

BANK OF UGANDA



GUIDELINES ON LIQUIDITY RISK MANAGEMENT FOR SUPERVISED FINANCIAL INSTITUTIONS

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Table of Contents

1.	Introduction.....	3
2.	Mandate.....	3
3.	Objectives.....	3
4.	Definitions.....	4
5.	Internal Liquidity Adequacy Assessment Process	5
5.1.	Principle of proportionality	5
5.2.	Scope of application	5
5.3.	Components of a sound, effective and comprehensive ILAAP	6
5.4.	The liquidity risk appetite.....	7
5.5.	Funding Strategy	8
5.6.	Liquidity Risk Management	9
5.7.	Consistency between ILAAPs and recovery plans.....	15
5.8.	Continuity of the financial institution and liquidity adequacy	16
5.9.	Regular stress testing	20
5.10.	ILAAP reporting and review.....	26
6.	SREP Liquidity Assessment	28
7.	Computation of the Liquidity Coverage Ratio	29
7.1.	Minimum LCR requirement	29
7.2.	High-Quality Liquid Assets (HQLA): Characteristics	30
7.3.	High-Quality Liquid Assets: Eligibility for the LCR.....	30
7.4.	Utilization of HQLA	31
7.5.	Calculation of Net cash outflows for the purposes of the LCR.....	31
7.6.	Calculation of Total cash outflows.....	32
7.7.	Calculation of Total cash inflows	32
8.	Computation of the Net Stable Funding Ratio	33
8.1.	Minimum requirement for NSFR.....	33
8.2.	Criteria and assumption of Available Stable Funding (ASF)	33
8.3.	Criteria and assumption of Required Stable Funding (RSF).....	34
8.4.	Calculation of ASF.....	34
8.5.	Calculation of RSF.....	35

8.6.	Interdependent assets and liabilities	36
8.7.	Treatment of maturity: Funding and assets	36
8.8.	Treatment of unencumbered assets	37
8.9.	Treatment of derivative assets and liabilities	37
8.10.	Treatment of the secured financing transactions	38
9.	Tools for Monitoring Liquidity Position	38
9.1.	The Contractual Maturity Mismatch/Gap	38
9.2.	Concentration of Funding	39
10.	Appendix	40
10.1.	Structure of the ILAAP Report	40
10.2.	LCR Computation Template	43
10.3.	NSFR Computation Template	46
10.4.	Funding Plan template and Compilation Instructions	47

1. Introduction

- a. The liquidity of financial institutions is fundamentally essential to the continuity of their operations. Therefore, the liquidity risk management of financial institutions should facilitate the fulfilment of their payment obligations at all times, even under adverse conditions.
- b. Accordingly, the Internal Liquidity Adequacy Assessment Process (ILAAP) plays a key role in the risk management of financial institutions. Sound, effective and comprehensive ILAAPs comprise a clear assessment of the risks to liquidity and have well-structured risk governance and risk escalation processes based on a well-thought out and thorough risk strategy that is translated into an effective risk limit system.
- c. In addition, the Basel Committee on Banking Supervision (BCBS) issued the Basel III rules on liquidity risk measurement, standards, and monitoring on December 16, 2010, and they include the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the maturity mismatch gap and concentration analysis.
- d. These liquidity risk measurement tools ensure that a financial institution has adequate liquidity to meet their payment obligations even in periods of liquidity stress.
- e. Accordingly, the Bank of Uganda (BOU), through the Financial Institutions (Liquidity) Regulations 2023, has adopted these Basel III Liquidity Standards with the view to further strengthen liquidity risk management and align with international best practices.

2. Mandate

- a. These Guidelines are issued pursuant to Regulations 9(4), 10(5) and 11(4) of the Financial Institutions (Liquidity) Regulations, 2023, which stipulates that the Central bank shall issue guidance to financial institutions on the minimum requirements for the Internal Liquidity Adequacy Assessment Process and on setting out the requirements, computation and treatment of the liquidity coverage ratio and net stable funding ratio.
- b. This document also provides guidance on the maturity mismatch gap and concentration analysis for prudential reporting purposes.
- c. In the event of any further clarifications on these guidelines and or completing the prudential returns, please contact the Supervision Directorate at the BOU.

3. Objectives

- a. The purpose of these Guidelines is to aid financial institutions in:
 - i. Strengthening their ILAAPs and to encourage the use of best practices by explaining

in greater detail the BOU's expectations on the ILAAP, leading to more consistent and effective supervision.

- ii. Ensuring compliance with the LCR and NSFR minimum requirements and to encourage the use of best liquidity risk management practices by explaining in greater detail the BOU's expectations.

4. Definitions

- a. In addition to the definitions prescribed in the Regulations 3, the following apply:
 - i. "Beneficial Ownership" means an individual/institution enjoying the rights and benefits of ownership of some form of property, such as a treasury security, despite the property having another person/institution as the legal owner.
 - ii. "Less stable deposits" means deposits that are not fully covered by an effective deposit guarantee scheme or sovereign deposit guarantee, high-value deposits, deposits from sophisticated or high net worth individuals, deposits that can be withdrawn quickly and foreign currency deposits. Buckets of less stable deposits apply a run-off rate of 25 percent.
 - iii. "Operational deposits" means deposits that are functionally necessary to provide the operational services such as trust, clearing or custody, settlement, asset management and cash management services. Deposits are provided pursuant to a legally binding agreement, the termination of which is subject to a minimum thirty calendar day notice period or significant switching costs to be borne by the customer.
 - iv. "Retail funding" means deposits placed with a bank by individuals or natural persons and small businesses.
 - v. "Shadow banking entities" means non-bank financial intermediaries that provide services similar to traditional financial institutions but operate outside the standard regulatory framework. These include money market funds, hedge funds, securitization vehicles, peer to peer (P2P) lending platforms etc.
 - vi. "Significant currency" means a currency where the aggregate liabilities of the bank denominated in that currency as at the end of the period amounts to 10 percent or more of the bank's total liabilities.
 - vii. "Trade date" means the date when an order to purchase, sell or otherwise acquire a security is performed. The trade date can apply to the purchase, sale or transfer of bonds, equities, foreign exchange instruments, commodities, futures, or any other tradable instrument.

- viii. “Wholesale funding” means liabilities and general obligations that are raised from legal persons (i.e., legal entities including sole proprietorships and partnerships, non-financial corporates and sovereigns, central banks, multilateral development banks, and Public Sector Entities).

5. Internal Liquidity Adequacy Assessment Process

- a. A sound, effective and comprehensive ILAAP is based on two pillars: the economic and the normative perspectives. Both perspectives are expected to complement and inform each other.
- b. The ILAAP is also an important input factor in the Supervisory Review and Evaluation Process (SREP) under Pillar 2 of the Basel Committee’s publications on the International Convergence of Capital Measurement and Capital Standards, or the Basel II Accord. It feeds into all SREP assessments and into the Pillar 2 liquidity determination process in accordance with the BOU guidelines on common procedures and methodologies for the SREP.
- c. A good ILAAP reduces uncertainty concerning the risks that a financial institution is or may be exposed to and gives supervisors an increased level of confidence in the financial institution’s ability to continue operating by maintaining adequate liquidity buffers and stable funding and by managing its risks effectively. This requires the financial institution, in a forward-looking manner, to ensure that all material liquidity risks are identified, effectively managed (using an appropriate combination of quantification and controls) and covered by a sufficient level of high-quality liquidity buffers.

5.1. Principle of proportionality

- a. BOU expects a fair degree of variation from the supervised financial institutions (SFIs) with regards to the ILAAP. However, it is the responsibility of the SFI to ensure that its ILAAP remains comprehensive and proportionate to the nature, scale and complexity of its activities, bearing in mind that proportionality is not to be applied in a way that undermines the effectiveness of its ILAAP.

5.2. Scope of application

- b. The Guidelines are relevant for financial institutions under the Financial Institutions Act 2004 (amended 2016) and the Microfinance Deposit Taking Institutions Act 2003.
- c. These Guidelines are not meant to provide complete guidance on all aspects relevant for sound ILAAPs. The implementation of an ILAAP that is adequate for a financial institution’s particular business remains the responsibility of the financial institution. BOU will assess financial institutions’ ILAAPs as part of the SREP.

- d. Financial institutions should take into account all ILAAP-related recommendations addressed to them, arising from the SREP.

5.3. Components of a sound, effective and comprehensive ILAAP

- a. The ILAAP should reflect the liquidity risk management approach in the SFI as prescribed in the Bank of Uganda risk management guidelines. Components of a sound, effective and comprehensive ILAAP include:

5.3.1. ILAAP governance framework

- a. The board of directors of the SFI is responsible for defining its risk appetite and ensuring that the risk management framework includes detailed policies that set specific prudential limits on the financial institutions' activities. The board of directors of the SFI shall approve the key elements of its ILAAP which include but are not limited to:
 - i. The ILAAP governance framework
 - ii. The internal documentation framework
 - iii. The risk identification and classification process and the internal risk inventory reflecting the scope of material liquidity risks as well as the coverage of those risks by liquidity buffers
 - iv. Risk quantification methodologies, including high-level risk measurement assumptions and parameters such as the time horizon, confidence levels and maturity profiles supported by reliable data and sound data aggregation systems
 - v. The approach used to assess liquidity adequacy including the stress-testing framework and a well-articulated definition of liquidity adequacy
 - vi. Quality assurance of the ILAAP, with respect to the key inputs for the liquidity adequacy statement (LAS) including the establishment and role of internal validation, the use of self-assessment against applicable rules, regulations and supervisory expectations, controls in place for validating the financial institution's data, stress test results and models applied.
- b. The board of directors and senior management must possess sufficient knowledge of all major business lines to enable a robust discussion and challenging of the ILAAP.
- c. The board of directors is responsible for maintaining a sound and effective overall ILAAP architecture, ensuring that the different elements of the ILAAP fit coherently together and that the ILAAP is an integral part of the institution's overall management framework. The institution is expected to have a clear view of how these elements are consistently integrated into an effective overall process that allows it to maintain liquidity adequacy

over time.

- d. The SFI shall include a description of the overall ILAAP architecture, explaining the high-level structure of the ILAAP, how its outcomes are used in decision-making, and the connections between, for example, business and risk strategies, funding plans, risk identification processes, the risk appetite statement, limit systems, risk quantification methodologies, the stress-testing program and management reporting.

5.3.2. Liquidity adequacy statement (LAS)

- a. Each reporting year, the board of directors is expected to provide its assessment of the liquidity adequacy of the financial institution, supported by ILAAP outcomes and any other relevant information, by producing and signing a clear and concise statement, the liquidity adequacy statement (LAS). The LAS is part of the ILAAP and should be submitted to BOU every 2 years and by the last day of April. However, an institution is at liberty to review the LAS on a more frequent basis.
- a. In the LAS, the board explains its main supporting arguments for the LAS. A sound LAS demonstrates that the board has a good understanding of the liquidity adequacy of the entity, its main drivers and vulnerabilities, the main ILAAP inputs and outputs, the parameters and processes underlying the ILAAP and the coherence of the ILAAP with its strategic plans.

5.4. The liquidity risk appetite

- a. The liquidity risk appetite (LRA) shall comply with the requirements in Regulation 5(2) of the Financial Institutions (Liquidity) Regulations 2023.
- b. To ensure effective monitoring and governance, the liquidity risk appetite shall incorporate a balanced mix of both quantitative and qualitative measures. The LRA must be described and defined in the ILAAP.
- c. A well-defined risk appetite, approved by the board, shall at a minimum have the following characteristics:
 - i. Define the duration and type of stress or stresses that the SFI aims to survive.
 - ii. Appropriate limits, which may include:
 - regulatory and gap limits,
 - concentration limits around currency and funding sources,
 - the amount and composition of liquid asset buffers,
 - encumbrance of assets, and
 - the SFI's structural liquidity position.

- iii. Survival days including including in each significant currency in which the bank operates, taking into account potential unavailability of collateral Articulate the amount of risk the SFI is willing to take across different business lines to achieve its strategic objectives. Formalize the interplay with strategic processes such as the internal capital adequacy assessment process (ICAAP), the ILAAP, the recovery plan and the remuneration framework.
- iv. Be cascaded appropriately throughout the SFI.
- d. A financial institution is expected to clearly express how the implementation and monitoring of its strategy and risk appetite are supported by its ILAAP, and how this effectively allows it to comply with the agreed risk boundaries set out in the risk appetite.
- e. To facilitate sound and effective risk management, the financial institution is expected to use the ILAAP outcomes when establishing an effective risk monitoring and reporting system and an adequately granular limit system (including effective escalation procedures) that allocates specific limits to, for example, individual risks, sub-risks, entities, and business areas, promoting the risk appetite of the institution.

5.5. Funding Strategy

In accordance with Regulation 6(3)(f) of the Financial Institutions (Liquidity) Regulations 2023 and Principle 7 of the Basel Core principles, a financial institution shall establish a funding strategy that provides effective diversification in the sources and tenor of funding. It should maintain an ongoing presence in its chosen funding markets and strong relationships with funds providers to promote effective diversification of funding sources.

A financial institution should regularly gauge its capacity to raise funds quickly from each source. It should identify the main factors that affect its ability to raise funds and monitor those factors closely to ensure that estimates of fund-raising capacity remain valid.

With respect to its funding strategy, the financial institution shall as part of its ILAAP, provide a description of:

1. Diversity of its funding base including reliance on key funding products, geographic diversity of its funding sources, both local and international, granularity of funding base etc.
2. Stability of the funding base considering the maturity profile, wholesale versus retail funding, market sensitivities, deposit insurance and any off balance sheet funding issues.
3. Cost of the funding base taking into account any potential tradeoff between maturity and yield and operational costs such as deposit servicing.
4. Other considerations such as regulatory compliance, capital adequacy etc.

The financial institution shall also complete and submit the funding plan template attached in Annex 1 to these guidelines as part of its ILAAP. The instruction notes for compilation of the template are also included in Annex 1.

