



BANK OF UGANDA

GUIDELINES ON FINANCIAL HOLDING COMPANIES, 2025

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1.0 INTRODUCTION

1.1 Citation and Commencement

These Guidelines may be cited as the Bank of Uganda Guideline on Financial Holding Companies, 2025 and shall come into force on **November 1, 2025**.

1.2 Background

The Bank of Uganda (hereafter referred to as **Central Bank**) has previously issued “A No-objection” to some financial institutions for corporate re-organizations. This was on account of the new model of corporate re-organizations which involved creation of Non-Operating Holding Company structures as the majority shareholders in the financial institutions, hence the Central Bank invoked Section 20 of the FIA, 2004 (as amended) which prohibits any financial institution from allotting, issuing or registering the transfer of 5% or more of its shares to any one person or group of related persons without receiving a notice of No-objection from the Central Bank.

The Central Bank has, however, noted overtime that there is need for regulatory oversight over the operations of Financial Holding Company, associates and subsidiaries which are likely to have an adverse impact on the operation of the supervised financial institution. Consequently, the Central Bank has issued Guidelines to provide oversight over the establishment and the operations of the non-operating Financial Holding Company structures.

These Guidelines shall be read in conjunction with The Financial Institutions (Consolidated Supervision) Regulations, 2010 and is intended to facilitate and regulate the approval process and operations of the Financial Holding Companies structures in Uganda.

1.3 Objectives

The objectives of these Guidelines are to:

- a) Stipulate the acceptable Financial Holding Company (FHC) structures in Uganda to be adopted by all the supervised financial institutions that wish to carry out corporate re-organizations domiciled in Uganda.
- b) Outline the approval procedure for supervised financial institutions seeking to carry out corporate re-organizations.
- c) Facilitate understanding of the requirements for the adoption and operations of a Financial Holding Company in Uganda. It covers the definition and structure of a Financial Holding Company, registration requirements, ownership and control, governance, permissible and non-permissible activities, statutory regulation, as well as supervision.
- d) Facilitate effective consolidated supervision of the supervised financial institutions and to further ensure the safety and soundness of financial system.

1.4 Application

These Guidelines shall apply to all Bank of Uganda supervised financial institutions under the Financial Institutions Act, Cap 57 (Laws of Uganda) and the Microfinance Deposit Taking Institution Act, Cap 58 (Laws of Uganda). It is intended to facilitate the regulation of Financial Holding Companies domiciled in Uganda.

1.5 Legal Context of the Financial Holding Company Structures Guidelines

In Uganda, the general legal framework regarding the registration of Holding Companies is set out in the Company Act, CAP, 106 (Laws of Uganda). In addition, other legislations such as The Capital Markets Authority Cap 64 (Laws of Uganda), The Insurance Act, Cap 192 (Laws of Uganda) and the Uganda Securities Exchange Listing Rules, 2021 guide in the establishment and operations of the FHC and its subsidiaries.

These guidelines in no way replace, remove or seek to diminish the FHCs statutory responsibilities and accountability, but are an additional tool to reinforce the need for a safer financial market and promote stability of the Ugandan financial sector.

2.0 DEFINITIONS AND STRUCTURE

2.1 Holding Company

Pursuant to The Financial Institutions (Consolidated Supervision) Regulations, 2010, a holding company means a company, the subsidiary undertakings of which are either exclusively or mainly other companies or financial institutions, where at least one of the subsidiaries is a financial institution.

2.2 Financial Holding Company

A Financial Holding Company (FHC) shall be defined as a holding company that is registered and domiciled in Uganda and has shareholding of 25% or more over a supervised financial institution in Uganda or in other jurisdictions, and which is subject to registration requirements under the Company Act, CAP, 106 (Laws of Uganda).

Its principal objective shall include managing equity investments in two or more companies, being its subsidiaries and or associates, which engage predominantly in financial institution business and securities business without engaging in the day-to-day management of the same. Resultantly, the FHC shall be “non-operating entities”.

2.3 Structure of Financial Holding Company (FHC)

2.3.1 The type of Holding Company permitted under these Guidelines is the **Non-Operating** Financial Holding Company (FHC) structure as defined in Section 2.2 and should be a corporate body registered under the Companies Act, CAP, 106 (Laws of Uganda).

2.3.2 Where the FHC elects to own a subsidiary in another jurisdiction/overseas, the Bank of Uganda shall enter a Memorandum of Understanding (MoU) with the host regulator for its joint supervision.

