

## **EXPLANATORY NOTES TO THE REVISED FOREIGN CURRENCY POSITION MONTHLY RETURN FROM COMMERCIAL BANKS**

### **1. Domestic Transactions**

**Currency holdings and deposits** covers foreign exchange bought with the intention of holding it in the form of currency notes or to deposit it on a bank account<sup>1</sup> merely as a store of value and with no intention of using these funds as a mode of payment. Upon conversion back into Uganda Shillings they should be captured under the same category on the form R.

Internal transactions (e.g. a customer buying forex and depositing it on a forex account within the same commercial bank, or a customer withdrawing from a forex account and selling it to the same commercial bank) for which no Form P or R are used should also be included in this category<sup>2</sup> when compiling the foreign currency position return.

**Transactions between Ugandan Residents** would involve any of the agents described under residency (individual residents and enterprise residents) above. This category would include, for example, house rent that is paid for in dollars by a resident to resident landlord, purchase of real estate property and cars (from residents) priced in foreign currency etc.

### **2. Exports and Imports of Goods**

Exports of goods covers general merchandise (coffee exports and other exports), goods crossing the frontier for processing when no change of ownership occurs, repairs provided on goods, goods procured in ports by non-resident carriers (air crafts/ferries/buses/trains etc) and non-monetary gold and vice-versa for imports of goods.

**Gold exports** refer to all exports of gold in raw form and gold products. This excludes reserve assets (monetary gold) held by the monetary authority.

**Repairs on goods** covers fees for repair activity that involves work performed by residents/non-residents on movable goods such as ships, aircrafts, buses and other transportation equipment owned by non-residents/residents.

**Goods procured in ports by carriers** covers goods such as fuel, provisions, stores and supplies procured by resident (non-resident) carriers abroad (in Uganda). Carriers include buses, aircraft, and ships.

**Goods for processing** covers goods that are exported or imported for processing. Processing performed for non-residents consists of the import of an unprocessed good followed by the export of a processed good e.g. imports of textiles followed by the export of designed textiles to non-residents.

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<sup>1</sup> Please note that forex bureaux are not authorized to take deposits.

<sup>2</sup> In case Form P and R are also used for internal transactions (e.g. a customer buying forex and depositing it on a forex account within the same commercial bank, or a customer withdrawing from a forex account and selling it to the same commercial bank), these transactions should be classified as currency holdings/deposits or as transaction between Ugandan resident

**Coffee and other exports** covers all other commodities exported excluding gold while **other imports** covers all other commodities imported excluding oil and gold imports.

### **3. Income Receipts and Payments**

#### ***Interest received/paid on external assets/liabilities***

This refers to interest received on external financial assets (loans and debt securities, bank deposits etc) by residents and vice-versa for interest paid on external financial liabilities. Debt securities include bonds, debentures, notes, etc and money market instruments. Bonds, debentures, notes, etc usually give the holder the unconditional right to a fixed money income or contractually determined variable money income. With the exception of perpetual bonds, bonds and debentures also provide the holder with the unconditional right to a fixed sum as a repayment of the principal on a specified date or dates. While money market securities generally give the holder the unconditional right to receive a stated, fixed amount of money on a specified date. These instruments are usually traded at a discount in organized markets; the discount is dependent on the interest rate and the time remaining to maturity.

#### ***Dividends/profits received or paid***

Dividends/profits received refer to direct and portfolio investment income received on equity<sup>3</sup> and vice-versa for dividends/profits paid. Dividends represent income that is payable without a binding agreement between creditor and debtor. Among other types of income on equity are earnings of branches and other unincorporated direct investment enterprises.

#### ***Wages/salaries and other benefits***

This covers wages, salaries and other benefits in cash earned or received by residents of Uganda (receipts) working in other economies other than Uganda for the work performed for and paid for by residents of those economies or wages, salaries etc paid to non-resident workers in Uganda (payments). Such workers include border, seasonal and short-term workers (usually for a period of less than one year). Included here, are contributions paid by employers on behalf of employees.

### **4. Transfers received or paid**

These are funds received from abroad or sent abroad through a local commercial bank, for which there is no real resource or financial item in return. Transfers are classified according to the sector of the compiling economy. A distinction should be made between non-government organizations (NGO), Government, workers remittances and other transfers.

**NGO Transfers** covers current transfers occurring between nongovernmental institutions or organizations or between nongovernmental organizations and individuals.

**Government transfers** covers transfers occurring between governments of different economies or between governments and international organizations. These comprise international cooperation between governments of different economies or

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<sup>3</sup> Equity refers to common or preferred shares owned by direct investors in associated enterprises abroad or vice versa.

between governments and international organizations. They also include transactions between governments and non-residents other than governments and international organizations.

**Workers Remittances** covers transfers by migrants<sup>4</sup> who are employed in other economies and are considered residents in those economies. Workers remittances often occur between related persons.

**Other transfers** may be between residents and non-residents and include donations for distribution to relieve hardships caused by famine, other natural disasters, war, etc and regular contributions (including membership dues) to charitable, religious, scientific, and cultural organizations. These are transfers to other sectors of the economy other than general government and NGOs.

## **5. Services**

**Transportation** includes freight and passenger transportation by all modes of transportation and other distributive and auxiliary services such as cargo loading and unloading; storage and ware housing; packing and repackaging; other towing, pilotage and navigational aid for carriers; maintenance and cleaning of transportation equipment; and salvage operations. Also included are rentals of transportation equipment with crew.