5.6. Liquidity Risk Management

- a. A financial institution shall have robust strategies, policies, processes and systems in place for the identification, measurement, monitoring and control of liquidity risk over an appropriate set of time horizons, including intraday, to ensure that it maintains adequate liquidity buffers. These strategies, policies, processes and systems must be quantitative and qualitative, tailored to business lines, currencies, branches and legal entities and must include adequate allocation mechanisms of liquidity costs, benefits and risks.

5.4. The strategies, policies, processes and systems must be proportionate to the complexity, risk profile and scope of operation of the financial institution, and the liquidity risk appetite set by the board. They must reflect the financial institution's importance in each jurisdiction in which it conducts business.

5.6.1. Risk identification process

- a. A financial institution shall implement a comprehensive, forward looking risk identification process taking both normative and economic perspectives into account. In addition, it should consider any concentrations within and correlations between risks, that may arise from pursuing its strategies or from relevant changes in its operating environment.
- b. The risk identification process shall follow a “gross approach”, i.e. without taking into account specific techniques designed to mitigate the underlying risks.
- c. A financial institution shall identify its exposures to shadow banking entities, payment service providers and operators as well as all potential risks arising from those exposures, and the potential impact of those risks.
- d. In its risk inventory, the financial institution shall consider the underlying risks, where material, stemming from its financial and non-financial participations, subsidiaries and other connected entities (for example, intragroup risk, reputational and operational risks, risks stemming from letters of comfort, etc.).
- e. In a proportionate way, the financial institution is expected to look beyond participation risks and identify, understand and quantify significant underlying risks, incorporating them in its internal risk classifications, regardless of whether the entities concerned are

included within the prudential perimeter or not. The depth of the analysis of the underlying risks is expected to be commensurate with the business activity and the risk management approach of the institution.

- f. A financial institution shall assess all relevant products, clients, contracts (triggers) from a maturity and behavioral perspective for the different time horizons considered, including intraday. Such risks may, for example, stem from increased outflows, reduced inflows or reduced liquidity value of liquid assets. Both on- and off-balance-sheet items shall be considered in this regard, including contingent liquidity impacts from collateral calls and margin calls owing to market movements or a reduction in own creditworthiness.
- g. The ILAAP shall institute a sound process for determining and monitoring what currencies are considered material for liquidity risk.
- h. The financial institution is expected to clearly identify any material risks, including those stemming from cross-border activities, resulting in liquidity risk being (partly) taken in a currency other than the currency of the corresponding buffers of liquid assets. Such risks are expected to be quantified in the ILAAP both under normal conditions (balance sheet positions and currency differences) and under stressed conditions (liquidity value of liquid assets in foreign currency versus stressed net outflows in foreign currency) for each currency that is considered material.

5.6.2. Liquidity risk quantification

- a. The financial institution shall implement liquidity risk quantification methodologies that are tailored to its individual circumstances i.e. in line with its risk appetite, market expectations, business model, risk profile, size and complexity.
- b. Where the risk may be difficult to quantify or the relevant data are not available, the financial institution is expected to determine sufficiently conservative risk figures, taking into consideration all available information while maintaining consistency in its choice of risk quantification methodologies.
- c. The key parameters and assumptions should cover, amongst others, confidence levels and scenario generation assumptions.
- d. In the case of cross-border activities, the impact of impediments to the transfer of liquidity between legal entities, countries and currencies should be quantified.

5.6.3. Level of conservatism

- a. The risk quantification methodologies and assumptions used under the economic and normative perspective are expected to be robust, sufficiently stable, risk-sensitive and

conservative enough to quantify liquidity outflows that occur rarely. Uncertainties arising from risk quantification methodologies are expected to be addressed by an increased level of conservatism.

5.6.4. Choice of risk quantification methodologies

- a. A financial institution should implement adequate methodologies to quantify its risks and make projections. The methodologies used shall be consistent with each other, with the perspective considered and with the definition of liquidity and stable funding. They should adequately capture the risks to which the financial institution is exposed, taking into account the principle of proportionality. This means, for example, that larger or more complex financial institutions, or financial institutions that have more complex risks, are expected to use commensurate risk quantification methodologies.
- b. However, a financial institution is not expected to implement risk quantification methodologies that it does not fully understand and which, consequently, are not used for its own internal risk management and decision-making. The financial institution should demonstrate the adequacy of the methodologies for its individual situation and risk profile. In the case of vendor models, this includes the expectation that such models shall not be imported mechanically, but rather should be fully understood by the financial institution and customized to its business and risk profile.

5.6.5. Independent validation

- a. ILAAP risk quantification methodologies shall be subject to regular independent validation, taking into account the complexity of the risk quantification methodology.
- b. Depending on the size and complexity of the financial institution, various organizational solutions may be adopted to ensure segregation of duties between the development and validation of risk quantification methodologies, and this must be documented in the internal policies. However, the concepts underlying the various lines of defense should be respected, i.e., the independent validation shall not be conducted by the internal audit function.
- c. The overall conclusions of the validation process shall be reported to senior management and the board, used in the regular review and adjustment of the quantification methodologies and taken into account when assessing liquidity adequacy.

5.6.6. Liquidity risk monitoring and control

- a. SFIs shall monitor liquidity adequacy metrics to identify and assess potential threats over different time horizons, including intraday, in a timely manner, drawing practical conclusions and taking preventive action to ensure that regulatory and internal liquidity

buffers remain adequate.

5.6.7. Appropriate management information systems

- a. A financial institution must have a reliable management information system (MIS), encompassing all systems that generate information for management decision making, so as to provide the board, senior management and other appropriate stakeholders with timely and forward-looking information on the liquidity position of the bank.
- b. The SFI should have an appropriate infrastructure and MIS that allows for the aggregation of exposures and risk measures across business lines and supports customized identification of concentrations and emerging risks.
- c. MIS developed to achieve this objective must support the ability to evaluate the impact of various types of economic and financial shocks that affect the whole of the institution. Additionally, SFIs' systems must be flexible enough to incorporate hedging and other risk mitigation actions to be carried out on an institution-wide basis while taking into account the various related basis risks.
- d. SFIs' MIS must be adaptable and responsive to changes in underlying risk assumptions and must incorporate multiple perspectives of risk exposure to account for uncertainties in risk measurement. In addition, MIS must be sufficiently flexible so that SFIs can generate forward-looking institution-wide scenario analyses that capture management's interpretation of evolving market conditions and stressed conditions.
- e. Third party inputs or other tools used within MIS such as credit ratings, risk measures amongst others must be subject to initial and ongoing validation. The frequency of validation should be set in the institution's internal policies. BOU shall determine on a case-by-case basis whether this is sufficient.
- f. SFIs' MIS must be capable of capturing limit breaches and there must be procedures in place to promptly report such breaches to the board and senior management, as well as to ensure that appropriate follow-up and remedial actions are taken. For instance, similar exposures must be aggregated across business platforms (including the banking and trading books) to determine whether there is a concentration or a breach of an internal position limit.
 - i. On risk data, aggregation and IT systems, SFIs shall ensure that they submit the following as part of the ILAAP report:
 - ii. Description of the framework and process to gather, analyze, store, aggregate and secure risk data across various levels of the SFI.
 - iii. Description of data validation process for risk data used for ILAAP

5.6.8. Intra-day management of liquidity

- a. The ILAAP should indicate a financial institution's approach to managing its intra-day liquidity positions and any related risks so that it is able to meet its payment and settlement obligations on a timely basis.
- b. For the purposes of the above paragraph, a financial institution should demonstrate that its intra-day liquidity management arrangements enable it:
 - i. To meet its payment and settlement obligations on a timely basis under both normal and stressed financial conditions
 - ii. To identify and prioritize the most time-critical payment and settlement obligations
 - iii. In relation to the markets in which it is active and the currencies in which it has significant positions, to measure, monitor and deal with intra-day liquidity risk.
 - iv. A financial institution must be able to demonstrate that it can measure expected daily gross liquidity inflows and outflows, anticipate the intra-day timing of these flows where possible, and forecast the range of potential net funding shortfalls that might arise at different points during the day.

5.6.9. Transfer pricing

- a. ILAAP shall describe a financial institution's approach to incorporation of its liquidity and funding costs, benefits and risks into its product pricing, performance measurement and incentives, and new product and transaction approval processes. All significant business lines both on and off-balance sheet should be included.
- b. Both stressed and business-as-usual costs shall be assessed and the process shall be transparent and understood by business line management, and regularly reviewed to ensure it remains appropriately calibrated.

5.6.10. Management of collateral

- a. ILAAP shall describe a financial institution's approach to management of collateral positions, distinguishing between pledged and unencumbered assets that are available at all times, in particular during emergency situations. The ILAAP must consider the legal entity in which assets reside, the country where assets are legally recorded either in a register or in an account as well as their eligibility and must monitor how assets can be mobilized in a timely manner.

5.6.11.Management of asset encumbrance

- a. The ILAAP shall describe a financial institution's management of its asset encumbrance position taking into account its business model, the countries in which it operates, the specificities of the funding markets and the macroeconomic situation.
- b. The ILAAP shall demonstrate that the board and senior management receive timely information on:
 - i. The current and expected level and types of asset encumbrance and related sources of encumbrance, such as secured funding or other transactions.
 - ii. The amount, expected level and credit quality of unencumbered assets that are capable of being encumbered, specifying the volume of assets available for encumbrance; and
 - iii. The expected amount, level and types of additional encumbrance that may result from stress scenarios.

5.6.12.Managing liquidity across legal entities, business lines, countries and currencies

- a. ILAAP shall describe a financial institution's approach to managing its liquidity risk exposures and related funding needs, considering:
 - i. Existing legal, regulatory and operational limitations to potential transfers of liquidity and unencumbered assets amongst entities.
 - ii. Any other constraints on the transferability of liquidity and unencumbered assets across business lines, countries and currencies.

5.6.13.Funding diversification and market access

- a. ILAAP shall demonstrate that a financial institution has access to funding which is adequately diversified, by both source and tenor.
- b. ILAAP shall describe a financial institution's methodologies for the identification, measurement, management and monitoring of funding positions. These methodologies must include the current and projected material cash-flows in and arising from assets, liabilities, off-balance-sheet items, including contingent liabilities and the possible impact of reputational risk.

5.6.14. Liquidity planning for Trust accounts related to mobile money transactions

- a. Although the funds in trust accounts are segregated from a financial institution's general liabilities, the **liquidity risks** they pose—particularly due to their demand nature and the bank's custodial role—require careful liquidity planning.
- b. This means that a financial institution must hold **adequate high-quality liquid assets (HQLA)** to meet potential liquidity outflows from these accounts.
- c. A financial institution should model expected outflows from these accounts and incorporate them into its **liquidity stress tests**.
- d. **Contingent Liquidity Risk:** Mobile money accounts can introduce **contingent liquidity risks** if there are large or sudden withdrawals by mobile money agents or users. To mitigate this risk, a financial institution should determine a liquidity buffer specifically for covering these contingent claims, based on historical transaction data and stress scenarios.

5.7. Consistency between ILAAPs and recovery plans

- a. A recovery plan aims at providing measures to be taken by a financial institution to restore its financial position following a significant deterioration. Since insufficient liquidity is one of the key threats to business continuity/viability, the ILAAP and the recovery plan are expected to be parts of the same risk management continuum. While the ILAAP is aimed at maintaining the continuity of a financial institution (within its strategy and intended business model) recovery plans set out measures (including extraordinary measures) to restore its viability following a significant deterioration.
- b. Accordingly, financial institutions are expected to ensure consistency and coherence between their ILAAPs, on the one hand, and their recovery plans and arrangements (e.g. thresholds for early warning signals and recovery indicators, escalation procedures, and potential management actions) on the other. Moreover, potential ILAAP management actions with material impact are expected to be reflected without delay in the recovery plan, and vice versa, to ensure that the processes and the information included in related documents are consistent and up to date. Consistency and coherence across groups
- c. The quantitative and qualitative aspects of the ILAAP are expected to be consistent with each other and with the financial institution's business strategy and risk appetite. The ILAAP is expected to be integrated into the business, decision-making and risk management processes of the financial institution and should be consistent and coherent throughout the group where applicable.

- d. The ILAAP is expected to ensure liquidity adequacy at relevant levels of consolidation and for applicable entities of the group. To be able to effectively assess and maintain liquidity adequacy across entities, the strategies, risk management processes, decision-making and the methodologies and assumptions applied when quantifying liquidity should be coherent across the relevant perimeter.
- e. Where national ILAAP provisions or guidance differ for certain entities or sub-groups, their implementation on those levels of the group or sub-group may require diverging approaches to a certain degree. However, financial institutions are expected to ensure that this does not interfere with the effectiveness and consistency of the ILAAP on each relevant level.
- f. In the case of cross-border operations facing differences in local liquidity risk management requirements, the ILAAP at the highest level of consolidation is expected to make it clear which local differences in regulation are relevant. In general, the expectation is that such differences in regulation will only affect the details of implementation, such as stress test parameters, sign-off and reporting, etc., and will not compromise consistency in the general approach to the ILAAP. The financial institution is also expected to assess impediments to liquidity transferability in a conservative and prudent manner and take them into account in its ILAAP.

5.8. Continuity of the financial institution and liquidity adequacy

- a. The objective of the ILAAP is to contribute to a financial institution's continuity from a liquidity perspective by ensuring that it has sufficient liquidity to fulfill its obligations when they fall due, to bear its risks and follow a sustainable strategy, even during a prolonged period of adverse developments. The financial institution is expected to reflect this continuity objective in its RAF and use it to reassess its risk appetite and tolerance thresholds within its overall liquidity constraints, considering its risk profile and vulnerabilities.
- b. Within these liquidity constraints, a financial institution is expected to assess and define management buffers above the regulatory and supervisory minima and internal liquidity needs that allow it to sustainably follow its strategy.
- c. When aiming for sufficient management buffers over the short-term horizon, the financial institution shall consider, for example, the expectations of markets, investors and counterparties and the reliance of the business model on the ability to pay out bonuses and dividends.

In addition to such external constraints, the management buffers are expected, for example, to cushion uncertainties around projections of, and possible resulting fluctuations in, liquidity ratios, to reflect the financial institution's risk appetite and to allow it some flexibility in its

business decisions.