2.3.3 A FHC may acquire any permissible supervised financial institution subject to prior approval of the Central Bank. Where the target company is outside the supervisory purview of the Central Bank, the prior approval of the relevant regulator will also be required.

- 2.3.4 To guard against institutions undermining the effectiveness of the financial Model, a FHC that elects to change to mono-line banking shall seek the prior approval of the Central Bank.

Such FHC shall submit along with its request for approval the following:

- Annual audited financial statements of the immediate past three years under the arrangement/structure it seeks to discontinue;
- Divestment plan from subsidiaries; and
- Any other requirements as may be determined by the Central Bank from time to time.

3.0 ESTABLISHMENT OF A FINANCIAL HOLDING COMPANY

The promoters of FHC shall be required to submit a formal application for the grant of a “No-objection” addressed to the office of the Executive Director Supervision, Bank of Uganda. The approval process shall be in two phases: No-objection-in-Principle and Final No-objection.

3.1 Requirements for grant of No-objection-In-Principle

The application shall be accompanied with the following:

- 3.1.1 Evidence of meeting the prescribed minimum paid-up capital as defined under Section 7.1 of these Guidelines subject to the satisfaction of the Central Bank;
- 3.1.2 Detailed business plan or feasibility report which shall, at a minimum, include:
- a. Objectives of the FHC and those of the subsidiaries it intends to establish/acquire;
 - b. Justification for applying for the FHC;
 - c. Ownership structure in a tabular form indicating the name of proposed investor(s), profession/business and their percentage shareholdings;
 - d. Detailed bio-data/resume of proposed shareholders if individuals;
 - e. Sources of funding of the proposed equity contribution for each shareholder;
 - f. Where the source of funding the equity contribution is a loan, such shall be a long-term facility of at least a 7-year tenor and shall not be taken from the Ugandan banking system;
 - g. Corporate Governance Charter of the FHC stating the roles and responsibilities of the Board and its sub- committees, among other things;
 - h. Criteria for selecting Board members;
 - i. Board composition and Directors with their detailed resumes;
 - j. Filled and signed Personal declaration Form executed by the proposed shareholders, Directors and Executive management;
 - k. A populated organogram and list of identified executive management staff and detailed resumes stating their qualification, experience, records of accomplishment, amongst others;
 - l. Schedule of services to be rendered by the FHC;
 - m. Five-year financial projection on the operations of FHC indicating expected growth and profitability; and the details of the assumptions which form the basis of the financial projection;
 - n. Details of Information Technology (IT) facilities proposed to be deployed; and

- o. Corporate group structure indicating percentage holding of the FHC in each of the subsidiaries as well as their principal businesses and registered Head offices.
- 3.1.3 A written and duly executed undertaking by the promoters that the FHC will be and remain adequately capitalized for the volume and character of its business at all times, and that the FHC shall always submit itself to the supervisory powers of the Central Bank.
- 3.1.4 For regulated foreign institutional investors, the Central Bank shall require a “No-objection letter” from the regulatory body of the home country.
- 3.1.5 Shareholders agreement providing for disposal/transfer of shares as well as authorization, amendments, waivers, reimbursement of expenses, etc.
- 3.1.6 Statement of intent to invest in the FHC.
- 3.1.7 Technical Services Agreement (TSA), where applicable.
- 3.1.8 Draft copy of the company’s Memorandum and Articles of Association (MEMART). At a minimum, the MEMART shall contain the following information:
 - a) Proposed name of the FHC
 - b) Object clause
 - c) Subscribers to the MEMART
 - d) Procedure for amendment
 - e) Procedure for share transfer or disposal
 - f) Appointment of Directors
- 3.1.9 Where the promoters of a FHC are corporate investors, such promoters are required to forward the following additional documents:
 - a) Certificate of Incorporation.
 - b) Board resolution supporting the company's decision to invest in the equity shares of the proposed FHC;
 - c) Names and addresses (business and residential) of owners, Directors and their related companies, if any;
 - d) Audited financial statements & reports of the company and Tax Clearance Certificate for the immediate past 3 years.
- 3.1.10 Any other document/information that the Central Bank may require from time to time.

The Central Bank shall, upon being satisfied with the application of the promoter(s), grant a **No-objection in Principle**.

