

STATUTES**SUPPLEMENT No. 2****14th May, 1993****STATUTES SUPPLEMENT***to the Uganda Gazette No. 21 volume LXXXVI dated 14th May. 1993.*

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THE BANK OF UGANDA STATUTE, 1993.

A Statute to amend and consolidate the Bank of Uganda Act for regulating the issuing of legal tender, maintaining external reserves and for promoting the stability of the currency and a sound financial structure conducive to a balanced and sustained rate of growth of the economy and for other purposes related to the above.

BE IT ENACTED BY the President and the National Resistance Council as follows:

DATE OF ASSENT: 11th May, 1993.

Date of commencement: 14th May, 1993.

PART I-PRELIMINARIES.

1. This Statute may be cited as the Bank of Uganda Short Title Statute, 1993.
 2. In this Statute, unless the context otherwise requires- interpretation
- "Bank" means the Bank of Uganda established under section 3 of this Statute;

"financial institution" includes a bank, credit institution, a building society, and any institution classified as a financial institution by the Bank;

"Board" means the Board of Directors established under section 8 of this Statute;

"Executive Director" means appointed under section 29 of this Statute;

"Governor" means the Governor of Bank of Uganda appointed under section 29 of this Statute;

"Fund" means the General Reserve Fund of the Bank established under section 16 of this Statute;

"Minister" means the Minister responsible for finance.

PART II-ESTABLISHMENT OF THE BANK AND THE BOARD OF DIRECTORS

establishment
of the Bank.

3. (1) The Bank of Uganda established under the Banking Act, 1966, shall continue as the Central Bank of Uganda.

(2) The Bank shall be a body corporate with perpetual succession and a common seal and may sue or be sued in its corporate name.

(3) The Bank may, subject to the limitations contained in this Statute relating to the business, which the Bank may carry on, purchase, hold, manage and dispose of real and movable property, and may enter into contracts that may be expedient.

the seal of
the Bank.

4. (1) The seal of the Bank shall be authenticated by the signatures of the Governor and the Secretary to the Board.

(2) In the absence of the Governor, the Deputy Governor may sign in his place, and the person performing the functions of the Secretary may sign in the absence of the Secretary.

(3) A document issued by the Bank which document is sealed with the seal of the Bank and authenticated in the manner provided under this section shall be received and taken to be a true document without further proof unless the contrary is shown.

5.(1) The functions of the Bank shall be to formulate and implement monetary policy directed to economic objectives of achieving and maintaining economic stability.

Functions of
the Bank

(2) Without prejudice to the generality of subsection (1) the Bank shall-

- (a) maintain monetary stability;
- (b) maintain external assets reserve;
- (c) issue currency notes and coins;
- (d) be the banker to Government;
- (e) act as financial adviser to Government and manager of public dept;
- (f) advise Government on monetary policy as is provided under subsection (3) of section 33;
- (g) where appropriate, act as an agent in financial matters for the Government;
- (h) be the banker to financial institutions;
- (i) be the clearing house for cheques and other financial instruments for financial institutions;
- (j) supervise, regulate, control and discipline all 'financial institutions, insurance companies and pension funds institutions;
- (k) where appropriate, participate in the economic growth and development programmes.

6. Subject to the provisions of this Statute, the Bank shall have all the powers pertaining to a legal person and may do all things necessary for the better carrying out of its functions.

Powers of the
Bank

7. The Bank shall have its head office in Kampala and may establish branches and appoint agents and correspondents in and out of Uganda as the Board may decide.

The Board of Directors

e Board of
rectors

8. (1) The governing body of the Bank shall be a Board of Directors consisting of-

- (a) the Governor, who shall be the Chairman;
- (b) the Deputy Governor who shall be the Deputy Chairman;
- (c) the Secretary to the Treasury; and
- (d) not less than four nor more than six other Directors.

(2) The Directors referred to under paragraph (d) of subsection (1) shall be appointed by the Minister.