5.8.1. Economic liquidity adequacy

- a. A financial institution shall manage its liquidity adequacy from an economic perspective by ensuring that its risks and expected outflows are adequately covered by internal liquidity.
- b. Economic liquidity adequacy requires the internal liquidity of a financial institution to be sufficient to cover its risks and expected outflows and to support its strategy on an ongoing basis. Under this perspective, the financial institution's assessment is expected to cover the full universe of risks that may have a material impact on its liquidity position, taking into account cash flows and the applicable liquidity value of liquid assets. The financial institution is expected to manage economic risks and adequately assess them in its stress-testing program and its monitoring of liquidity adequacy.
- c. A financial institution shall use its own processes and methodologies to identify, quantify, and provide internal liquidity for the expected and unexpected outflows that it might be subject to, taking into account the principle of proportionality. The financial institution shall perform a point-in-time risk quantification of the current situation as at the reference date. This shall be complemented by a forward-looking liquidity adequacy assessment for the medium term that considers future developments, like changes in the external environment. Financial institutions shall capture at least three years for the forward-looking assessment.
- d. For this purpose, in addition to assessing the available liquidity against liquidity needs in its daily operations and funding planning under a baseline scenario, a financial institution shall also consider adverse/worst-case scenarios. Where relevant, the assumptions used shall be consistent with the recovery plan.
- e. A financial institution shall use the outcomes and metrics of the economic liquidity adequacy assessment in its strategic and operational management, when reviewing its risk appetite, in its interactions with clients (stopping new business, enforcing repayment at contract date without refinancing, etc.) and markets (fire sales and other actions that affect market perception when executed) and when reviewing its business strategies.
- f. In addition to prudent definition of internal liquidity buffers and risk quantification, a financial institution is expected to present an economic liquidity adequacy concept that enables it to remain economically viable and follow its strategy. This includes management processes to identify in a timely manner the need for action to overcome emerging internal liquidity deficiencies and to take effective measures (e.g. increasing liquidity buffers, changing the cash flow profile).

5.8.2. Normative internal perspective

- a. The normative perspective is a multi-year assessment of a financial institution's ability to fulfill all of its liquidity-related (quantitative) regulatory and supervisory requirements, and to cope with other external financial constraints, on an ongoing basis.
- b. The normative perspective shall consider all aspects that could affect relevant regulatory ratios, including inflows, outflows and liquidity buffers, over the planning period. When assessing its liquidity adequacy under the normative perspective, the financial institution shall consider the assumptions it uses under the economic perspective when calculating the Pillar 1 ratios in the ICAAP.
- c. A financial institution is expected to maintain a robust, up-to-date liquidity plan that is compatible with its strategies, risk appetite and liquidity resources. The financial institution shall also consider the impact of upcoming changes in legal, regulatory, and accounting frameworks and make an informed and reasoned decision on how to address them in the liquidity plan.
- d. To assess the expected evolution of key normative and economic internal metrics under adverse developments in ongoing business expectations, a financial institution needs to assess the level of these metrics under adverse conditions against internal thresholds as defined in the risk appetite statement. This means that the financial institution is expected to develop a plan that enables it to remain resilient and pursue its strategy, e.g. by taking concrete action (change in liquidity profile) as a result of the projections it has made. This also implies that the financial institution is expected to monitor the potential decline in liquidity adequacy under such conditions and link this to its risk appetite, liquidity contingency plan (LCP) and recovery plan.

5.8.3. Interaction between the economic and the normative perspectives

- a. Under the normative perspective, a financial institution is expected to form an internal view on the scenarios used and on the impacts of those scenarios on projected Pillar 1 and Pillar 2 figures. Under the economic perspective, the financial institution shall select adequate scenarios and determine the impact on the respective projections. In addition, under the economic perspective it is also expected to determine adequate assumptions and measures for all supply, demand and surplus-relevant calculation methodologies.
- b. The differences in methodologies, measures and assumptions used can lead to very different outcomes of the assessments between the two perspectives, even if the same scenario is applied.
- c. The same is true with regard to management actions taken into account in liquidity planning under the two perspectives. The same management actions may have materially

different impacts, depending on the perspective and the scenario considered. Hence, a financial institution shall factor this into its liquidity planning and ensure that management actions and assumptions under the different perspectives are consistent with each other.

- d. If a financial institution assumes management actions in its liquidity plan, it is expected to assess the feasibility and expected impact of such actions under the respective scenarios, and to be transparent about the quantitative impact of each action on projected figures.
- e. The economic and normative perspectives are expected to mutually inform each other and be integrated into all material business activities and decisions.

5.8.4. Liquidity contingency plan

- a. A financial institution shall have a clear and concise liquidity contingency plan to meet unexpected liquidity shortfalls.
- b. The ILAAP shall contain a liquidity contingency plan (LCP) which includes an assessment of the potential liquidity sources that can be generated during stress periods, the execution time for the measures, potential negative effects on the profit and loss account, reputation, business model viability, etc. and the likelihood of completion of the measures under stressed conditions. Such liquidity contingency measures should be consistent with the risks identified and quantified in the ILAAP.
- c. The liquidity contingency plan shall include strategies to address the contingent encumbrance resulting from relevant stress events including downgrades in the financial institution's credit rating where applicable, devaluation of pledged assets and increases in margin requirements.
- d. The liquidity contingency plan shall be regularly evaluated and tested to ensure its effectiveness and operational feasibility,
- e. The LCP shall be reviewed and approved by the financial institution's board and senior management, so that internal policies and processes can be adjusted accordingly.
- f. The financial institution shall update the LCP at least once a year or more often as business activities or market circumstances change and submit the updated version to BOU.
- g. A financial institution shall take the necessary operational steps in advance to ensure that liquidity contingency plans can be implemented immediately including holding collateral that qualifies for central bank funding. The operational steps undertaken shall cater for all currencies in which a financial institution holds material exposure.

5.8.5. Internal definition of liquidity buffers

- a. A financial institution shall define which assets and future inflows can be considered to be available for purposes of assessing its liquidity adequacy, taking a prudent and conservative approach. This internal definition shall be based on the likelihood of the liquidity sources being utilized to obtain liquidity under normal and stressed conditions.
- b. An explicit internal view shall be formed on the desired composition of the buffers of liquid assets used to cover liquidity risks. A financial institution shall give preference to high quality liquid assets when forming the liquidity buffers. Internal limits shall be set with a clear link between the target size of the buffers of liquid assets and the liquidity risks that could materialize over various time frames, taking into account a time frame of at least one year.

5.8.6. Internal definition of stable sources of funding

- a. For purposes of assessing its funding sustainability, a financial institution shall define which funding sources can be regarded as stable, taking a prudent and conservative approach. An explicit internal view shall be formed on the stickiness of deposits and the (behavioral) cash flow profile, taking behavioral assumptions into account.
- b. The financial institution shall assess the stability of its funding profile, accounting for the diversity (or concentration) of funding providers, markets, and products, and assess its market access in terms of volume and pricing, taking into account current and expected asset encumbrance when executing the funding plan.

5.9. Regular stress testing

5.9.1. Determination of the stress-testing programme

- a. The board shall review the stress tests and scenario analysis on a regular basis to ensure that their nature and severity remain appropriate and relevant to the financial institution.
- b. The financial institution shall have a policy framework on liquidity stress testing, including items such as the number of scenario's used, scope, reporting frequency, risk drivers (macro and idiosyncratic), and, where relevant, split in currencies / regions / business units.
- c. The policy shall also include a description of the criteria for calibrating scenarios, selecting appropriate time horizons including intraday, where relevant, quantification of the impact of stress on the liquidity value of buffer assets, etc.

- d. The extent and frequency of testing shall be commensurate with the size and complexity of the financial institution and its liquidity risk exposure.
- e. Notwithstanding the provision above, a financial institution shall conduct liquidity stress testing at least quarterly and more frequently during periods of liquidity stress in line with the severity of the stress.
- f. The stress-testing framework shall cover both the normative and the economic perspective. When defining the set of internal stress test scenarios and sensitivities, a financial institution shall use a broad set of information on historical and hypothetical stress events.
- g. It is the financial institution's responsibility to define scenarios and sensitivities in a manner that best addresses its individual situation and to translate them into liquidity inflows and outflows and applicable liquidity values of liquid assets.
- h. The normative perspective shall be covered under the stress-testing programme in such a way that the impact of the stress events on the evolution of the projected regulatory ratios such as the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), concentration of funding, contractual maturity analysis, and the liquidity ratio are analyzed at various points in time.

5.9.2. Stress scenarios and tools

- a. A financial institution shall consider the impact of alternative scenarios on liquidity positions and risk mitigants and must review the assumptions underlying decisions concerning the liquidity position at least quarterly. For these purposes, alternative scenarios must address, among others, off-balance sheet items and other contingent liabilities, including special purpose entities in relation to which the financial institution acts as sponsor or provides material liquidity support. A financial institution therefore must conduct on regular basis appropriate stress tests so as to:
 - i. Identify sources of potential liquidity strain
 - ii. Ensure that current liquidity exposures continue to conform to the liquidity risk and funding risk appetite established by that financial institution's board
 - iii. Identify the effects on that financial institution's assumptions about pricing
- b. A financial institution shall be expected to analyze on a regular basis the separate and combined impact of possible future liquidity stresses on its:
 - i. Cash flows

- ii. Liquidity position
 - iii. Balance sheet position
 - iv. Profitability
 - v. Solvency (regulatory capital and reserves)
- c. The assumptions that a financial institution shall consider for determining the maturity mismatch in a stress scenario may include the following:
- i. No rollover of existing liabilities is assumed to take place. For assets, the financial institution is assumed not to enter into any new contracts.
 - ii. Contingent liability exposures that would require a change in the state of the world such as contracts with triggers based on a change in prices of financial instruments or a downgrade in the financial institution's credit rating need to be detailed, grouped by what would trigger the liability, with the respective exposures clearly identified.
 - iii. A financial institution shall record all securities flows. This will allow supervisors to monitor securities movements that mirror corresponding cash flows as well as the contractual maturity of collateral swaps.
 - iv. Assumptions regarding future cash flows from assets include but are not limited to the marketability of existing assets, the extent to which maturing assets will be renewed, the extent to which new assets will be acquired hence reducing contractual cash inflows.
 - v. A financial institution experiencing asset quality problems shall not assume that assets will materialize when due.
 - vi. With regard to assets with embedded options such as timing and amount of withdrawal being uncertain, a financial institution shall conduct an analysis of historical observations to determine its cash flow patterns and derive behavioral assumptions applicable to its cash flows.
 - vii. A financial institution shall also examine the probability of significant cash flows from off-balance sheet activities. The contingent nature of most off-balance sheet instruments increases the complexity of managing the associated cash flows. A financial institution must evaluate its impact on funding and ascertain a normal level of net cash flows arising from such activities on an on-going basis.
 - viii. The financial institution's stress tests shall take into account how the behavior of counterparties (or their correspondents and custodians) may affect the timing of cash

flows, including on an intraday basis. Where the financial institution uses a correspondent or custodian to conduct settlement, the impact of those agents restricting their provision of intraday credit should be analysed. The financial institution is also expected to understand the impact of a particular stress event on its customers' use of intraday credit, and how those needs may affect its own liquidity position.

- ix. The behavioral assumptions of all the assets shall be documented and approved by the board. These assumptions shall be reviewed on an ongoing basis to ensure their continued validity. The scenario design is subject to regular reviews to ensure that the nature and severity of the scenarios tested remain appropriate and relevant to the financial institution. These reviews take account of changes in market conditions, changes in the nature, size or complexity of the financial institution's business model and activities, and actual experiences in stress situations.
- d. When making assumptions of future cash flows, a financial institution shall as a minimum determine:
 - i. The proportion of maturing assets and liabilities that the SFI will rollover or renew
 - ii. The expected growth level of new loans and deposits
 - iii. The behaviour of assets and liabilities that have uncertain maturity dates
 - iv. The behavior of interest rates
 - v. The behaviour of cash flows from off-balance sheet activities
 - vi. Access to standby facilities, interbank money market and intra-group funding
 - vii. The convertibility of foreign currencies.
- e. As liquidity transferability can be very different during periods of stress compared with normal times, a financial institution with significant cross-border activities shall assess the transferability of liquidity within the group and take this into account in its stress-testing programme. It shall analyze the impact and likelihood of impediments to liquidity transferability under stressed conditions and identify remedial actions and contingency measures for such a scenario.
- f. In designing the stress scenarios, the financial institution shall take into consideration the nature of its activities, concentrations and vulnerabilities in relation to its business model, funding risks and market risks so that the scenarios enable the financial institution to evaluate the potential adverse impact of these factors on its liquidity position.

- g. The financial institution shall take into account the link between reductions in market liquidity and constraints on access to funding liquidity, particularly if the financial institution has a significant market share in, or is heavily reliant upon, specific funding markets.
- h. In stress testing its liquidity position, the financial institution shall consider the insights and results of stress tests performed for various other risk types as well as possible interactions therein.
- i. The stress tests conducted by financial institutions should reflect accurate or prudent timeframes for the settlement of any assets to be liquidated or for the cross-border transfer of liquidity.
- j. A financial institution shall consider the risk that operational or financial disruptions may prevent or delay funds flows across systems to the extent that it relies on liquidity outflows from one system to enable it meet obligations in another.
- k. In carrying out the liquidity stress tests, a financial institution shall make appropriate assumptions around the major sources of risk , including:
 - i. Retail funding risk
 - ii. Wholesale secured and unsecured funding risk
 - iii. Risks arising from the correlation between funding markets and lack of diversification between funding types
 - iv. Off-balance sheet funding risk
 - v. Risks arising from the bank's funding tenors
 - vi. Risks associated with a deterioration of a financial institution's credit rating
 - vii. Cross-currency funding risk
 - viii. Risk that liquidity resources cannot be transferred across entities, sectors and countries
 - ix. Funding risks resulting from estimates of future balance sheet growth
 - x. Franchise risk
 - xi. Marketable assets risk
 - xii. Non-marketable assets risk

- xiii. Intra-group relationship and currency risk (shifting assets between subsidiaries or parent)
- xiv. Internalization risk occurs where an SFI or customer long positions are funded using the proceeds from customer short trades
- xv. Intra-day risk

5.9.3. Severity level of adverse scenarios

- a. In its baseline assessment, a financial institution shall assume developments under expected circumstances, taking into account its business strategy, including credible assumptions regarding inflows and outflows, risk materializations, etc.
- b. In adverse/worst-case scenarios, the financial institution shall assume exceptional, but plausible developments with an adequate degree of severity in terms of their impact on its liquidity position.
- c. The range of adverse scenarios shall adequately cover severe economic downturns, market disruptions and financial shocks, relevant financial institution-specific vulnerabilities, reliance on major funding providers, and plausible combinations of these.

