



EAST AFRICAN COMMUNITY

**THE EAST AFRICAN COMMUNITY COMMON MARKET
SCHEDULE ON THE REMOVAL OF RESTRICTIONS ON THE
FREE MOVEMENT OF CAPITAL**

ANNEX VI

EAC SECRETARIAT

Arusha, Tanzania
November 2009

ANNEX VI

SCHEDULE ON THE REMOVAL OF RESTRICTIONS ON THE FREE MOVEMENT OF CAPITAL

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|---|---------------|---|------------------|
| Equity and portfolio investments (1) Shares or other securities of participating nature | Purchase of foreign securities by residents | Tanzania | Purchase of foreign securities by residents is permitted if shares are acquired by externally generated funds. Purchase of foreign securities by residents have to be reported to the Bank of Tanzania | 31/12/2010 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Purchase of | 31/12/ 2014 |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|---|---------------|--|------------------|
| | | | foreign securities by residents is allowed subject to the approval of the Central Bank. | |
| | | Rwanda | Purchase of foreign securities by residents is allowed subject to the approval of the Central Bank. | 31/12/2009 |
| | Purchase of foreign security locally by non-residents | Tanzania | Non-residents are allowed to participate in the stock market up to 60% of shares of primary or secondary issues. | 31/12/2015 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|--|---------------|---|------------------|
| | | Burundi | The capital market does not yet exist. The financial market development plan is currently at its inception stage. There are therefore no specific regulations in this area. | Not applicable |
| | | Rwanda | None | Not applicable |
| | Participation of residents in foreign capital markets (Initial Public Offers (IPOs)) | Tanzania | Residents are not allowed to participate in foreign Initial Public Offers (IPOs) | 31/12/2010 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|--|---------------|--|------------------|
| | | Burundi | Participation of residents in IPOs is subject to approval by the Central Bank. | 31/12/2014 |
| | | Rwanda | Participation of residents in IPOs is subject to approval by the Central Bank. | 31/12/2009 |
| | Sale or issue of foreign securities locally by non-residents | Tanzania | None | Not applicable |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Capital market does not exist. | Not applicable |
| | | Rwanda | Sale or issue of foreign securities locally by non-residents requires prior approval from the Central Bank | 31/12/2009 |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|---|---------------|--|---------------------------|
| | | | | |
| | Sale or issue of securities abroad by residents | Tanzania | The sale of securities abroad by residents is subject to approval by the Capital Markets and Securities Authority. | 31/12/2012 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | The sale of securities abroad by residents is subject to approval by the Central Bank. | 31/12/2014 |
| | | Rwanda | None | Not Applicable |
| (2) Bonds and other debt instruments | Purchase of bonds and other debt instruments | Tanzania | Non- residents are allowed to purchase | 31/12/2010 for maturities |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|--------------------------|---------------|--|--|
| | locally by non-residents | | <p>corporate bonds.</p> <p>Non-residents are not allowed to participate in Government securities market.</p> | <p>of 5 years or more.</p> <p>31/12/2012 for all maturities.</p> |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | <p>There are no restrictions on purchasing Government bonds.</p> <p>The regulatory framework for corporate bonds is being developed.</p> | Not applicable |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|--|---------------|--|------------------|
| | Sale or issue of debt securities locally by non-residents. | Rwanda | None | Not applicable |
| | | Tanzania | Non-residents are not allowed to sell or issue debt securities in the domestic market. | 31/12/2015 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | None | Not applicable |
| | | Rwanda | Selling or issuing of bonds and other debt instruments locally is subject to the approval of the Central Bank. | 31/12/2009 |
| | Sale or issue of debt securities abroad by residents. | Tanzania | Residents are not allowed to sell or issue debt securities abroad | 31/12/2012 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|---|---------------|--|------------------|
| | | Burundi | Selling or issuing of bonds and other debt instruments abroad by residents is subject to approval by the Central Bank. | 31/12/2014 |
| | | Rwanda | None | Not applicable |
| (3) Money market instruments | Purchase and sale of money market instruments locally by non-residents. | Tanzania | Non-residents are not allowed to purchase or sell money market instruments in the domestic market. | 31/12/2015 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Purchase or sale of money market instruments in the domestic market is subject to approval by the | 31/12/2014 |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|---|---------------|---|------------------|
| | | | Central Bank | |
| | | Rwanda | None | Not applicable |
| | Purchase or sale of money market instruments abroad by residents. | Tanzania | Residents are not allowed to purchase or sell money market instruments abroad | 31/12/2015 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Purchase or sale of money market instruments abroad by residents is subject to approval by the Central Bank | 31/12/2014 |
| | | Rwanda | None | Not applicable |
| (4) Collective investment schemes | Purchase of collective investment schemes locally | Tanzania | None | Not applicable |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | None | Not applicable |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|--|---------------|---|------------------|
| | by non-residents | Rwanda | None | Not applicable |
| | Sale or issue of collective investment schemes locally by non-residents. | Tanzania | Non-residents are not allowed to sell or issue collective investment schemes in the domestic market | 31/12/2012 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | None | Not applicable |
| | | Rwanda | None | Not applicable |
| (5) Derivative products | Sale or issue of derivative products locally by non-residents | Tanzania | Currently no sale or issue | Not applicable |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Currently no sale or issue | Not applicable |
| | | Rwanda | Currently no sale or issue | Not applicable |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|---|--|--|------------------|
| | Sale or issue of derivative products abroad by residents. | Tanzania | Currently no sale or issue | Not applicable |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Currently no sale or issue | Not applicable |
| | | Rwanda | Currently no sale or issue | Not applicable |
| Bank transactions (Credit, savings, interest payment on loans and amortization) | External borrowing by residents | Tanzania | None | Not applicable |
| | | Kenya | None | Not applicable |
| | Uganda | None | Not applicable | |
| | Burundi | Residents are allowed to borrow externally subject to approval by the Central Bank | 31/12/2010 | |
| | Rwanda | None | Not applicable | |
| | Lending abroad by residents | Tanzania | Residents are not allowed to lend externally | 31/12/2015 |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|--|----------------------------|---------------|---|------------------|
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Residents are allowed to lend externally subject to approval by the Central Bank. | 31/12/2014 |
| | | Rwanda | None | Not applicable |
| Direct Investments | Inward direct investments | Tanzania | None | Not applicable |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | None | Not applicable |
| | | Rwanda | None | Not applicable |
| | Outward direct investments | Tanzania | Outward direct investments are not allowed | 31/12/2012 |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Outward direct investments are allowed subject to approval by the | 31/12/2014 |