3.2 Requirements for granting a final No-Objection

Not later than six (6) months after obtaining the No-objection in Principle the promoters of a proposed FHC shall submit application for the grant of a final No-objection to the Central Bank. The application shall be accompanied with the following:

- 3.2.1 Evidence of payment of capital contribution by each shareholder;
- 3.2.2 Certified true copy of Certificate of Incorporation of the FHC;
- 3.2.3 Certified true copy of MEMARTs.
- 3.2.4 Duly filled and certified Personal Declaration Forms of all the Directors.
- 3.2.3 Evidence of location of Head Office (rented or owned) for the take-off of the FHC business.
- 3.2.4 Schedule of changes, if any, in the Board, Executive Management and substantial shareholding since the grant of No-objection in Principle.
- 3.2.5 Evidence of ability to meet technical requirements and modern infrastructural facilities such as office equipment, computers, telecommunications, to perform FHC operations and meet the Central Bank and other regulatory requirements.
- 3.2.6 Copies of letters of offer and acceptance of employment in respect of the Executive management team.
- 3.2.7 Organizational structure, showing functional units, responsibilities, reporting relationships and grade (status) of heads of departments/units; and
- 3.2.8 Board and staff training programme.

3.3 Requirements for commencement of operations

The FHC shall inform the Central Bank of its readiness to commence operations, and such information shall be accompanied with one copy of each of the following:

- i. Ultimate beneficial Shareholders Register (including percentage shareholding);
- ii. Copy of the Share certificate issued to each investor;
- iii. Enterprise Risk Management Framework (ERMF);
- iv. Internal control policy;
- v. Minutes of pre-commencement Board meeting;
- vi. Opening statement of affairs signed by directors and auditors; and
- vii. Date of commencement of operations.

3.4 Post commencement requirements

A Non-Operating Financial Holding Company shall:

- i. Comply with this guidelines and other sector regulations.
- ii. Maintain adequate accounting system and keep records that capture all information which reflect the financial condition of the FHC.
- iii. Ensure that FHC and all its subsidiaries are adequately capitalized at all times.

4.0 CORPORATE GOVERNANCE

The following provisions are designed to strengthen the governance structure of FHC:

- a. The Board shall comprise of at least five (5) members, majority of whom should be independent non-executive directors.
- b. The board shall include a balanced mix of skills, experience and expertise to ensure effective oversight of the FHC's activities.
- c. Appointment to the Board and Executive Management positions shall be subject to passing of the "fitness and probity tests" conducted by the Central Bank.
- d. A FHC shall if listed, comply with the provisions of all the other regulatory authorities wherein the respective subsidiaries fall and demonstrate evidence of the compliance with other relevant regulatory authorities.

4.1 Ownership and Control

- a. Changes in ultimate beneficial shareholding of 5% or more in a FHC shall be subject to the prior approval of the Central Bank as well as any conditions incidental to such approval.
- b. Subsidiaries of a FHC or their partners shall be prohibited from acquiring shares in the FHC.
- c. Subsidiaries are prohibited from acquiring shares of other subsidiaries of their parent holding company.
- d. Notwithstanding the provisions of 4.1 (b) & (c), a subsidiary acting as a nominee is at liberty to invest in any FHC on behalf of its clients.
- e. Where a FHC loses its controlling Interest in the only banking subsidiary in the group, for a period that exceeds six consecutive months, the FHC shall cease to be a FHC under the supervision of the Central Bank and hence the Central Bank No-Objection will be revoked.
- f. Where a FHC that has only two subsidiaries loses its Controlling Interest in either of the subsidiaries, for a period that exceeds six consecutive months, the FHC shall cease to be a FHC and the Central Bank No-Objection will be revoked.

4.2 Change in ownership structure

Except with the prior written approval of the Central Bank, no FHC or any director, shareholder, agent or its shareholders shall enter into an agreement or arrangement:

- i. Which results in:
 - 1) a change in the ultimate beneficial shareholding of the FHC; and
 - 2) the transfer of shareholding of 5% and above in the FHC;

- ii. For the sale, disposal or transfer howsoever of the whole or any part of the business of the financial holding company;
- iii. For the amalgamation or merger or takeover of the FHC with any other person;
- iv. For the reconstruction of the FHC; or
- v. To employ a management agent or to be managed by or to transfer its business to any such agent.

For the purpose of this Guidelines, **“control”** is defined under The Financial Institutions (Consolidated Supervision) Regulations, 2010.

5.0 PERMISSIBLE ACTIVITIES

- 5.1 Except as listed in 5.2, the activities of the FHC shall be restricted to the holding of equities in its subsidiaries.
- 5.2 A FHC may, with the prior written approval of the Central Bank provide shared services to its banking subsidiary in respect of:
 - i. Information and Communication Technology
 - ii. Company Secretarial Services
 - iii. Facilities (Office Accommodation including Electricity, Security and Cleaning Services in that accommodation)
 - iv. Strategy and Marketing
 - v. Any other shared services as may be approved by the Central Bank
- 5.3 Shared services shall be provided at **“arm’s length”**. Transactions in respect of such services shall require the consent of the Board of Directors of the subsidiary.