5.9.4. Coherence versus targeting key vulnerabilities

- a. A financial institution is expected to focus on its key vulnerabilities when attempting to define plausible adverse scenarios. ICAAP and ILAAP stress tests are expected to inform each other; i.e. the underlying assumptions, stress test results and projected management actions are expected to be mutually taken into account.

5.9.5. Reverse stress testing

- a. In addition to stress-testing activities that assess the impact of certain assumptions on its liquidity position, a financial institution shall conduct reverse stress-testing assessments.
- b. Such reverse stress tests shall be used to challenge the comprehensiveness and conservatism of the ILAAP framework assumptions.
- c. Reverse stress tests shall be conducted at least once a year. If the likelihood of the resulting scenarios is high, the ILAAP should highlight corrective management actions taken.

5.9.6. Reporting of stress tests results

- a. The ILAAP shall include extracts of stress testing reports discussed at the board and senior management meetings and the minutes thereof. The reports should highlight at a

minimum:

- i. Any vulnerabilities identified and appropriate remedial action
 - ii. How stress testing is embedded in the processes, strategies and systems
 - iii. Use of stress testing in development of liquidity contingency plans
 - iv. Integration of stress testing into business planning process and day-to-day risk management
 - v. Consideration of stress test results when setting internal limits for the management of that financial institution 's liquidity risk exposure
- b. Financial institutions shall keep a written record of special factors and assumptions made in respect of the various stress scenarios, the expected or planned changes in their balance sheet items and the results of these scenarios.

5.10. ILAAP reporting and review

5.10.1. Internal review and validation

- a. The ILAAP shall describe the systems of internal controls implemented to ensure well-ordered and prudent liquidity management.
- b. The ILAAP shall be subject to independent review by internal or external audit and the findings thereof summarized in the report.
- c. Areas that must be reviewed include at a minimum:
 - i. Appropriateness of the SFI's liquidity assessment processes given the nature, scope and complexity of its activities
 - ii. Identification of large depositors, other large funding providers and risk concentrations
 - iii. Accuracy and completeness of data inputs into the bank's assessment processes
 - iv. Reasonableness and validity of scenarios used in the assessment process
 - v. Stress testing and analysis of assumptions and inputs
- d. ILAAP outcomes and assumptions shall be subject to internal review, covering, for example, liquidity planning, scenarios, and risk quantification. The extent to which this review is expected to be quantitative as opposed to qualitative depends on the nature of

the element assessed. This review shall take due account of the limits and constraints arising from the methodologies employed, the underlying assumptions and the input data used in quantifying the risk.

- e. The purpose of the review is to scrutinize whether the internal processes, chosen methodologies and assumptions have led to sound outcomes and whether they remain appropriate with a view to the current situation and future developments. The outcome of this review shall be thoroughly assessed, documented and reported to the board. In case any weaknesses have been identified, effective follow-up actions are expected to lead to a quick rectification of the findings.
- f. Financial institutions shall have a defined process in place to ensure proactive adjustment of the ILAAP to any material changes that occur, such as entering new markets, providing new services, offering new products, or changes in the structure of the group or financial conglomerate.

5.10.2. Management reporting

- a. The ILAAP is an ongoing process. The institution is expected to integrate ILAAP outcomes such as how material risks, key indicators, etc. are evolving into its internal reporting to different managerial levels at appropriate frequencies.
- b. The frequency of reporting to the board is expected to be at least quarterly, but, depending on the size, complexity, business model and risk types of the institution, reporting might need to be more frequent to ensure timely management action, given the potentially rapid changes in the liquidity situation and the immediate impact that an inadequate liquidity position could have on the continuity of the institution.
- c. The ILAAP is expected to support strategic decision-making and, at the same time, be operationally aimed at ensuring that the financial institution maintains adequate liquidity on an ongoing basis, thereby promoting an appropriate relationship between risks and rewards.
- d. All methods and processes used by the financial institution to steer its liquidity as part of the operational or strategic liquidity management process shall be approved, thoroughly reviewed, and properly included in the ILAAP and its documentation.

5.10.3. Reporting to Bank of Uganda

- a. All financial institutions shall conduct ILAAPs once every two years and submit their ILAAP report to BOU not later than the last day of April the year following the end of the year to which the ILAAP relates.
- b. BOU may require financial institutions to submit ILAAP outcomes on a more frequent

basis as it may deem fit.

- c. The ILAAP report shall be financial institution-specific, not prepared in a formulaic manner, and to reflect the applicable business model. BOU is equally skeptical of overly large, unwieldy documents as it is of documents providing too little detail.

5.10.4. Supervisory assessment and adjustment for ILAAP

- a. BOU shall determine through the SREP liquidity assessment whether the liquidity held by the financial institution provides appropriate coverage of the risks to liquidity assessed in the ILAAP document. Also, BOU shall determine through the SREP liquidity assessment whether it is necessary to set specific liquidity requirements to cover risks to liquidity and funding to which a financial institution is or might be exposed.

6. SREP Liquidity Assessment

- a. BOU shall conduct the SREP liquidity assessment process using the following:
 - i. Review the arrangements, strategies, and processes implemented by a financial institution to comply with the liquidity standards laid down in these ILAAP guidelines and the Financial Institutions (Liquidity) Regulations 2023
 - ii. Evaluate the nature of liquidity risks to which the financial institution is or might be exposed
 - iii. Assess the risks that the financial institution poses to the financial system
 - iv. Determine the need for specific liquidity measures by evaluating any further liquidity risks revealed by stress testing
 - v. Quantify the potential specific liquidity requirements; evaluate whether the level and composition of the financial institution's liquidity resources are adequate to meet its liquidity needs over different time horizons using the benchmark calculations
 - vi. Articulation of specific liquidity requirements.
- b. The following benchmarks shall be used to assess the specific liquidity requirements and adjustments for financial institutions.
 - i. Comparative analysis, under stressed conditions, of net cash outflows and eligible liquid assets over a set of time horizons
 - ii. BOU shall assess other risks relating to cash flow mismatch risk: high quality liquid asset (HQLA) monetization risks, 'cliff risk', and foreign currency mismatch risks

- iii. The assessment of liquidity risk shall be based on the cash flow mismatch risk. The time period considered shall be divided into two phases: a short acute phase of stress (up to two weeks) followed by a longer period of less acute, but more persistent stress (up to three months)
- iv. BOU includes in its assessment, assumptions provided by financial institutions on the limitations they are likely to face in monetizing non-cash HQLA. Financial institutions will assess, at least annually, the speed with which they expect to be able to monetize different types of non-cash HQLA, on a daily basis, via repo markets and outright sales, in times of stress. Financial institutions will not include public liquidity insurance as a monetization channel in this assessment. This will enable BOU to monitor financial institutions' resilience to different stresses using self-insurance alone
- v. 'Cliff risk': Financial institutions may 'window-dress' their net cash flows by pushing maturity mismatches just beyond the horizon. Hence the enhanced stress test limit on the net cumulative funding mismatch shall be extended to over 90 days by performing sensitivity checks on assessing the financial institution's vulnerability to an acute retail run, by amplifying outflow rates on uninsured deposits to the maximum withdrawal rate observed by the financial institution, the industry or at international level. A further assessment will be carried out on a financial institution's reliance on wholesale markets and its vulnerability to a market shutdown through an enhanced wholesale stress. This assumes a complete closure of secured and unsecured wholesale markets for a specified period, with all claims and obligations running off at the earliest possible date (according to contractual rights)
- vi. Foreign currency mismatch risks: BOU will monitor financial institutions reported worst net liquidity position on a single currency basis. BOU will also monitor financial institutions' survival days for each significant currency
- vii. BOU may estimate additional amounts of liquid assets (additional liquidity buffers) to be held by the financial institution to extend its minimum buffer if desired.

7. Computation of the Liquidity Coverage Ratio

7.1. Minimum LCR requirement

- a. Every bank must calculate the LCR on a weekly basis and meet the minimum requirements as stipulated in Regulation 10, considering all currencies in which their assets, liabilities and off-balance sheet items are denominated.
- b. For the purpose of 5.1 (a) above, every bank must comply with the LCR on a consolidated basis and in each significant currency in which their liabilities are 10 percent

or more of their total liabilities.

- c. The LCR of a bank will be computed by dividing the stock of high-quality liquid assets by its net cash outflows over the 30-day period, and this ratio must not be less than 100 percent at any time.

$$\text{LCR} = \text{High-quality liquid assets} / \text{Total net cash outflows} \geq 100 \text{ percent.}$$

- d. Bank of Uganda may require a Supervised Financial Institution to maintain higher minimum LCR if it has concerns about the bank's liquidity risk profile or the quality of its liquidity risk management.

7.2.High-Quality Liquid Assets (HQLA): Characteristics

- a. In addition to Regulation 4(4), a bank's high-quality liquid assets are those assets that are liquid in markets during stress, because they have:
- Fundamental characteristics, that is, being low risk, easily valued, having a low correlation with risky assets and being listed on a developed and recognized exchange. HQLA should also be eligible for purchase (or for sale and repurchase transactions) by the Central Bank.
 - Market-related characteristics such as being tradable in active outright sale and repurchase markets at all times, have low volatility and are those assets into which the market tends to invest during a systemic crisis.
 - Operational characteristics that is, there are no operational restrictions on the availability of assets that can prevent them from being converted into cash at little or no loss of value in private markets during stressed conditions.

7.3.High-Quality Liquid Assets: Eligibility for the LCR

- a. A bank shall include assets as HQLA in the calculation of the LCR on a consolidated basis and for each significant currency, applying conversion factors ¹as follows.

Table 1: Assets under HQLA and their respective conversion factors

No.	HQLA	Conversion factor
1.	Notes and coins	100 percent
2.	Nostro Balances	100 percent
3.	Electronic Money balances	100 percent

¹ The LCR conversion factors were determined based on historical trends and Basel recommendations

4.	Balance at the Central Bank including claims held to meet the Central Bank's cash reserve requirement (excluding lien)	100 percent
5.	Bank of Uganda Bill	100 percent
6.	Other Bank of Uganda securities	100 percent
7.	Investment securities issued by and being claims on the Government of Uganda, Central Banks, and Multilateral Development banks having a residual maturity of 30 days or less	100 percent
8.	Marketable securities issued by and being claims on the Government of Uganda, Central Banks, and Multilateral Development Banks having a residual maturity of 91 days or less	100 percent
9.	Marketable securities issued by and being claims on the Government of Uganda, Central Banks, and Multilateral Development banks having a residual maturity of: More than 91 days but up to 1yr Greater than 1yr but up to 3yrs Greater than 3yrs but up to 5yrs Greater than 5yrs but up to 10yrs Greater than 10yrs	90.0 percent 90.0 percent 90.0 percent 90.0percent 90.0 percent

- b. If a liquid asset no longer qualifies as HQLA, (e.g. due to rating downgrade), a bank is permitted to keep such liquid assets as HQLA for an additional 30 calendar days. This would allow the bank time to adjust its HQLA as needed or replace the liquid asset.

7.4. Utilization of HQLA

- a. In a liquidity stress situation, a bank shall immediately notify the Central Bank in writing of the liquidation of its HQLA, where the liquidation will cause its LCR to fall below the prevailing minimum requirements as described in section 5.1.
- b. Such notification shall comprise of the cause of the liquidity stress situation, the remedial actions taken and the timeframe within which the HQLA will be restored to ensure compliance with the LCR minimum requirement.

7.5. Calculation of Net cash outflows for the purposes of the LCR

- a. Banks shall calculate their total net cash outflows for the purposes of the LCR as the total expected cash outflows less the minimum between the total expected inflows and 75 percent of total expected cash outflows, as shown below.

$\text{Net cash outflows over the next 30 calendar days} = \text{Total expected cash outflows} - \text{Min} \{ \text{total expected cash inflows}; 75 \text{ percent of total expected cash outflows} \}$

7.6. Calculation of Total cash outflows

- a. Banks shall calculate the total expected cash outflows by multiplying the outstanding balances of the various categories of liabilities and off-balance sheet commitments due within 30 days, by the conversion factors at which they are expected to run off or be drawn down as shown in the table below.

Table 2: Summary of cash outflows and their respective conversion factors²

No.	Cash outflows maturing in 30 days or less	Conversion factor
1.	Demand and savings deposits	20 percent
2.	Time Deposits	100 percent
3.	Due to financial institutions and residents in Uganda and abroad	100 percent
4.	Other liabilities	100 percent
5.	Net derivative cash outflows	100 percent
6.	Other off-balance sheet cash outflows	5 percent

7.7. Calculation of Total cash inflows

- a. Banks shall calculate the total expected cash inflows by multiplying the outstanding balances of various categories of contractual receivables due in 30 days or less, by the conversion factors at which they are expected to flow in, as shown in the table below.
- b. Cash inflows shall be subject to a cap of 75 percent of the total expected cash outflows.
- c. When considering its available cash inflows, a bank shall only include contractual inflows (including interest payments) from outstanding exposures that are fully performing and for which the bank has no reason to expect a default within the next 30 calendar days.
- d. The bank shall not include contingent inflows in total net cash inflows.

² **Error! Reference source not found.** in the appendix provides a breakdown by counterparty considered for each item in Table 2 above and its corresponding conversion factor.

