

# BANK OF UGANDA



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## PRESS RELEASE

### BoU's Circular to Financial Institutions on use of National Identification Numbers (NINs) as a unique Identifier for Individual borrowers is within the law.

**KAMPALA**, November 24, 2022 – Bank of Uganda's attention has been drawn to an article in the Daily Monitor newspaper of Tuesday, November 15, 2022 titled; "New BoU demand to bind loans to national IDs illegal," authored by a one James Tamele, Advocate.

The author's allegations of illegality are premised on two main grounds:

- 1) That by issuing a Circular Ref. EDS.306.2 of 21st October 2022 directing regulated institutions to transition to the use of NINs as a mandatory identifier for individual borrowers, Bank of Uganda assumed rule-making powers not conferred on it by Parliament.
- 2) Bank of Uganda's directive on mandatory use of NINs which are issued by another agency of Government, effectively amounts to ceding its statutory power as sole regulator of the Banking sector to another Government agency that has no such role.

Bank of Uganda (BoU) wishes to clarify to the general public as follows:

Section 78 of the Financial Institutions, 2004 (FIA, 2004), which the author attempts to interpret, grants powers to the Central Bank or its appointed agent or any other person authorized by it to establish a Credit Reference Bureau for the purpose of disseminating credit information among financial institutions for their business.

In exercise of that power, the Bank of Uganda issued The Financial Institutions (Credit Reference Bureau) Regulations, 2022 on the 26th day of September 2022 which, among other things, sets minimum

standards for credit reporting. New to the minimum requirements for such reports is the mandatory use of the National Identification Number (NIN) or alien identification number as the primary identifiers. Please note that these regulations were issued pursuant to the requirements of section 66 of the Registration of Persons Act, 2015 which mandates use of NINs or Alien Identification Numbers in granting access to financial services.

As the regulator and supervisor of financial institutions in Uganda, BoU regularly issues guidance and directions in various forms to regulated entities. Such guidance or directives may refer to other laws that impact on their operations.

There is nothing irregular or illegal about recognition of requirements of other laws in circulars to regulated institutions. In this particular case, the use of NINs as identifiers had already been adopted in a BoU issued regulation i.e., the Financial Institutions (Credit Reference Bureau) Regulations, 2022. Bringing it to the attention of the regulated financial institutions was therefore, in order.

Regulated financial institutions are expected to comply with all applicable laws to them that do not contradict the FIA, 2004 and a Circular bringing that to their attention should not be construed as an encroachment on the powers of another Government agency or as a surrender of regulatory powers to such agency. Additionally, compliance with other laws that do not contradict the FIA, 2004, does not in any way amount to a violation of that law.

Bank of Uganda remains committed to the pursuit of financial sector stability and we encourage all stakeholders to seek clarification from us for the same cause.

MANAGEMENT