upon occurrence of any of the following:

- (a) expiration of the member's tenure of office;
- (b) resignation from office;
- (c) death of the member;
- (d) disqualification from membership; or
- (e) failure to meet the requirements prescribed in the Act, these Regulations, or Shari'ah.

8. Restriction to members

A person shall not, at the same time, serve as a member of the Committee in more than one non-interest bank, non-interest financial institution or non-interest banking window operating in the United Republic of Tanzania.