

## BANK OF UGANDA



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### STATEMENT REGARDING FINANCIAL INSTITUTIONS BUSINESS REGULATED BY BANK OF UGANDA UNDER THE FINANCIAL INSTITUTIONS ACT, 2004 AS AMENDED IN 2016

In response to the recent media debates and discussions of issues related to the regulation and supervision of financial institutions and what amounts to conduct of financial institutions business in Uganda, Bank of Uganda (BoU) wishes to state as follows:

Bank of Uganda is the regulator and supervisor of financial institutions and financial institutions business in Uganda. The mandate to regulate and supervise financial institutions and financial institutions business is derived from the Constitution of the Republic of Uganda, the Bank of Uganda Act, 2000 and the Financial Institutions Act, 2004 as amended (FIA, 2004).

For the purposes of this statement, the regulation and supervision of micro finance deposit-taking institutions is not addressed as these are covered under the Micro Finance Deposit-taking Institutions Act, 2003.

#### **A. What is a Financial Institution?**

A 'financial institution' is a company licensed to carry on or conduct financial institutions business in Uganda. Bank of Uganda is, by law, given powers to issue a regulation to classify financial services providers as financial institutions where their activities amount to financial institutions business.

## **B. What is 'Financial Institutions Business'?**

'Financial Institutions business' is broadly defined in Section 3 of the FIA, 2004 to include, acceptance of deposits; issuance of deposit substitutes; lending or extending money held on deposit or any part of that money by way of consumer and mortgage credit; for financing of commercial transactions that can be recovered by foreclosure or other means of amounts so lent, advanced or extended- among other activities.

The FIA, 2004 permits BoU to categorise what other financial services constitute financial institutions business.

## **C. 'Acceptance of deposits' and/or 'deposit taking activity' for Lending**

'Acceptance of deposits' and/or 'deposit taking activity' occurs when a natural person or legal entity collects or accepts money from the public or advertises itself as a safe keeper of money or solicits for money from the public with a promise that it will be repaid on demand or after a fixed period with or without interest or a premium. Only financial institutions can accept deposits from the public or advertise for safe keeping of money or deposits.

The lending or extension of credit or loans or the financing of commercial transactions using money obtained from deposits or safekeeping in Uganda can only be done by an entity licensed by BoU in a manner prescribed by the FIA, 2004 as amended.

## **D. Financial Services that are not Supervised or Regulated by Bank of Uganda**

Bank of Uganda **does not** regulate extension of loans/credit or the financing of commercial transactions that are funded;

1. Using funds owned privately by individuals, corporates, private equity funds local or foreign;

2. Using funds of members of small member-based collective savings or lending organizations that do not advertise themselves as safe keepers of money or solicit for funds from the public in Uganda;
3. Using funds obtained from foreign banks that do not take deposits from the public in Uganda;
4. Using funds of International, Regional or Local Development Finance Institutions whether such funds are advanced and administered directly by those institutions or through financial institutions in Uganda.
5. Using funds of Development Institutions, be they multilateral or bilateral, whether such funds are advanced and administered directly by these institutions or through financial institutions in Uganda.

### **E. Agent Banking**

Agent banking that is regulated under the FIA, 2004 is defined under Regulation 4 of the Financial Institutions (Agent Banking) Regulations, 2017 to mean the conduct of financial institution business by a person contracted by a financial institution to deliver such services on its behalf as approved by BoU. Agency relationships outside the definition in the Financial Institutions (Agent Banking) Regulations do not require authorisation from BoU.

Financial institutions licensed to conduct financial institutions business in Uganda, may apply to the BoU for approval to conduct Agent Banking under the Agent Banking Regulations.

An entity that is not licensed as a financial institution in Uganda is not eligible to apply to the BoU to conduct Agent Banking.

International and Regional Development Organizations, Foreign Banks, and other Lenders both local and foreign who may choose to appoint any entity or person to act as their agent in Uganda under general contract law

do not require approval from BoU. Such agencies do not fall within regulated agency under the FIA, 2004 and do not require a BoU license.

## **F. Territorial Jurisdiction**

Foreign banks lending deposits held in jurisdictions other than Uganda are regulated and supervised by their home authorities. It is not mandatory for a foreign bank to establish a representative office in Uganda in order to conduct lending or non-deposit-taking activity.

Bank of Uganda's regulatory and supervisory powers **only** apply to financial institution business conducted by BoU licensed entities in or outside Uganda or activity which should be licensed as such in Uganda. These powers do not extend to activities of foreign banks outside Uganda licensed by foreign regulators.



Emmanuel Tumusiime-Mutebile (Prof.)

**Governor**

Wednesday, October 14, 2020