| Type of capital and related payments and transfers | Type of operation | Partner State | Existing Restriction | Elimination date |
|---|-------------------------------|---------------|---|------------------|
| | | | Central Bank | |
| | | Rwanda | Outward direct investments are allowed subject to approval by the Central Bank | 31/12/2009 |
| Repatriation of proceeds from sale of assets. | | Tanzania | None | Not applicable |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | None | Not applicable |
| | | Rwanda | None | Not applicable |
| Other transfers and payments relating to investment flows. | Personal capital transactions | Tanzania | None | Not applicable |
| | | Kenya | None | Not applicable |
| | | Uganda | None | Not applicable |
| | | Burundi | Personal capital transactions are allowed subject to approval by the Central Bank | 31/12/2014 |
| | | Rwanda | None | Not applicable |

EXPLANATORY NOTES

1. COLLECTIVE INVESTMENT SCHEMES

Collective investments in transferable securities or other assets of the capital they raise and which operate on the principle of risk-spreading and the units of which are, at the request of holders, under the legal, contractual or statutory conditions governing them, repurchased or redeemed, directly or indirectly, out of those schemes assets.

2. CREDIT OPERATIONS

Financing of every kind granted by financial institutions, including financing related to commercial transactions or to the provision of services in which non-residents participate. This category also includes mortgage loans, consumer credit and financial leasing, as well as back-up facilities and other note-issuance facilities.

3. DIRECT INVESTMENTS

Investments of all kinds by natural or legal persons which serve to establish or to maintain lasting and direct links between the person providing the capital and the entrepreneur to whom or the undertaking to which the capital is made available in order to carry on an economic activity.

The key components are as follows:

- (a) participation in new or existing undertaking with a view to establishing or maintaining lasting economic links;
- (b) establishment and extension of branches or new undertakings belonging solely to the person providing the capital, and the acquisition in full of existing undertakings; and
- (c) reinvestment of profits with a view to maintaining lasting economic links.

4. MONEY MARKET INSTRUMENTS

Treasury bills and other negotiable papers, certificates of deposit, bankers' acceptances, commercial paper and other like instruments.

Credits related to commercial transactions or to the provision of services.

Contractual trade credits (advances or payments by installment in respect of work in progress or on order and extended payment terms, whether or not involving subscription to a commercial bill) and their financing by credits provided by credit institutions.

5. OPERATIONS IN SECURITIES ON THE CAPITAL MARKET

Securities transactions which are controlled by regulations, the prices of which are regularly published, either by official stock exchanges (quoted securities) or by any other facilities (unquoted securities). Those securities usually are shares and other securities of participating nature and bonds.

Shares are units of ownership in a company, while bonds are debt instruments with a maturity of more than one year from issue for which the interest rate and the terms for the repayment of the principal and the payment of interest are determined at the time of issue.

6. PERSONAL CAPITAL TRANSACTIONS

This includes: loans; gifts and endowments; dowries; inheritances and legacies; settlement of debts by persons in their previous country of residence; transfers of assets constituted by residents in the event of emigration at the time of their installation or during their period of stay abroad; transfers, during their period of stay, of persons' savings to their previous country of residence; death dues; damages; refunds in the case of cancellation of contracts and refunds of uncalled- for payments; authors' royalties (patents, designs, trademarks and inventions) and transfers of the monies required for the provision of services.

7. PORTFOLIO INVESTMENT

Investment in equities and debt securities under the form of bond or other loan stocks, the instruments of money market as well as derived financial products such as options.