**Travel** covers goods and services acquired from Uganda by non-resident travelers or acquired by residents travelers from abroad. A traveler is an individual staying for less than one year in an economy of which he is not a resident for purposes other than employment, accompanying a dependant who is a diplomat or stationed on a military base. Expenditures by governments not included elsewhere, students and medical patients remain expenses of their economies of origin even when they stay outside their economies for periods of more than a year. Therefore these are considered travelers and all expenditures for educational and health related purposes made by students and medical patients are recorded under travel. Travel excludes international passenger services, which are included in transportation. Merchandise goods should not be included under travel.

**Insurance and Reinsurance** covers the provision of insurance to nonresidents by resident insurance enterprises and vice versa. This item comprises services provided for freight insurance (on goods exported and imported), services provided for other types of direct insurance (including life and non-life), services provided for reinsurance and commission to agents of insurance/ reinsurance.

**Communication services** cover communications transactions between residents and nonresidents. Such services comprise postal and courier services, and telecommunications services (transmission of sound, images, and other information by telephone, fax, telex, telegram, cable, broadcasting, satellite, electronic mail etc) and associated maintenance provided by/for residents for/by nonresidents.

**Financial services** (other than those related to insurance enterprises and pension funds) cover financial intermediation services and auxiliary services conducted between residents and nonresidents. Included are commissions and fees for letters of credit, lines of credit, financial leasing services, foreign exchange transactions, consumer and business credit services, brokerage services, underwriting services, arrangements for various forms of hedging instruments, etc. Auxiliary services

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<sup>4</sup> A migrant is a person who comes to an economy and stays or is expected to stay for a year or more.

include financial market operational and regulatory services, security custody services, etc.

**Construction services** covers construction and installation project work that is, on a short-term (less than one year) basis, performed abroad/in Uganda by residents/non-resident enterprises and associated personnel.

**Computer and information services** covers resident/nonresident transactions related to data bases such as development and storage; data processing; hardware consultancy, software implementation, information services; maintenance and repair of computers and related equipment; news agency services; and direct subscriptions to news papers and periodicals.

**Royalties and license fees** covers receipts (exports) and payments (imports) of residents and nonresidents for:

- (i) the authorized use of intangible non-produced, non-financial assets and proprietary rights – such as trademarks, copyrights, patents, processes, techniques, designs, manufacturing rights, franchises, etc. and,
- (ii) the use through licensing agreements, of produced originals or prototypes – such as manuscripts, films, etc.

**Other business services** covers various categories other than those previously defined. It includes merchanting<sup>5</sup> and other trade-related services (such as commissions on goods and service transactions between (i) resident merchants, commodity brokers, dealers and commission agents and (ii) non-residents), operation leasing services and miscellaneous business, professional, and technical services.

**Personal, cultural, and recreational services** covers (i) audiovisual and related services and (ii) other cultural services provided by residents to non-residents and vice versa. Included under (i) are services associated with the production of motion pictures on film or videotape, radio and television programs, and musical recordings. (Examples of these services are rentals and fees received by actors, producers, etc. for productions and for distribution rights sold to the media.). Included under (ii) are other personal, cultural, and recreational services – such as those associated with libraries, museums - and other cultural and sporting activities.

**Government services not included elsewhere** (n.i.e.) covers all services (such as expenditures of embassies, consulates and their foreign staff) associated with government sector or international and regional organizations and not classified under other items.

## **6. Foreign Direct Equity Investment**

**Foreign Direct Equity Investment** covers all equity transactions between direct investors and direct investment enterprise, where the direct investor holds at least 10 per cent of the total equity of the direct investment enterprise. This should include foreign direct equity investment in Uganda and proceeds of sale of foreign direct equity investment abroad.

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<sup>5</sup> Merchanting is defined as the purchase of a good by a resident (of the compiling economy) from a non-resident and the subsequent resale of the good to another non-resident. During the process, the good does not enter or leave the economy.

## **7. Portfolio Investment**

**Portfolio Investment** includes equity securities (if the total value of these securities is less than 10 per cent of the total equity of the relevant company), debt securities such as bonds, notes and money market instruments. The distinction between government, bank and other refers to the entity, which is the debtor in the transaction, and not the creditor.

## **8. Loans**

Refers to any loans received from abroad or extended abroad. A distinction is made whether the recipient of the loan is a commercial bank, bank customer, or government. In addition, a distinction is made between short-term loans (for loans up to one year) and long-term loans (loans exceeding one year).

## **9. Other (please specify)**

This covers other transactions that do not fall under any of the categories listed on the form P/R however; a brief description should be made in the space provided so that the transaction can still be properly classified.

## **10. Closing and Opening Balance**

Opening balance for the current month refers to the closing balance of the previous month as represented by balances on external accounts, project accounts and foreign exchange accounts, cover for imports not utilized, funds in transit, working balance and others.

11. Items labeled balance on external accounts, project accounts, foreign accounts and cover for imports would correspond to “**foreign currency deposits**” under foreign exchange liabilities.
12. Working balance would correspond to item labeled “**currency on hand**” under foreign exchange assets.
13. Funds in transit would correspond to item labeled “**cheques and items in transit**” under foreign exchange assets.