6.0 NON-PERMISSIBLE ACTIVITIES

A FHC is prohibited from undertaking the following activities:

- i. Establishment, divestment and closure of subsidiaries without the prior written approval of the Central Bank and/or any other relevant regulatory or supervisory authority, as the case may be.
- ii. Establishment of an unregulated subsidiary, associate or affiliate (save for Corporate Social Responsibility) that offers products or services that are directly or indirectly similar to those offered by the supervised financial institution.
- iii. Deriving or receiving income from sources other than as listed herein:
 - 1) Dividend Income from its subsidiaries/associates.
 - 2) Income from shared services, where applicable;
 - 3) Interest earned from capital funds invested in government securities among others;
 - 4) Divestment from subsidiaries/associates;
 - 5) Incidental rental income; and
 - 6) Any other source as may be approved by the Central Bank.

6.1 Internal Management of Subsidiaries

No FHC shall:

- i. Arrogate to itself any of the powers or functions of the Board of Directors, or internal management responsibilities and obligations of its banking subsidiary.
- ii. Interfere in the day-to-day activities of the banking subsidiary.
- iii. Be involved in credit administration and approval process of the banking subsidiary;
- iv. Require its banking subsidiary (including any organ, servant, employee, staff, manager, officer or director thereof) to take directives or act on the instructions of the FHC in its decision-making process, or in relation to the conduct of its business in any way whatsoever.
- v. Have any of its officers or employees, while in the employment of the FHC, work for its the banking subsidiary except for employees the approved shared service arrangement;
- vi. Enter into any technical or management service contract with its banking subsidiary except as stipulated in Section 5.2 of this Guideline;
- vii. Purchase/dispose assets from/to its banking subsidiary without the prior written approval of the Central Bank and or any other relevant regulator.

6.2 Intra-Group Transactions

6.2.1 No FHC shall:

- i. Engage in any transaction or maintain any business relationship with any of its subsidiaries, except where such transaction is conducted at “**arms-length**”.
- ii. Borrow funds from the Ugandan banking system for the purpose of capitalizing itself or any of its subsidiaries. This excludes issuing of debt instruments for raising capital.
- iii. Obtain a loan based on the guarantee of its banking subsidiary/associate, except where the loan is secured by dividend income.

6.2.2 Credit by a banking subsidiary to its FHC would be regarded as a return of capital and deducted from the capital of the bank in computing the bank’s capital adequacy ratio;

6.2.3 Contributions to the FHC and or any other subsidiary in the group in the form of Corporate Social Responsibility by the banking subsidiary are prohibited.

6.2.4 Any bank lending to subsidiaries within its FHC would attract 100% risk weight (if it is fully secured) otherwise it would be removed from the capital of the bank when computing capital adequacy ratio.

6.3 Appointment of Directors and Executive Management

6.3.1 No FHC shall appoint:

- i. Its Chief Executive Officer or Executive Director to serve on the Board of its banking subsidiary domiciled in Uganda.
- ii. A person who has served as a Non-Executive Director for its banking subsidiary until after a **cooling off period of not less two (2) years** after the expiration of the tenure of such Non-Executive Director, and vice versa.

6.3.2 Cross Board membership shall be limited to less than two (2) members.

6.4 Intra-Group Transfer of Properties, Plants and Equipment

Intra-group transfer of properties, plants and equipment shall be carried out in a transparent manner following valuations, at “**arm’s length**” and with prior approval from the Central Bank where a banking subsidiary is involved.

6.5 Immovable property

No FHC shall acquire or hold interests in or rights over immovable property without the prior approval of the Central Bank;

i. Immovable property shall exclude the following:

(a) any interest in or right over immovable property or any part thereof used for the purposes of conducting the business of any of the companies within its group or housing or providing amenities for the officers of any of the companies within its group;

(b) any interest in or right over immovable property held by way of security for the purposes of a transaction entered into in the ordinary course of the business of any of the companies within its group;

(c) any interest in or right over immovable property held by way of enforcement of such security referred to in paragraph (b), provided that it is disposed of at the earliest opportunity;

(d) any interest in or right over immovable property or any part thereof held for the benefit of persons other than any company in the group pursuant to an obligation imposed under any written law, contract or order of court; and

(e) such other interest in or right over immovable property as the Central Bank may prescribe.