Table 3: Summary of cash inflows and their respective conversion factors³

No.	Cash inflows expected in 30days or less	Conversion factor
1.	Loans and Advances	
	Government	100 percent
	Non-financial public enterprises	100 percent
	Financial institutions in Uganda and abroad	100 percent
	Private enterprises	50 percent
	Other residents and non-residents	50 percent
2.	Due from banks and non-banks in Uganda and abroad	100 percent
3.	Net derivative cash inflows	100 percent

8. Computation of the Net Stable Funding Ratio

8.1. Minimum requirement for NSFR

- a. In accordance with Regulation 11, the NSFR for each bank shall be equal to at least 100 percent on an ongoing weekly basis and computed by dividing the available stable funding by the required stable funding.

$$\text{NSFR} = \text{Available stable funding (ASF)} / \text{Required stable funding (RSF)} \geq 100 \text{ percent.}$$

- b. BOU may require a bank to maintain a higher NSFR if it has concerns about the bank's liquidity risk profile or the quality of its liquidity risk management.

8.2. Criteria and assumption of Available Stable Funding (ASF)

- a. Banks are required to measure the amount of ASF based on the broad characteristics of the relative stability of their funding sources, including the contractual maturity of their liabilities and the differences in the likelihood of different types of funding providers to withdraw their funding.
- b. Banks shall consider the following criteria in determining the appropriate amounts of stable liabilities:
- Funding tenor: The NSFR is generally calibrated such that longer-term liabilities are assumed to be more stable than short-term liabilities.
 - Funding type and counterparty: The NSFR is calibrated under the assumption that short-term (maturing in less than one year) deposits provided by retail customers and

³ **Error! Reference source not found.** in the appendix provides a breakdown by counterparty considered for each item in Table 3 above and its corresponding conversion factor

SMEs are behaviorally more stable than wholesale funding of the same maturity from other counterparties.

- c. Trust accounts shall not be included in the computation of available stable funding.

8.3.Criteria and assumption of Required Stable Funding (RSF)

- a. Banks are required to measure the amount of RSF based on the broad characteristics of the liquidity risk profile of their assets and off-balance sheet exposures.
- b. Banks shall consider the following criteria in determining the appropriate amounts of required stable funding for various assets:
 - i. Resilient credit creation: Stable funding is required for continuity of lending to the real economy.
 - ii. Bank behavior: The NSFR is calibrated under the assumption that banks may seek to roll over a significant proportion of maturing loans to preserve customer relationships.
 - iii. Asset tenor: The NSFR assumes that some short-dated assets (maturing in less than one year) require a smaller proportion of stable funding because banks would be able to allow some proportion of those assets to mature instead of rolling them over.
 - iv. Asset quality and liquidity value: The NSFR assumes that unencumbered, high-quality assets that can be securitized or traded, and thus can be readily used as collateral to secure additional funding or sold in the market, do not need to be wholly financed with stable funding.

8.4.Calculation of ASF

- a. Banks must calculate the amount of available stable funding by first assigning the outstanding amount of each liability and capital item to the relevant category, then multiplied by each ASF conversion factor ⁴as shown in the table below.
- b. The total ASF is the sum of the weighted amounts. The carrying value represents the amount of a liability or equity instrument before application of any regulatory deductions, filters, or other adjustments.

Table 4: Available stable funding and respective conversion factors

No.	Available Stable Funding (Sources)	Conversion factor
1.	Capital and Reserves	100 percent

⁴ The NSFR conversion factors applied are based on Basel recommendations

2.	Demand and savings deposits maturing in less than a year	95 percent
3.	Time deposits with maturity >1 year	90 percent
4.	Time deposits with maturity of 6 months to 1 year	50 percent
5.	Time deposits with maturity under 6 months	20 percent
6.	Balances due to financial institutions and borrowing from BOU with maturity greater than 1 year	90 percent
7.	Balances due to financial institutions and borrowing from BOU with maturity of 6 months to 1 year	50 percent
8.	Other liabilities with maturity of 6 months to 1 year	50 percent
9.	Other liabilities not included above, with maturity of less than 6 months	0 percent
10.	Other liabilities without a stated maturity, including those with short positions and open maturity positions	0 percent

8.5. Calculation of RSF

- a. Banks must include the following in their calculation of RSF. The amount of required stable funding is calculated by first assigning the carrying value to the bank's assets categorized in the table below.
- b. The amount assigned to each asset category is then multiplied by each RSF factor below, and the total RSF is the sum of the weighted amounts.

Table 5: Required stable funding and respective conversion factors

No.	Required Stable Funding (Uses)	Conversion factor
1.	Cash and balances from BOU	0 percent
2.	BOU Bill	5 percent
3.	Marketable securities considered as HQLA	5 percent
4.	Investment securities considered as HQLA	5 percent
5.	Available for sale securities considered as HQLA	5 percent
6.	Loans and advances to financial institutions secured by HQLA with maturity of less than 6 months	10 percent
7.	Other loans and advances maturing in less than 6 months	15 percent
8.	Due from financial institutions and non-financial institutions in Uganda and abroad with maturity less 1 year	50 percent
9.	Loans and advances with maturity of 6 months to 1 year	50 percent
10.	Other assets with maturity under 1 year	50 percent
11.	All other assets with maturity $\geq$ 1 year (not included above)	100 percent
11.	Off-balance sheet items	5 percent

8.6. Interdependent assets and liabilities

- a. The Central Bank may determine that certain asset and liability items, on the basis of contractual arrangements, are interdependent such that the liability cannot fall due while the asset remains on the balance sheet, the principal payment flows from the asset cannot be used other than for repaying the liability, and the liability cannot be used to fund other assets.
- b. For the purposes of the above paragraph, BOU will only make a determination, on a case-by-case basis, in exceptional circumstances. As part of any determination, a bank must, at a minimum, be able to demonstrate that the criteria in the following paragraph are met in full.
- c. If BOU determines asset and liability items to be interdependent in accordance with this section then the Central Bank may, at its discretion, adjust the RSF and ASF factors relating to those asset and liability items to zero per cent, subject to the following criteria:
 - i. the individual interdependent asset and liability items are clearly identifiable.
 - ii. the maturity and principal amount of both the liability and its interdependent asset are the same.
 - iii. The bank is acting solely as a pass-through unit to channel the funding received (the interdependent liability) into the corresponding interdependent asset.
 - iv. The counterparties for each pair of interdependent liabilities and assets shall not be the same.

8.7. Treatment of maturity: Funding and assets

- a. In order to determine the maturity of a funding instrument with an option or a deposit with a withdrawal notice period, a bank must, for the purposes of the NSFR, assume the maturity date as being the earliest date at which the funds may be redeemed. For long-dated liabilities, only that portion of cash flows falling on or after the six-month and one-year time horizons may be treated as having an effective residual maturity of six months or more and one year or more, respectively.
- b. To determine the maturity of an asset, a bank must, for the purposes of the NSFR, assume the maturity date as being the latest possible date at which the asset may mature. A bank must assume that for an asset with an option to extend maturity, the option will be exercised.
- c. Where an asset does not have a defined maturity or the maturity is subject to periodic

review, a bank must, for NSFR purposes, classify the asset as having a residual maturity of greater than or equal to one year and assign the relevant RSF factor on this basis.

- d. For an amortising loan, or a loan with minimum contractual payments, that portion that falls due within the one-year time horizon may be included in the less than one-year residual maturity category.

8.8. Treatment of unencumbered assets

- a. A bank must maintain an adequate cushion of unencumbered, high quality liquid assets to be held as insurance against a range of liquidity stress scenarios.
- b. Assets pledged to the central bank or a PSE, but not used, are considered unencumbered. Encumbered assets on the balance sheet receive a 100percent RSF, unless there is less than a year remaining in the encumbrance period. In that case, the assets are treated as 'unencumbered' and receive a 50percent RSF factor.
- c. Assets that have less than six months remaining in the encumbrance period, receive the same RSF factor as an equivalent asset that is unencumbered. Assets that are encumbered for exceptional central bank liquidity operations receive a 0 percent RSF factor.

8.9. Treatment of derivative assets and liabilities

- a. Banks with derivative assets or liabilities must calculate first the replacement cost for derivative contracts (obtained by marking to market) where the contract has a positive or negative value. When an eligible bilateral netting contract is in place, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost.
- b. Banks must deduct from the negative replacement cost amount, the collateral posted in the form of variation margin in connection with derivative contracts, regardless of the asset type.
- c. Banks shall not offset the positive replacement cost amount with the collateral received in connection with derivative contracts, regardless of whether netting is permitted under the bank's operative accounting or risk-based framework, unless it is received in the form of cash variation margin.
- d. However, any remaining balance sheet liability associated with variation margin received or initial margin received must offset derivative assets and shall be assigned a 0 percent ASF factor.
- e. In calculating NSFR derivative liabilities, a bank must deduct any collateral posted in the

form of variation margin in connection with derivative contracts, regardless of the asset type, from the negative replacement cost amount.

- f. When determining its RSF, a bank must not include an asset on its balance sheet associated with collateral posted as variation margin where the asset is deducted from the replacement cost amount of a derivative contract for the purposes of the NSFR.

8.10. Treatment of the secured financing transactions

- a. Banks must exclude from their assets, securities which they have borrowed in securities financing transactions (such as reverse repos and collateral swaps) where they do not have beneficial ownership.
- b. In contrast, banks shall include securities they have lent in securities financing transactions where they retain beneficial ownership. Banks shall also not include any securities they have received through collateral swaps if those securities do not appear on their balance sheets.
- c. Where banks have encumbered securities in repos or other securities financing transactions but have retained beneficial ownership and those assets remain on the bank's balance sheet, the bank shall allocate such securities to the appropriate RSF category.
- d. Securities financing transactions with a single counterparty are measured on net basis provided that the transactions that give rise to the cash receivables and cash payables have the same explicit final settlement date.

9. Tools for Monitoring Liquidity Position

- a. The following are the tools that a bank shall utilise at a minimum, in addition to the minimum liquidity standards/ratios, to measure its liquidity position. A bank must establish appropriate internal guidelines on the level of the liquidity ratio, LCR and NSFR. BOU shall require the bank to effect remedial action if any of the ratios for the period vary considerably from the existing ratio trend for the bank.
- b. The bank may use other appropriate indicators to further measure liquidity which shall be described in their liquidity policy.
- c. The assumptions and their basis and any other indicators used must be outlined in the bank's Internal Liquidity Adequacy Assessment Process.

9.1. The Contractual Maturity Mismatch/Gap

- a. The contractual maturity mismatch refers to the gap between inflows and outflows of

liquidity arising from short-term liquid liabilities.

- b. The contractual maturity mismatch does not include any assumptions regarding behavior; the cashflows are not weighted by factors reflecting probability of withdrawal. Therefore, the contractual gap provides an assessment of the amount of liquidity a bank would potentially need to raise over time if all outflows were to take place at the earliest date.
- c. Bank of Uganda currently collects data on the contractual maturity mismatch on a weekly basis using the Weekly Liquidity Risk Return.
- d. The contractual maturity analysis will be used to identify any cliff effects beyond the LCR and NSFR horizons, mismatch risks in time horizons shorter than 30 days, peer analysis etc.
- e. The results of this analysis will be used, in addition to LCR and NSFR, to determine the rating for liquidity in the quarterly financial performance analysis.

9.2. Concentration of Funding

- a. The Bank of Uganda Risk Management Guidelines require banks to maintain diversified and stable funding sources by determining an appropriate mix of liabilities.
- b. Banks should consider the following aspects in assessing the degree of liability concentration:
 - i. maturity profile and credit sensitivity of liabilities
 - ii. mix of secured and unsecured funding,
 - iii. extent of reliance on a single liability provider or a related group of liability providers
 - iv. reliance on particular instruments or products and intergroup funding.
- c. Concentration of funding will be measured as significant counterparties, instruments or products which account for more than 1 percent of the bank's total balance sheet over time horizons of less than one month, one to three months, three to six months, six to twelve months and beyond twelve months.
- d. Bank of Uganda will use this data to identify those sources of funding that are so significant that their withdrawal could lead to a liquidity problem for the bank.

The above measures will complement LCR and NSFR as measures of liquidity risk which will facilitate additional insight into the vulnerabilities of individual financial institutions and the banking sector as a whole thus enhancing soundness.

10. Appendix

10.1. Structure of the ILAAP Report

1. Overview

This section is for introductory text describing:

- The business model, the reach and systemic presence of the bank.
- Internal and external changes since the last ILAAP.
- Changes in the scope of the document since the last ILAAP.

2. Summary conclusions

This section shall include information on the following:

- Summarized conclusions of the overall liquidity adequacy review, stating how the SFI meets the overall liquidity adequacy rule and if not, remedial actions to be taken.
- An assessment of the liquidity buffers a financial institution shall hold on account of risks not captured in Pillar 1.

3. Compliance with Financial Institutions (Liquidity) Regulations, 2023.

In this section, a financial institution shall present its approach to compliance with the Financial Institutions (Liquidity) Regulations, 2023 with respect to:

- the liquidity requirement i.e. liquid assets held compared to total deposit liabilities.
- liquidity coverage ratio (LCR).
- The net stable funding ratio.

4. Liquidity risk profile and strategy.

In this section, financial institutions shall describe their liquidity profiles i.e. the sources and uses of liquidity on gross and net basis, and their activities undertaken to cover such liquidity needs for time horizons of up to 12 months and projections of up to 3 years.

Financial institutions shall analyze and evaluate the expected changes in liquidity risks based on the bank's liquidity projections as highlighted in its liquidity funding plan (template included in Appendix 10.4).

Financial institutions shall analyze the stability of the liabilities within the liquidity profile and the circumstances in which they could become unstable. This could include market shifts such

as changes in collateral values, excessive maturity mismatch, inappropriate levels of asset encumbrance, concentrations (including single or connected counterparties, or currencies).

Financial institutions shall provide a liquidity strategy demonstrating how it will support the projected business activities in both normal and stressed conditions, implementing any required improvements in the liquidity profile and evidencing that the risk appetite and key metrics will not be breached by the planned changes.

