LEGAL UPDATE

FB ATTORNEYS

2 January 2026

BoT Issues Regulations on Non-Interest Banking Business

- **Legal and regulatory framework for non-interest banking business introduced**
- **Licensing and approval requirements provided**
- **Applicability of Shari'ah principles codified**
- **Governance, oversight and risk management issues strengthened**
- **Profit sharing, non-permissible income and disclosure rules stipulated**
- **Penalties for non-compliance prescribed**

On 19 December 2025, the Bank of Tanzania (BoT) issued the Banking and Financial Institutions (Non-Interest Banking Business) Regulations, 2025 (the Regulations), establishing a comprehensive legal and regulatory framework governing the conduct of non-interest (Shari'ah-compliant) banking business in Tanzania. The Regulations apply to all non-interest banks, non-interest financial institutions, as well as conventional banks and financial institutions operating non-interest banking windows.

The Regulations require any person intending to conduct non-interest banking business to comply with the Banking and Financial Institutions (Licensing) Regulations. Furthermore, applicants must demonstrate that all transactions will be conducted in compliance with Shari'ah and provide detailed explanations on resource mobilisation, business expansion strategies, and the expertise and facilities available to support Shari'ah-compliant operations. In addition, conventional banks seeking to establish non-interest banking windows must obtain prior written approval from the BoT and submit a feasibility study addressing, among other things, proposed products, governance arrangements, accounting policies, staffing, separation of funds and the adequacy of core banking systems.

Apart from licensing requirements, the Regulations impose operational obligations on conventional banks operating non-interest banking windows, including the establishment of a dedicated non-interest banking unit at head office level. The said unit shall be responsible for policy development, coordination of Shari'ah advisory functions, regulatory compliance and ensuring that funds are invested strictly in accordance with Shari'ah. Moreover, the Regulations require strict separation of books of accounts and records between conventional and non-interest banking business, while any closure of a non-interest banking window is subject to regulatory approval.

With respect to governance, the Board of Directors bears primary responsibility for ensuring Shari'ah compliance. Accordingly, the Board is required to adopt

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About FB Attorneys
FB Attorneys is an all service law firm based out of Dar es Salaam, Tanzania.

We cover all aspects of the law and specialise in all corporate and commercial matters including Mining, Oil & Gas, Tax, Litigation, Competition, Banking & Intellectual Property law.

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internal controls, establish a comprehensive risk management framework addressing risks unique to non-interest banking, and ensure the independence of the Shari'ah Advisory Committee. The Regulations further mandate the establishment of a Shari'ah Advisory Committee to advise the Board on Shari'ah matters, review products and audits, oversee the treatment of non-permissible income and submit quarterly reports. However, the Board must periodically assess the suitability and performance of the Committee and submit an annual assessment report to the BoT.

In relation to financing activities, the Regulations permit non-interest banks and financial institutions to engage in Shari'ah-compliant financing structures, including asset based and risk sharing arrangements. Furthermore, institutions are required to maintain proper records for profit-sharing investment accounts and establish reserve accounts to mitigate potential losses. The Regulations also impose detailed disclosure obligations regarding investment accounts and reserve balances.

Regarding non-permissible income, the Regulations make it mandatory that such income should not to be treated as part of the institution's earnings and to be kept in a separate account. Moreover, disposal of such income is strictly regulated and may only be effected through donations to qualifying individuals or charitable organisations, subject to due diligence, internal audit review and Shari'ah Advisory Committee oversight. More importantly, the Regulations require that such disposal must not be treated as part of corporate social responsibility.

Additionally, the Regulations introduce enhanced accounting, reporting and disclosure requirements, including disclosure of Shari'ah non-compliance incidents, methodologies for profit calculation, and profit equalisation and investment risk reserves. Institutions are also required to submit periodic reports on non-interest banking activities to the BoT.

It is worth noting that failure to comply with the Regulations may attract severe regulatory sanctions, including suspension of dividends, lending and deposit-taking activities, revocation of banking licences, and suspension or disqualification of responsible officers. Consequently, banks and financial institutions offering or intending to offer non-interest banking products are advised to urgently review their governance structures, policies and systems to ensure full compliance with the Regulations.

To read the Banking and Financial Institutions (Non-Interest Banking Business) Regulations, 2025 click here

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