

## The Truth Behind the Closure of Yetu Microfinance Bank PLC

Respectfully, I am writing this report on behalf of myself, the founders of Youth Self Employment Foundation (YOSEFO), the shareholders of Yetu Microfinance Bank PLC, and the bank's customers, both current and potential, in Tanzania. With 36 years of experience in promoting, managing, and advocating for financial inclusion, particularly for low-income populations, I have been deeply involved in establishing and supporting various microfinance institutions, community banks, and commercial banks. As the former Chairman of the Tanzania Microfinance Institutions Association (TAMFI) from 2006 to 2023, I have witnessed and experienced the challenges faced by financial institutions serving the unbanked population. However, the recent closure and “*acquisition*” of Yetu Microfinance Bank PLC by NMB Bank raise serious concerns about the integrity and fairness of the regulatory process in Tanzania. Evidence indicates that Yetu Microfinance Bank PLC was subjected to deliberate sabotage by elements within the Directorate of Financial Sector Supervision at the Bank of Tanzania (BOT). These issues were reported to the relevant authorities, including the former Director of the Directorate in May 2022, the Governor of BOT on October 7th, 2022, and the Government on October 18th, 2022. Despite these reports, the bank was seized by BOT, leading to economic hardship for over 200,000 beneficiaries and the loss of jobs for 130 employees. The following are key points of evidence indicating sabotage:

- **Ownership restriction for Transforming MFIs:** Despite meeting the requirements under the Banking and Financial Institutions Act, 2006, which allowed Microfinance Institutions with over ten years of experience to own up to 66% of a bank, YOSEFO was directed to dilute its shareholding to 20% during the banking license application process, creating unnecessary hurdles and disincentive for transformation into a licensed deposit-taking MFI.
- **Core Capital Requirements:** The core capital requirement for Microfinance Banks was increased from Tzs 800 million to Tzs 5 billion by BOT in August 2014, while Yetu Microfinance Bank PLC's application was still pending. This sudden increase in the capital requirement hindered the bank's ability to secure a banking license.
- **Restriction on ownership for transforming MFIs:** Despite raising Tzs 3.1 billion through an Initial Public Offering (IPO), core capital now summed to Tzs 6.056, listing on the Dar es Salaam Stock Exchange (DSE) in March 2016, having 12,350 shareholders being members of women's groups and a new strategic investor from France, no license was issued until February 23rd, 2017.
- **Discriminative Licensing:** While Yetu Microfinance Bank PLC struggled to meet the increased capital requirements, another Microfinance Bank with a core capital of Tzs 2.5 billion was issued a license by BOT in February 2015, highlighting double standards in the licensing process.
- **Management Team Approval:** The Directorate of Financial Sector Supervision delayed approving newly recruited members of the management team for over three years, contrary to banking regulations, and failed to provide timely support for critical issues, such as product approvals.
- **Violation of the banking law:** Three on-site examinations were conducted by BOT without providing the bank with the examination reports, as required by law. The lack of transparency and feedback hindered the bank's ability to address any identified issues. Sections 31 (4) of the Banking and Financial Institutions Act, 2006, direct BOT to issue examination reports to respective banks.

- **Unlawful write off bank's assets:** The Deputy Governor of BOT informed the Board Chairman of the bank that the bank's core capital was negative Tzs 1.337 billion, below the minimum requirement of Tzs 5 billion, based on unlawful/unauthorized adjustments made by examiners without approval of the Board of Directors of the bank and supporting documents to the bank. The capital of the bank as of December 12, 2022, the day the bank was seized, was Tzs 6.2 billion based on bank's records and DSE publication. It should be noted had never issued a directive to shareholders to raise new capital or any alarm that the bank was in trouble.
- **Blocked to raise capital:** The bank was well prepared to raise capital as needs arise to the fact that it was Listed in two financial markets; Dar es Salaam Stock Exchange (Tanzania) and Afrinnex Exchange (Mauritius). In September 2022, the bank was working on a BOND to raise Tzs 10 billion at the Afrinnex Exchange. The Directorate of the Financial Sector Supervision of BOT blocked the process.
- **Acquisition of the bank by NMB:** The bank was acquired by NMB following handing over of assets and liabilities. It is unfortunate that NMB instead of continuing to offer banking services to the existing and new customers, closed all the branches, Financial Services Centres(sub-branches), and community delivery centers and all employees were terminated. The acquisition has violated the banking law, Capital Market and Securities' law Companies Law and Fair Competition law.
- **Intimidation and Smearing:** On June 28<sup>th</sup>, 2023 as reported in the Swahili Daily, Mwananchi, a Senior Officer of BOT claimed that YOSEFO and Employees did not make any investment in the bank. On July 26<sup>th</sup>, 2023 I and by Board Chairman were arrested, leased on police bale on 27<sup>th</sup> July, 2023 but continue to report to the police station twice in a month. My entire family is under investigation and my arrest was associated with confiscation of National ID, Driving License, Passport and mobile phone. My entire library with books and publications I have written disappeared in the hands of BOT's appointed Statutory Manager.

These actions by BOT and the Directorate of Financial Sector Supervision demonstrate, in particular, demonstrate a pattern of deliberate sabotage and unfair treatment towards Yetu Microfinance Bank PLC. The closure and acquisition of the bank by NMB Bank have not only affected its customers and employees but have also undermined the principles of financial inclusion, fair regulatory practices, and promoting local investment in Tanzania. Partners of the bank affected include Miche Association (Italy-Kilwa, Ifakara and Zanzibar), ADF (USA-capacity Building), USAID ( Islamic Microfinance and Youth in Agriculture), Stromme Foundation (Loan Fund), Tanzania Forest Conservation Group ( Livelihood Program Amani and Udsungwa) Self Fund ( Loan Fund), Bank of Tanzania Rural Housing), KIVA (USA-Loan Fund), Oiko Credit-(Loan Fund), FSDT Transformation) UNITUS (USA-Capacity Building), Craft Silicon (Kenya-Digital loan), Mkombozi Commercial bank PLC (Laon Fund), Maendeleo Bank( Loan Fund), Waterorg ( USA-Water and Sanitation product. and CGAP ( capital fund).

The bank was closed because I was active in advocating for promoting community banks, appropriate policy and regulatory framework for Microfinance industry and financial inclusion. Shareholders, 87% of them being women are seeking their right through courts.

By Altemius Millinga

Founder, Managing Director and Former Chairman of TAMFI