Additionally, any risks to the plan shall be highlighted and where a liquidity strategy is new, implementation procedures shall be detailed.

5. Liquidity risk assessment and management

In this section, financial institutions shall describe the following:

▪ *ILAAP governance framework*

- The governance and management arrangements around the ILAAP describing the role of the board and senior management.
- Description of policies, procedures and MIS for liquidity risk.
- A description of the liquidity risk data generation, analysis, storage, security and validation process.

▪ *Risk Appetite*

- A financial institution's risk appetite statement including all the elements prescribed in the Financial Institutions (Liquidity) Regulations, 2023 and these guidelines.
- A description of how the risk appetite framework (RAF) is developed, approved, monitored and reported, and how it is communicated throughout the financial institution.
- The financial institution's internal limit and control framework, including the limits and controls around liquid asset buffers, and the appropriateness of the limits.

▪ *Risk identification*

- A description of the risk identification process taking both normative and economic perspectives into account in accordance with these guidelines.

- The financial institution shall describe any ways in which the liquidity ratio, LCR and NSFR metrics do not capture its liquidity risks, a description of the identification process for its pillar 2 risks such as cash flow mismatch risks, cliff risks, foreign currency mismatch risks etc.
- ***Risk measurement***
 - A financial institution shall in accordance with these guidelines describe its risk quantification process including key models, parameters and assumptions used as well as validation and testing.
- ***Computation of the Liquidity buffer***
 - A financial institution shall compute its liquidity buffer using the LCR.
 - In the computation of the liquidity buffer for ILAAP, a financial institution shall develop its own internal methodology for example it may determine its own conversion factors based on historical experience. A summary of the data used and process undertaken to determine the conversion factors should be included in the ILAAP and the details made available to the Central bank for further analysis as and when required.
- ***Risk monitoring and reporting***
 - A financial institution shall in accordance with these guidelines describe its risk monitoring and reporting processes.
 - A financial institution shall describe how intraday risk is created within its business, whether it is part of the payments system or not, its appetite for and approach to managing intraday liquidity risk of both cash and securities accounts and in both business as usual and stress conditions.
 - A financial institution shall include the computation of the liquid assets buffer and counterbalancing capacity required to cover the liquidity risks identified.
- ***The ILAAP stress testing framework***
 - A financial institution shall describe the governance process around model design, scenario analysis and derivation of assumptions as well as the process of reviewing and challenging the assessments.

- The process by which the stress results are incorporated into the risk appetite, risk management framework, strategic planning, and the liquidity recovery process.
- A financial institution shall analyze market access and current or future threats to this access, including the impact of any short-term liquidity stresses or negative news.
- Provide the stress test results and conclusions, with breakdown by each relevant risk driver together with management actions taken to address vulnerabilities identified.

▪ ***Liquidity contingency plan***

- The policies, procedures and action plans for responding to severe disruptions to the bank's liquidity condition, as is contained within its recovery and resolution plan an extract of which shall be included within the ILAAP document

10.2. LCR Computation Template

Figure 1: LCR Computation template

A				B				C				D = C x B			
Item (UGX '000)				Conversion Factor				Amount (before factor)				Amount (after factor)			
1. Stock of high quality liquid assets															
Notes and Coins				100%				0.0				0.0			
Nostro Balances				100%				0.0				0.0			
Electronic money balances				100%				0.0				0.0			
Balances with Bank of Uganda				100%				0.0				0.0			
Bank of Uganda bill				100%				0.0				0.0			
Other BOU securities				100%				0.0				0.0			
Investment securities maturing in 30 days				100%				0.0				0.0			
Marketable and AFS securities maturing in 91 days,				100%				0.0				0.0			
Over 91 days but up to 1yr				90.0%				0.0				0.0			
Greater than 1yr but up to 3yrs				90.0%				0.0				0.0			
Greater than 3yrs but up to 5yrs				90.0%				0.0				0.0			
Greater than 5 yrs but up to 10 yrs				90.0%				0.0				0.0			
Greater than 10 yrs				90.0%				0.0				0.0			
Total value of stock of highly liquid assets								0.0				0.0			
2. Cash Outflows															
2.1 Demand and savings deposits (maturing in 30days)															
Central Government				20%				0.0				0.0			
Local Government				20%				0.0				0.0			
Non-Financial Public Enterprises				20%				0.0				0.0			

Commercial Banks	20%	0.0	0.0
Credit Institutions	20%	0.0	0.0
Micro-Finance Deposit Taking Institutions	20%	0.0	0.0
SACCOS	20%	0.0	0.0
Other Financial Institutions			0.0
Insurance Companies	20%	0.0	0.0
Pension Funds	20%	0.0	0.0
o/w NSSF			0.0
E-money Trust accounts	20%	0.0	0.0
Others	20%	0.0	0.0
Private Enterprises	20%	0.0	0.0
Other Residents	20%	0.0	0.0
Non-Resident Financial Institutions	20%	0.0	0.0
Other Non-Residents	20%	0.0	0.0
2.2 Time Deposits (maturing in 30days)			
Central Government	100%	0.0	0.0
Local Government	100%	0.0	0.0
Non-Financial Public Enterprises	100%	0.0	0.0
Commercial Banks	100%	0.0	0.0
Credit Institutions	100%	0.0	0.0
Micro-Finance Deposit Taking Institutions	100%	0.0	0.0
SACCOS	100%	0.0	0.0
Other Financial Institutions			
Insurance Companies	100%	0.0	0.0
Pension Funds	100%	0.0	0.0
o/w NSSF			
E-money Trust accounts	100%	0.0	0.0
Others	100%	0.0	0.0
Private Enterprises	100%	0.0	0.0
Other Residents	100%	0.0	0.0
Non-Resident Financial Institutions	100%	0.0	0.0
Other Non-Residents	100%	0.0	0.0
2.3 Due to (maturing in 30 days):			
BOU	100%	0.0	0.0
Commercial banks in Uganda	100%	0.0	0.0
Credit institutions in Uganda	100%	0.0	0.0
MDIs in Uganda	100%	0.0	0.0
SACCOs in Uganda	100%	0.0	0.0
Other financial institutions in Uganda	100%	0.0	0.0
Other residents	100%	0.0	0.0
Financial Institutions abroad	100%	0.0	0.0

Other non-residents	100%	0.0	0.0
2.4 Other liabilities (maturing in 30 days)	100%	0.0	0.0
2.5 Net derivative outflow obligations (maturing in 30 days)	100%	0.0	0.0
2.6 Other off-balance sheet cash outflows excluding derivative obligations (maturing in 30 days)	5%	0.0	0.0
<i>Total cash outflows</i>		<i>0.0</i>	<i>0.0</i>
3. Cash Inflows			
3.1 Loans and Advances (maturing in 30 days)			
Central Government	100%	0.0	0.0
Local Government	100%	0.0	0.0
Non-Financial Public Enterprises	100%	0.0	0.0
Commercial Banks	100%	0.0	0.0
Credit Institutions	100%	0.0	0.0
Micro-Finance Deposit Taking Institutions	100%	0.0	0.0
SACCOS	100%	0.0	0.0
Other Financial Institutions	100%	0.0	0.0
Private Enterprises	50%	0.0	0.0
Other Residents	50%	0.0	0.0
Non-Resident Financial Institutions	100%	0.0	0.0
Other Non-Residents	50%	0.0	0.0
3.2 Due from (maturing in 30 days):			
Banks in Uganda	100%	0.0	0.0
Non-banks in Uganda	100%	0.0	0.0
Banks abroad	100%	0.0	0.0
Non-banks abroad	100%	0.0	0.0
3.3 Net inflows from derivatives	100%	0.0	0.0
<i>Total cash inflows</i>		<i>0.0</i>	<i>0.0</i>
Total net cash outflows = Total cash outflows minus min [total cash inflows, 75% of gross outflows]			
<i>Liquidity Coverage Ratio = Total High Quality Liquid Assets / Total Net Cash Outflows</i>			<i>LCR ≥ 100%</i>

10.3. NSFR Computation Template

Figure 2: NSFR Computation template

A	B	C	D = C x B
Item (UGX '000)	Factor	Amount (before factor)	Amount (after factor)
1. Available Stable Funding (Sources)			
Capital and Reserves	100%	0.0	0.0
Demand and Savings deposits maturing in less than a year	95%	0.0	0.0
Time deposits with maturity >1 year	90%	0.0	0.0
Time deposits with maturity of 6 months to 1 year	50%	0.0	0.0
Time deposits with maturity under 6 months	20%	0.0	0.0
Balances due to financial institutions and borrowing from BOU with maturity greater than 1 year	90%	0.0	0.0
Balances due to financial institutions and borrowing from BOU with maturity of 6 months to 1 year	50%	0.0	0.0
Other liabilities with maturity of 6 months to 1 year	50%	0.0	0.0
Total Available Stable Funding			0.0
2. Required Stable Funding (Uses)			
Cash and balances from BOU	0%	0.0	0.0
BOU bill	5%	0.0	0.0
Marketable securities considered as HQLA	5%	0.0	0.0
Investment securities considered as HQLA	5%	0.0	0.0
Available for sale securities considered as HQLA	5%	0.0	0.0
Loans and advances to financial institutions secured by HQLA with maturity of less than 6 months	10%	0.0	0.0
Other loans and advances maturing in less than 6 months	15%	0.0	0.0
Due from financial institutions and non-financial institutions within Uganda with maturity less 1 year	50%	0.0	0.0
Due from financial institutions and non-financial institutions abroad with maturity less 1 year	50%	0.0	0.0
Loans and advances with maturity of 6 months to 1 year	50%	0.0	0.0
Other assets with maturity under 1 year	50%	0.0	0.0
All other assets with maturity ≥ 1 year (not included above)	100%	0.0	0.0
Off-balance sheet items	5%	0.0	0.0
Total Required Stable Funding			0.0
Net Stable Funding Ratio = Available Stable Funding / Required Stable Funding			NSFR ≥ 100%

10.4. Funding Plan template and Compilation Instructions

SECTION 1A

P 01.01 - Assets

<i>Outstanding stock</i>		Actual current positio n	Planne d Year 1 positio n	Planne d Year 2 positio n	Planne d Year 3 positio n
		010	030	040	050
1	On Balance Sheet				
2	1. Notes & coins				
3	2. Electronic money balances				
4	3. Balances with bank of Uganda				
5	Balance on clearing house account				
6	Repo loan				
7	4. Bank of Uganda securities				
8	BOU Bill				
9	Other securities				
10	5. Balances with banks in Uganda				
11	6. Balances with non-banks in Uganda				
12	7. Balances with banks abroad				
13	o/w Nostro balances				
14	8. Balances with non-banks abroad				
15	o/w Nostro balances				
16	9. Marketable securities				
17	10. Investment securities				
18	11. Available for sale securities				
19	12. Loans and Advances				
20	Central Government				
21	Local Government				
22	Non-Financial Public Enterprises				
23	Commercial Banks				
24	o/w backed by HQLA				
25	Credit Institutions				
26	o/w backed by HQLA				
27	Micro-Finance Deposit Taking Institutions				
28	o/w backed by HQLA				
29	SACCOS				
30	o/w backed by HQLA				
31	Other Financial Institutions				
32	o/w backed by HQLA				
33	Private Enterprises				
34	Other Residents				
35	Non-Resident Financial Institutions				
36	Other Non-Residents				
37	13. Net Fixed Assets				
38	14. Other assets				
39	I. TOTAL ASSETS				

P 01.02 - Liabilities

<i>Outstanding stock</i>		Actual current position	Planned Year 1 position	Planned Year 2 position	Planned Year 3 position
		<i>010</i>	<i>030</i>	<i>040</i>	<i>050</i>
40	On Balance Sheet				
41	1. Deposits				
42	1.1 Demand Deposits				
43	Central Government				
44	Local Government				
45	Non-Financial Public Enterprises				
46	Commercial Banks				
47	Credit Institutions				
48	Micro-Finance Deposit Taking Institutions				
49	SACCOS				
50	Other Financial Institutions				
51	Insurance Companies				
52	Pension Funds				
53	o/w NSSF				
54	E-money Trust accounts				
55	Others				
56	Private Enterprises				
57	Other Residents				
58	Non-Resident Financial Institutions				
59	Other Non-Residents				
60					
61	1.2 Savings Deposits				
62	Central Government				
63	Local Government				
64	Non-Financial Public Enterprises				
65	Commercial Banks				
66	Credit Institutions				
67	Micro-Finance Deposit Taking Institutions				
68	SACCOS				
69	Other Financial Institutions				
70	Insurance Companies				
71	Pension Funds				
72	o/w NSSF				
73	E-money Trust accounts				
74	Others				
75	Private Enterprises				
76	Other Residents				
77	Non-Resident Financial Institutions				
78	Other Non-Residents				
79					
80	1.3 Time Deposits				
81	Central Government				
82	Local Government				
83	Non-Financial Public Enterprises				
84	Commercial Banks				
85	Credit Institutions				
86	Micro-Finance Deposit Taking Institutions				
87	SACCOS				
88	Other Financial Institutions				
89	Insurance Companies				
90	Pension Funds				
91	o/w NSSF				
92	E-money Trust accounts				
93	Others				
94	Private Enterprises				
95	Other Residents				

96	Non-Resident Financial Institutions				
97	Other Non-Residents				
98					
99	1.4 Certificate of Deposits				
100	Central Government				
101	Local Government				
102	Non-Financial Public Enterprises				
103	Commercial Banks				
104	Credit Institutions				
105	Micro-Finance Deposit Taking Institutions				
106	SACCOS				
107	Other Financial Institutions				
108	Insurance Companies				
109	Pension Funds				
110	o/w NSSF				
111	E-money Trust accounts				
112	Others				
113	Private Enterprises				
114	Other Residents				
115	Non-Resident Financial Institutions				
116	Other Non-Residents				
117					
118	2. Borrowings				
119	Bank of Uganda Clearing House Account				
120	Repo Sales to BOU				
121	Bank of Uganda Discount Window Borrowing				
122	Other Loans from Bank of Uganda				
123	Commercial banks (Repo Arrangement)				
124	Commercial banks (Other Loans)				
125	Credit Institutions				
126	Micro-Finance Deposit Taking Institutions				
127	SACCOS				
128	Other Financial Institutions				
129	Other Borrowings- Residents				

