



Crypto-Currency and *financial digital inclusion in Tanzania*

Commerce has evolved from a traditional physical exchange of goods, services and payments from it being done digitally/ cyberspace commerce. This does not leave apart the trading of currencies, in a crypto manner.

When we talk of crypto-currency we are talking about a form of payment that can be exchanged online for goods and services. **Crypto-currencies work** using a technology called block-chain. Blockchain is a decentralized technology spread across many computers that manage and record transactions. Part of the appeal of this technology is its security and the untraceable power by the issuing bank, the government and or third party.

It involves the acquisition of digital asset designed to work as a medium of exchange wherein individual coin ownership records are stored in a ledger existing in a form of a computerized database using strong cryptography to secure transaction records, to control the creation of additional coins, and to verify the transfer of coin ownership.

From ecash to bitcoin and the likes that followed afterward we the world has experienced a shift from the first idea of crypto-currency from 1983 to the present. From David Chaum to Satoshi Nakamoto and the rest the growth and the number of interested traders have forced some governments to study how they can best regulate the market and measure if it's worth it or not.

Most countries apart from El Salvador which became the first country to accept bitcoin as legal tender, after the Legislative Assembly had voted 62-22 to pass a bill submitted by President Nayib Bukele in June 2021 on the crypto-currency claim the dangers that follow this type of trading and some of the concerns to narrow them include:

- Transactions in virtual currencies such as bitcoin are largely untraceable and anonymous making them susceptible to abuse by criminals in money laundering and financing of terrorism.
- Virtual currencies are traded on exchange platforms that tend to be unregulated all over the world. Consumers may therefore lose their money without having any legal redress in the event these exchanges collapse or close business.
- There is no underlying or backing of assets and the value of virtual currencies is speculative. This may result in high volatility in the value of virtual currencies thus exposing users to potential losses.
- Crypto-currency transactions and accounts are not connected to real-world identities, a phenomenon is known as 'pseudonymity'. Experts argue that this could promote money laundering and fraudulent activities.



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The Bank of Tanzania's ban on crypto-Currency lies in its minimal regulation, with no requirement for investors and traders to hold a license or certificate proving their identities and trading history.

Critics have argued that the ban by BoT is unreasonable and lacks legal backing from neither Acts nor Legislations (the BoT nor the Foreign Exchange Act) cited that could help shine a light on the reasons for the ban on the trading system. circular states, among other things, that 'The only acceptable and used legal tender in the country is the Tanzanian Shilling'.

Some argue crypto-currency is more of a property rather than a proxy for legal tender, they go further to argue that a crypto-currency transaction is essentially an electronically facilitated exchange of property for property – a form of barter.

However, under the purview of section 15 of the National Payments System Act No. 4 of 2015 (the **NPS**). Section 15 of the NPS provides that "a person shall not issue an electronic payment system without a license or approval from BoT". Hence the grounding for the decision may have been solemnly based on the provisions of this section, hence the ban.

Suggestively given the rapid technological advancements taking place across the world, it may be more beneficial to the Tanzanian economy to find means to regulate the use of crypto-currency, thus addressing the concerns while also enabling the country to derive the economic benefits associated with crypto-currencies.