7.0 PRUDENTIAL REGULATION

7.1 Minimum Paid-up Capital and Capital Reserves

A FHC shall maintain a minimum paid-up capital as shall be provided for in an Act of Parliament or Regulations, invested in such liquid assets as the Central Bank may determine.

7.2 Capital Adequacy Ratio

A FHC shall ensure that all its subsidiaries comply with the Capital Adequacy Ratio (CAR) as prescribed by their respective sector regulators.

7.3 Acquisition and/ or setting up of new Subsidiaries

The Financial Holding Company shall be required to seek approval from the Bank of Uganda prior to acquisition and/or setting of any new subsidiaries. In determining the acquisition and/or setting up of new subsidiaries, the Central Bank shall be satisfied that a financial holding company has adequate capital resources to carry out the acquisition and or set up.

7.4 Limits on Insider-Related Transactions:

In addition to the regulations issued by relevant sector regulators on exposure to directors/insiders:

- a. A Director or an insider-related individual shall not borrow more than 0.1% of the FHC's shareholders' funds from the subsidiaries within the group.
- b. The maximum loan to all insiders of the FHC shall not exceed 1% of the financial holding company's shareholders' funds.
- c. Loans extended to employees of the FHC and its subsidiaries, other than the SFI shall not be granted at preferential rates.

7.5 Limit on Contingent Liabilities

A financial holding company's total exposure on contingent liabilities on behalf of its subsidiaries shall not exceed 20% of the financial holding company's shareholders' funds unimpaired by losses.

8.0 AUDIT

8.1 Annual Financial Statements and Audit

- i. Every approved FHC shall:
 - a. Obtain the Central Bank No-objection for the appointment of an external auditor at the Annual General meeting; and
 - b. Where, for any reason, the external auditor ceases to act for the approved FHC, it shall, as soon as practicable thereafter, appoint another external auditor approved by the Central Bank.
- ii. An external auditor shall not be approved by the Central Bank as an auditor for an approved non-operating holding company unless the auditor is able to comply with such conditions in relation to the discharge of his duties as may be determined by the Central Bank.
- iii. The Central Bank may require the Group to retain a single external auditor to provide an overall review of the group, including such consolidated financial statements as the Central Bank may prescribe.

9.0 SUPERVISION

9.1 Responsibility for Supervision of FHC, subsidiaries, affiliates and associates

As provided for under regulation 9 of The Financial Institutions (Consolidated Supervision) Regulations, 2010, the Central Bank is mandated to conduct examinations of the operations and affairs of the Group to satisfy itself that the operations and affairs of the affiliate, associate or holding or subsidiary company are not detrimental to the safety and soundness of the financial institution concerned. Consequently, the Central Bank may, from time to time:

- a. Inspect the books of any approved FHC and any other company within its group;
- b. Inspect any branch, agency or office outside Uganda opened by any approved FHC or any other company within its group;
- c. Or appoint a competent authority to carry out an inspection of the operations of an associate, holding or subsidiary company of an institution.

10.0 GUIDANCE NOTES

- i. The No-objection-in-principle is not an authority for the promoters to commence operations or perform any of the activities stated in Section 5.0.
- ii. Subsequent to the issuance of the No-objection-in-principle, the promoters may proceed to carry out the activities stated in the No-objection-in-principle.
- iii. The Central Bank shall issue a No-objection to the FHC where it is satisfied with the promoters' status of compliance with the conditions stated in Section 3.2 of this Guidelines, as well as the organizational, security, infrastructural, risk management and internal control arrangements.
- iv. The Central Bank may, at any time and without recourse, vary or review any condition of a No-objection or impose additional conditions.
- v. In constituting the Board of Directors of a financial holding company, consideration shall be given to core competencies in the areas of operation of the subsidiaries.
- vi. FHC No-objection shall be granted for an indefinite period of time or such period as the Central Bank deems necessary and shall not be transferable.
- vii. FHCs that were previously issued with "No-objection" by the Central Bank, shall undertake a gap analysis and provide a detailed report on its compliance status to the Bank of Uganda within **180 calendar days**, from the date the Guidelines take effect along with the timeline for achieving compliance with the requirements. For each requirement, the FHCs shall indicate its compliance status using four categories: (i) compliant, (ii) partially compliant, (iii) non-compliant, and (iv) not applicable. For the "partially compliant" and "not applicable" categories, an explanation of the reasons is necessary.
- viii. The FHCs shall be required to fully comply with the requirements under this Guideline within a period not exceeding **one year** from the date of issuance of the Guidelines.