13 0	Non-Resident Financial Institutions				
13 1	Other Borrowings-Non-Residents				
13 2	3.Bills payable				
13 3	4.Capital and reserves				
13 4	5.Year-to-date profits				
13 5	6. Other liabilities				
13 6	II. TOTAL LIABILITIES AND RESERVES				
13 7					
13 8	<u>III. Off-Balance Sheet</u>				
13 9	1. Guarantees				
14 0	2. Letters of Credit				
14 1	3. Contractual Obligations arising from securities financing transactions				
14 2	4. Net Contractual Obligations arising from derivative contracts				
14 3	5 Irrevocable loan commitments or facilities granted				
14 4	6. Other contingent liabilities				
14 5	Less				
14 6	Cash margins				
14 7	IV. Net Off balance sheet				

SECTION
1B

P 01.03 - Liquidity Ratios

<i>Outstanding stock</i>		Actual current position	Planned Year 1 position	Planned Year 2 position	Planned Year 3 position
		010	030	040	050
010	Net Stable Funding Ratio (<i>per cent</i>)				
012	Available stable funding				
014	Required stable funding				
020	NSFR surplus/(deficit)				
030	Liquidity Coverage Ratio (<i>per cent</i>)				
032	Liquidity buffer				
034	Net liquidity outflow				
035	Total outflows				
036	Total redemption for inflows				
040	LCR surplus/(deficit)				

SECTION 2A - SPECIFIC FUNDING RELIANCES

P 02.01 - Insured and uninsured deposits and uninsured deposit-like financial instruments

<i>Outstanding stock</i>		Actual current position	Planned Year 1 position	Planned Year 2 position	Planned Year 3 position
		010	030	040	050
010	Deposits <u>covered</u> by Deposit Protection Fund or an equivalent deposit guarantee scheme in a third country.				
020	Deposits <u>not covered</u> by Deposit Protection Fund or an equivalent deposit guarantee scheme in a third country.				
030	<u>Deposit-like financial</u> instruments which are like deposits but not deposits and are sold to retail customers.				

P 02.02 - Public sector and Central Bank sources of funding

<i>Outstanding stock</i>		Actual current position	Planned Year 1 position	Planned Year 2 position	Planned Year 3 position
		010	030	040	050
005	National term (less than one year) repo funding programmes				
010	National term (equal and greater than one year) repo funding programmes				
020	National term (equal and greater than one year) credit guarantee funding programmes				
030	National term (equal and greater than one year) credit supply incentive scheme to the real economy				
040	National term (greater than one year) credit supply scheme to the real economy - loans granted				

P 02.03 - Innovative funding structures

<i>Outstanding stock</i>		Actual current position	Planned Year 1 position	Planned Year 2 position	Planned Year 3 position	Comments section (required)
		010	030	040	050	060
010	Current debt or debt-like innovative funding structures					
020	o/w sold to SME					
030	o/w sold to households					
040	- o/w sold to households already holding bank deposits					

SECTION 2B - Pricing

P 02.04 - Pricing: Loan Assets

%		Actual current position	Planned Year 1 position
<i>Price level on loan stock on balance sheet</i>		010	020
010	Loans and advances to households (excl. reverse repurchase loans)		
020	Domestic activities		
031	Other EAC countries activities		
032	Non-EAC countries activities		
050	Loans to non-financial corporations		
060	Domestic activities		
071	Other EAC countries activities		
072	Non-EAC countries activities		
085	Loans and advances to credit institutions (excl. reverse repurchase loans)		
090	Domestic activities		
100	Other EAC countries activities		
110	Non-EAC countries activities		
120	Loans and advances to other financial corporations (excl. reverse repurchase loans)		
130	Domestic activities		
140	Other EAC countries activities		
150	Non-EAC countries activities		
160	Loans and advances to central banks		
170	Loans and advances general governments		

P 02.05 - Pricing: Deposit and other Liabilities

%		Actual current position	Planned Year 1 position
<i>Price level on deposit stock on balance sheet</i>		010	020
010	Deposits from households (excl. repurchase agreements)		
020	Domestic activities		
031	Other EAC countries activities		
032	Non-EAC countries activities		
050	Deposits from non-financial corporations (excl. repurchase agreements)		
060	Domestic activities		
071	Other EAC countries activities		
072	Non-EAC countries activities		
079	Deposits from credit institutions (excl. repurchase agreements)		
081	Domestic activities		
082	Other EAC countries activities		
083	Non-EAC countries activities		

084	Deposits from other financial corporations (excl. repurchase agreements)		
085	Domestic activities		
086	Other EAC countries activities		
087	Non-EAC countries activities		
088	Deposits from central banks		
089	Deposits from general governments		
090	Short Term Debt Securities issued (original maturity <1year)		
100	Long Term Debt Securities issued (original maturity >=1year)		
110	Total long-term unsecured debt securities issued		
120	Additional Tier 1 instruments		
130	Tier 2 instruments		
140	Subordinated instruments (not already T1 or T2)		
150	Senior non-preferred		
160	Senior unsecured (HoldCo)		
170	Other long-term unsecured instruments		
180	Total long-term secured debt securities		
190	Covered bonds		
200	Asset backed securities		
210	Other secured debt securities		

SECTION 2C - STRUCTURAL CURRENCY MISMATCHES

P 02.06.1 - Largest Material Currencies

z-axis

Material Currency

<i>Outstanding stock</i>		Actual current position	Planned Year 1 position	Planned Year 2 position	Planned Year 3 position
		010	030	040	050
	Gross Loans and advances and other financial assets- after hedging through FX forwards, FX Swaps, Cross-currency swaps or other instruments				
010	Loans and advances to households and non-financial corporations (exc reverse repurchase loans)				
020	Loans to credit institutions (exc reverse repurchase loans)				
030	Loans to other financial corporations (exc reverse repurchase loans)				
040	Debt securities				
050	Other financial assets				
	Gross deposits and other financial liabilities - after hedging through FX forward or Cross-currency swaps or other instruments				
060	Deposits from households and non-financial corporations (exc repurchase agreements)				
070	Deposits from credit institutions (exc repurchase agreements)				

08 0	Deposits from other financial corporations (exc repurchase agreements)				
09 0	Short Term Debt Securities issued (<1year)				
10 0	Long Term Debt Securities issued (>=1year)				
11 0	Other financial liabilities				

SECTION 2D - ASSETS AND LIABILITIES RESTRUCTURING PLANS

P 02.07 - Loan Assets Acquisitions, Run-Offs and Disposals Plans

<i>Outstanding stock</i>		Actual current positio n	Planne d Year 1 positio n	Planne d Year 2 positio n	Planne d Year 3 positio n
		010	030	040	050
01 0	Loans and advances to households (excl. reverse repurchase loans)				
02 0	Domestic activities				
02 1	<i>Accumulated impairment for domestic activities (memo item)</i>				
05 0	Loans collateralised by residential immovable property				
06 0	Other				
07 1	Other EAC countries activities				
07 2	Loans collateralised by residential immovable property				
07 5	Non-EAC countries activities				
08 0	Loans to non-financial corporations (excl. reverse repurchase loans)				
09 0	Domestic activities				
09 1	<i>Accumulated impairment for domestic activities (memo item)</i>				
12 0	Small and Medium-sized Enterprises				
13 0	Non-financial corporations other than SMEs				
14 1	Other EAC countries activities				
14 2	Small and Medium-sized Enterprises				
14 3	Non-financial corporations other than SMEs				
14 5	Non-EAC countries activities				
16 0	Loans and advances to credit institutions (excl. reverse repurchase loans)				
16 1	Domestic activities				
16 2	Other EAC countries activities				
16 3	Non-EAC countries activities				
17 0	Loans and advances to other financial corporations (excl. reverse repurchase loans)				

17 1	Domestic activities				
17 2	Other EAC countries activities				
17 3	Non-EAC countries activities				
18 0	Loans and advances to central banks				
19 0	Loans and advances general governments				

P 02.08 - Deposit Liabilities Acquisition and Disposal Plans

<i>Outstanding stock</i>		Actual current positio n	Planne d Year 1 positio n	Planne d Year 2 positio n	Planne d Year 3 positio n
		010	030	040	050
01 0	Deposits from households (excl. repurchase agreements)				
02 0	Domestic activities				
04 1	Other EEA countries activities				
04 5	Non-EEA countries activities				
05 0	Deposits from non-financial corporations (excl. repurchase agreements)				
06 0	Domestic activities				
08 0	Small and Medium-sized Enterprises				
09 0	Non-financial corporations other than SMEs				
10 1	Other EEA countries activities				
10 2	Small and Medium-sized Enterprises				
10 3	Non-financial corporations other than SMEs				
10 5	Non-EEA countries activities				
12 0	Deposits from credit institutions (excl. repurchase agreements)				
12 1	Domestic activities				
12 2	Other EEA countries activities				
12 3	Non-EEA countries activities				
13 0	Deposits from other financial corporations (excl. repurchase agreements)				
13 1	Domestic activities				
13 2	Other EEA countries activities				
13 3	Non-EEA countries activities				
14 0	Deposits from central banks				
15 0	Deposits from general governments				

SECTION 4 - STATEMENT OF PROFIT OR LOSS

P 04.00 Statement of profit or loss

		Actual current position	Planned Year 1 position	Planned Year 2 position	Planned Year 3 position
		010	020	030	040
010	Interest income				
090	(Interest expenses)				
160	Dividend income				
200	Fee and commission income				
210	(Fee and commission expenses)				
220	Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net				
280	Gains or (-) losses on financial assets and liabilities held for trading, net				
285	Gains or (-) losses on trading financial assets and liabilities, net				
287	Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net				
290	Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net				
295	Gains or (-) losses on non-trading financial assets and liabilities, net				
340	Other operating income				
350	(Other operating expenses)				
355	TOTAL OPERATING INCOME, NET				
360	(Administrative expenses)				
370	(Staff expenses)				
380	(Other administrative expenses)				
390	(Depreciation)				
425	Modification gains or (-) losses, net				
430	(Provisions or (-) reversal of provisions)				
455	(Increases or (-) decreases of the fund for general banking risks, net)				
460	(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)				
520	(Impairment or (-) reversal of impairment on non-financial assets)				
590	Share of the profit or (-) loss of investments insubsidiaries, joint ventures and associates accounted for using the equity method				
610	PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS				
620	(Tax expense or (-) income related to profit or loss from continuing operations)				
630	PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS				
632	Extraordinary profit or (-) loss after tax				
640	Profit or (-) loss after tax from discontinued operations				
670	PROFIT OR (-) LOSS FOR THE YEAR				

SECTION 5 - DEBT SECURITIES ISSUES AND REDEMPTIONS

P 05.00 - Debt securities: issuances and redemptions

<i>Gross volumes</i>		Current year	Planned Year 1	Planned Year 2	Planned Year 3
		010	020	030	040
	Long-term Debt Securities issued (original maturity >=1 year)				
	Total-long term unsecured				
010	Maturing (gross outflow)				
020	Non-retained issuance (gross inflows)				
030	Issuances retained (memo item)				
	Additional Tier 1 instruments				
040	Maturing (gross outflow)				
050	Non-retained issuance (gross inflows)				
060	Issuances retained (memo item)				
	Tier 2 instruments				
070	Maturing (gross outflow)				
080	Non-retained issuance (gross inflows)				
090	Issuances retained (memo item)				
	Subordinated instruments (not already T1 or T2)				
100	Maturing (gross outflow)				
110	Non-retained issuance (gross inflows)				
120	Issuances retained (memo item)				
	Senior non-preferred				
130	Maturing (gross outflow)				
140	Non-retained issuance (gross inflows)				
150	Issuances retained (memo item)				
	Senior unsecured (HoldCo)				
160	Maturing (gross outflow)				
170	Non-retained issuance (gross inflows)				
180	Issuances retained (memo item)				
	Other long-term unsecured instruments				
190	Maturing (gross outflow)				
200	Non-retained issuance (gross inflows)				
210	Issuances retained (memo item)				
	Total long-term secured				
220	Maturing (gross outflow)				
230	Non-retained issuance (gross inflows)				
240	Issuances retained (memo item)				
	Covered bonds				
250	Maturing (gross outflow)				
260	Non-retained issuance (gross inflows)				

270	Issuances retained (memo item)				
	Asset backed securities				
280	Maturing (gross outflow)				
290	Non-retained issuance (gross inflows)				
300	Issuances retained (memo item)				
	Other secured long term debt				
310	Maturing (gross outflow)				
320	Non-retained issuance (gross inflows)				
330	Issuances retained (memo item)				

Instructions for completion of Funding Plan template.

Section 1A: Balance sheet

1. General remarks

- 1.1. SFIs should report their planned balance-sheet developments, specifically a 3-year forward projection of the stock position of balance-sheet assets (P.01.01) and liabilities (P.01.02).
- 1.2. The balance sheet projections should also take into account restructuring plans, i.e. data also reported in templates P 02.07 and P 02.08 separately.
- 1.3. Asset and Liabilities lines should be completed in accordance with the Compilation Notes for the BS100.

Section 1B: Liquidity ratios (P01.03)

2. General remarks

- 2.1. This template cover the projection of:
 - 2.1.1. the Liquidity Coverage Ratio (LCR) as at reporting date and its main contributors over a 1-year horizon;
 - 2.1.2. the Net Stable Funding Ratio (NSFR)¹ as at reporting date and its main contributors over a 3-year time horizon (P.01.03).

Specific instructions

Row	Description
010	<u>Net Stable Funding Ratio</u> NSFR at ILAAP reporting date
012	<u>NSFR – Available Stable Funding (ASF)</u> Available Stable Funding as at ILAAP reporting date
014	<u>NSFR – Required Stable Funding (RSF)</u> Required Stable Funding as at ILAAP reporting date
020	<u>NSFR surplus/(deficit)</u> Available Stable Funding, as defined in row 012 minus Required Stable Funding as defined in row 014.
030	<u>Liquidity Coverage Ratio</u> Liquidity coverage ratio calculated as specified in Annex 1 of these Guidelines
032	<u>LCR – Liquidity Buffer</u>

	Liquidity buffer calculated as specified in Annex 1 of these Guidelines.
034	<u>LCR – Net Liquidity Outflow</u> Net Liquidity outflow calculated as specified in Annex 1 of these Guidelines
035	<u>Total Liquidity outflow</u> Outflows calculated as specified in Annex 1 of these Guidelines
036	<u>Total redemption for inflows.</u> This item includes the sum of reduction for fully exempt inflows subject to 90% cap and for inflows subject to 75% cap.
040	<u>LCR surplus/(deficit)</u> Liquidity buffer as defined in row 032 minus Net liquidity outflow defined in row 034.

Section 2A: Specific funding reliance

3. General remarks

3.1. Credit institutions should report:

- 3.1.1. The projection of deposits covered by a deposit protection fund of Uganda or an equivalent deposit guarantee scheme in a third country and those which are uninsured (P.02.01).
- 3.1.2. The projection of other deposit-like financial instruments that are sold to retail customers (P.02.01).
- 3.1.3. The projection of sources of funding that are either directly or indirectly provided by the public sector and central banks. This includes medium- and long-term repo financing programmes, credit guarantee funding programmes and credit guarantee/supply real economy support programmes (P.02.02).
- 3.1.4. The projection of debt or debt-like innovative funding structures, including innovative deposit-like instruments. (P.02.03).

3.2. Insured and uninsured deposits and uninsured deposit-like financial instruments (P 02.01)

- 3.2.1. Uninsured deposit-like financial instrument' means a financial instrument that may resemble a deposit, but which entails risks different to those of a deposit, as this financial instrument is not covered by a deposit guarantee scheme.

3.3. For public sector and central bank sources of funding, the amount reported should be the carrying amount of funding outstanding at the end of the ILAAP reporting period.

3.4. Innovative funding structures (P 02.03)

- 3.4.1. Innovative funding instruments may include, but may not be solely restricted to:
- 3.4.2. Liquidity swaps: are a type of secured lending whereby a lender provides a borrower with highly liquid assets (e.g. cash and government bonds) in exchange for a pledge of less liquid collateral (e.g. asset-backed securities), performing a liquidity upgrade in the process.
- 3.4.3. Structured products: are products with a predefined pay-off structure depending on the value at maturity or on the development of one or more underlying factors such as shares, equity indices, FX rates, inflation indices, debt securities or commodities. They may take the form of structured securities or structured deposits.
- 3.4.4. ETFs: Exchange traded funds.

Row	Description
P02.01	
010	<u>Deposits covered by the Deposit Protection Fund or an equivalent deposit guarantee scheme in a third country.</u> SFIs should report covered deposits, i.e. all deposits eligible for compensation for each customer with the SFI up to UGX10million for each depositor. Instruments other than deposits should not be reported irrespective of whether they are covered or not by Deposit Guarantee Schemes.
020	<u>Deposits not covered by the Deposit Protection Fund or an equivalent deposit guarantee scheme in a third country.</u> Deposits not reported in row 010, including the non-covered part of the deposits reported in row10.
030	<u>Deposit-like financial instruments which are like deposits but not deposits and are sold to retail customers.</u> SFIs should report products that have some notional or real concept of capital protection but may have a variable performance outcome. This item includes only instruments not covered by Deposit Guarantee Schemes.
P02.02	
005	<u>National and supra-national term (less than one year) repo funding programmes</u>

	Programmes that apply to many SFIs as opposed to programmes that apply to single individual SFIs. SFIs should report the amount of wholesale term secured funding received (via repo transaction from central banks). Term means that the initial maturity or first call date is less than one year. Funding received through central bank funding programmes should be reported in this row independently from the legal form of the transaction, i.e. whether conducted as repo transaction or otherwise.
010	<u>National and supra-national term (equal or greater than one year) repo funding programmes</u> Programmes that apply to many SFIs as opposed to programmes that apply to single individual SFIs. SFIs should report the amount of wholesale term secured funding received (via repo transaction from central banks). Term means that the initial maturity or first call date is equal or greater than one year. Funding received through central bank funding programmes should be reported in this row independently from the legal form of the transaction, i.e. whether conducted as repo transaction or otherwise.
020	<u>National and supra-national term (equal or greater than one year) credit guarantee funding programmes</u> Programmes that apply to many SFIs as opposed to programmes that apply to single individual SFIs. SFIs should report the amount of wholesale unsecured term debt issued that is guaranteed by a national and/or supra-national authority in the event of the failure of the SFI on its obligations. Term means that the initial maturity or first call date is greater than one year or the roll-over feature of the guarantee offered by the authorities affords an implicit actual maturity of the guarantee equal or greater than one year.
030	<u>National and supra-national term (equal or greater than one year) credit supply incentive scheme to the real economy– debt issuance support</u> Programmes that apply to many SFIs as opposed to programmes that apply to single individual SFIs.

	SFIs should report the amount of wholesale secured or unsecured term debt issuance support received to issue for the sole purpose of credit intermediation to the real economy via incentives from a national and/or supra-national authority. Term means that the initial maturity or first call date is greater than one year or the roll-over feature of the structure offered by the authorities affords an implicit incentive with an actual maturity equal or greater than one year.
040	National and supra-national term (equal or greater than one year) credit supply scheme to the real economy - loans granted Programmes that apply to many SFIs as opposed to programmes that apply to single individual SFIs. SFIs should report the amount of direct financing received from the public sector for the financing of the real economy, e.g. loans from a Ministry of Finance, Planning and Economic Development or other public institutions, which should be used to provide loans to households or non- financial corporations. Term means that the initial maturity is equal or greater than one year or the roll-over feature of the loan granted by the authorities implies an actual maturity greater than one year.
P02.03	
010	<u>Current debt or debt-like innovative funding structures</u> SFIs should report here the outstanding stocks of debt or debt –like innovative funding structures at the reporting date and the projections over 3 years.
020	<u>o/w sold to SME</u> Small and medium-sized enterprises as defined in the Credit Risk Guidelines
030	<u>o/w sold to households</u> Households are defined as individuals or groups of individuals as consumers, and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations.

	Non-profit institutions which serve households and which are principally engaged in the production of non-market goods and services intended for particular groups of households are included.
040	<u>o/w sold households already holding bank deposits</u> Amount sold to households that held deposit(s) with the SFI prior to buying the innovative funding product.
Column 060 – Comments section	<u>Comments section</u> SFIs should provide information on the underlying products reported in rows 010-040. At the minimum, the additional information should include details on the structure of the products, amounts of individual products, counterparts, maturities and the date of first issuance

Section 2B: Pricing

4. General remarks

4.1. SFIs shall report:

4.1.1. Projections of yields on assets, with a 1-year horizon. Firms should report the all-in yield received/paid and should not report a spread (P.02.04).

4.1.2. Projections of costs of funding, with a 1-year horizon (P.02.05).

4.2. For the purposes of reporting yields on assets and costs of funding for each row in templates P.02.04 and P.02.05, the price level should be the weighted average of the yield/cost of the corresponding operations. The yield/cost should be weighted by the carrying amount of the corresponding operations at the end of each year.

Section 2C: Structural Currency Mismatches (P 02.06)

5. General remarks

5.1. Template P 02.06.01 refers to structural currency mismatches based on UGX and the two largest material currencies.

5.2. SFIs should provide a breakdown of the balance sheet by UGX and the two largest material currencies. A currency should be considered material where it accounts for more than 5% of total liabilities. There is no difference in the ranking of the currencies as long as the two largest ones are reported. Currencies are reported as z-axis for template P 02.06.01.

5.3. Data should be reported in UGX.

5.4. The template P.02.06.01 refers to “Gross Loans and advances and other financial assets- after hedging through FX forwards, FX Swaps, Cross-currency swaps or other

instruments”, and exclude reverse repurchase loans. For rows 010 to 040 the definitions in template P01.01 apply. The data should be sent taking into account the hedging effect from FX forwards, FX Swaps, Cross-currency swaps or other instruments.

- 5.5. “Other financial assets” should include financial assets not included in rows 010 to 040 above that are also denominated in the corresponding material currency. This item should include e.g. positions that are a result of FX hedging or funding through for instance FX forwards, FX Swaps or Cross-currency swaps, which are not included in rows 010 to 040.
- 5.6. The template P.02.06.01 refers to “Gross deposits and other financial liabilities - after hedging through FX forward or Cross-currency swaps or other instruments” and exclude repurchase agreements. For rows 060 to 100 the definitions in template P01.02 apply. The data shall be sent taking into account the hedging effect from FX forwards, FX Swaps or Cross-currency swaps or other instruments.
- 5.7. “Other financial liabilities” should include financial liabilities not included in rows 060 to 100 above that are also denominated in the corresponding material currency. This item should include e.g. other financial instruments issued in that currency, as well as positions that are a result of FX hedging or funding through for instance FX forwards, FX Swaps or Cross-currency swaps, which are not included in rows 060 to 100.
- 5.8. Simplified examples of how data in template P.02.06.01 might be reported are as follows:
 - 5.8.1. In case of a Cross-currency swaps banks might report it by showing the nominal value of the swap’s FX leg on either the asset or liability side (the latter depending of the structure of the swap). For instance, the USD leg of a cross-currency swap, which is used to fund a loan denominated in USD would be shown under “Other financial liabilities” in template P.02.06.01.
 - 5.8.2. Another example would be an FX swap, which is used to hedge the currency risk of an asset denominated in a foreign currency, the asset’s position could be “shortened” by the part that is hedged. For instance, if a USD loan is perfectly hedged (here: hedging of FX risk) through an FX swap, the bank would report zero on the asset and the liability side, as they would not have any open currency position. If the hedge is not a perfect one, only the difference, which is not hedged, should be reported on the asset or liability side as needed.

Section 2D: Asset and Liabilities restructuring plans (P 02.07, P02.08)

6. General remarks

- 6.1. SFIs that plan to substantially/significantly restructure their balance sheet should report templates P.01.01 and P.01.02.

- 6.2. Concrete examples of balance sheet restructuring that should be taken into account, among others, are: disposal of non-core assets (e.g. loan portfolios that are no longer considered core business), run-off of non-profitable business lines and acquisition of business lines or client portfolios from competitors.
- 6.3. SFIs should report:
- 6.3.1. The projection of assets it intends to either acquire/dispose of and/or that have been identified for run-off (P.02.07).
 - 6.3.2. The projection of liabilities it intends to either acquire or dispose of (P.02.08).
- 6.4. For the purposes of determining when a transaction is to be considered a significant restructuring (including acquisitions) of its balance sheet, each SFI should consider their impact over their business strategy and funding plan.
- 6.5. Run off and disposal of assets refers to assets that will not be strategically rolled over upon maturity or where counterparties are encouraged to find another bank to finance either directly or through portfolio strategic sell off to another institution. Acquisition of assets refers to assets that are strategically acquired as portfolio purchase of existing assets from another institution.
- 6.6. Acquisition of liabilities refers to liabilities that are strategically acquired/dispose of from/to another counterparty, for instance as a result of a merger or acquisition.
- 6.7. Acquisitions should be reported net of disposals and run-offs.
- 6.8. For the purpose of completing the projection of the assets template (P.02.07), a negative value might be reported when a firm intends to dispose of an asset and/or an asset has been identified for run-off.
- 6.9. For the purpose of completing the projection of the liabilities template (P.02.08), a negative value might be reported when a firm intends to dispose of a liability and/or a liability has been identified for run-off. 41.
- 6.10. Definitions in templates P01.01 and P01.02 apply for templates P.02.07 and P.02.08 respectively.

Section 4: Statement of Profit and Loss (P04.00)

7. General remarks

- 7.1. This template contains selected information from the template BS110 Statement of profit or loss. The instructions for that information are defined in the compilation notes for the same form BS110.

Section 5: Planned issuance (P.05.00)

8. General remarks

- 8.1. The instructions for debt instruments and breakdowns in the liabilities template (P01.02) apply.
- 8.2. SFIs should report in the “Maturing (gross outflows)” rows of the corresponding instrument type, the amount of those instruments that are contractually due to mature during the time from the end of the previous period to the relevant period-end. Instruments bought back by the entities and redeemed as well as those cancelled before the contractual maturity date, should also be included here.
- 8.3. SFIs should report in the “Non-retained issuance (gross inflows)” rows of the corresponding instrument type, the amounts that are planned to be issued and not retained by the institution, during the time from the end of the previous period to the relevant period-end. They should not include those amounts to be retained as defined in the next paragraph.
- 8.4. SFIs should report in “Issuances retained (memo item)” the amount of those issuances that are not placed on the market but instead are retained by the bank for the purpose of e.g. refinancing operations with the central bank through repos.
- 8.5. In the case of instruments moving from one category to another, including phased-out AT1 instruments becoming fully eligible T2 instruments, the instruments should be registered as an outflow in the “Maturing (gross outflows)” of the corresponding original instrument category and as an inflow in “non-retained issuance (gross inflows)” of the corresponding new instrument category.
- 8.6. The meaning of ‘relevant period-end’ and ‘end of the previous period’ depends on whether the focus is on the actual current position or a future planned position (year 1, 2 or 3 respectively). The following example illustrates how this works in practice: If the “relevant period-end” refers to the planned year 2 position, column 030 in Template P 05.00 (e.g. 31 December t+2), then the “end of the previous period” would be the planned year 1 position (e.g. 31 December t+1). Therefore, the issues maturing between 31 December t+1 and 31 December t+2 should be included as “Maturing (gross outflow)” in column 030 of template P05.00. The non-retained issuances planned to be issued between 31 December t+1 and 31 December t+2 should be included as “Non-retained issuance (gross inflow)” in column 030 of template P05.00. Finally, the planned issues retained between 31 December t+1 and 31 December t+2 should be included as “Issuances retained (memo item)” in column 030 of template P05.00. Likewise, if the “relevant period-end” refers to the planned year 1 position then the “previous period” would be the current year-end and so on.