(3) A member of the Board may hold office for a period of four years and different members shall be appointed at different times so that the expiry date of the members shall fall at different times.

(4) A member of the Board appointed under subsection (2) shall be eligible for re-appointment.

(5) A Director may resign his office by writing under his hand addressed to the Minister which resignation shall take effect one month from the date of receipt of the letter of resignation by the Minister.

(6) If a member of the Board dies or resigns or otherwise vacates office before the expiry of the term for which he was appointed, the Minister may appoint another person in his office and the person so appointed shall hold office for the unexpired period of the term of office of the person in whose place he is appointed.

(7) Whenever for any sufficient reason the offices of the Governor and the Deputy Governor are vacant at the same time, the Minister shall, in consultation

with the Board designate one of the Executive Directors to perform the duties of the Deputy Governor and attend meetings of the Board until the appointment of the Governor or Deputy Governor, but shall not for those purposes be, or be deemed to be a member of the Board.

(8) Whenever for any sufficient reason the Governor and Deputy Governor are absent at the same time, the Governor shall, designate a senior officer to perform the executive functions of the Deputy Governor and attend meetings of Board until the resumption of office by the Governor or Deputy Governor, and the Board shall appoint from among,, themselves a Chairman for the period of absence of the Governor and Deputy Governor.

9. A person may be appointed a Director-

Qualifications
of Directors

- (a) if he is a citizen of Uganda; and
- (b) if he has recognized qualification in economic, financial, business or banking experience.

10.(1) No person shall be appointed or be a member of the Board who is or becomes a director or salaried officer of the Bank other than the Governor and the Deputy Governor.

Disqualifi
on of
Directors

(2) A member of the Board shall cease to hold office if

- (a) he becomes of unsound mind or is incapable of carrying out the duties of his office;
- (b) he becomes bankrupt or suspends payment or compounds with his creditors;
- (c) he is convicted of an offence punishable by more than three months imprisonment or is convicted of an offence involving fraud or dishonesty;
- (d) he is convicted of the offence of abuse of office;
- (e) in the case of a person having professional qualifications,

he is disqualified or suspended from practicing his profession by a competent authority or ceases to be a member of the profession otherwise than at his own request.

Duties and powers of the Board.

11. The Board shall-

- (a) be responsible for the general management of the affairs of the Bank;
- (b) ensure the functioning of the Bank and the implementations of its functions;
- (c) formulate the policies of the Bank;
- (d) do anything required to be done by the Bank under this Statute; and
- (e) do anything that is within, or incidental to the functions of the Bank.

Meetings of the Board

12. The procedure of the meetings of the Board shall be as is provided in the Schedule to this Statute.

13. Members of the Board and any person not being an employee of the Bank attending a meeting of the Board may be paid a remuneration or allowance as the Board may, in consultation with the Minister, determine. Remuneration of members

Conditions of Service of members.

14. The Board may make bye-laws to regulate conditions of service of its members and such bye-laws shall be submitted to the Minister for approval which approval shall be given in a period not exceeding thirty days from the date of submission of the proposed bye-laws.

PART III-CAPITAL, RESERVE AND CURRENCY

Authorized capital

15. (1) The authorized capital of the Bank shall be thirty billion shillings which shall be *subscribed* by the Government from time to time.

(2) The authorized capital may be increased by a resolution of the legislature to ensure adequacy to the operations of the Bank.

(3) The issued and paid up capital of the Bank shall be a minimum of twenty billion shillings.

(4) Where the capital of the Bank is impaired at any particular time the Government will furnish securities to the Bank to make good the impairment.

16. (1) There shall be a General Reserve Fund of the Bank which shall be determined by the Board from time to time.

General
Reserve
Fund

(2) The Bank may, in consultation with the Minister transfer funds from the General Reserve Fund to the capital of the Bank.

17. (1) At the end of each financial year of the Bank, and after-

Distribution
of profits and
loss

- (a) making good the authorized capital and Reserve Fund balance;
- (b) allowing for expenses of operation;
- (c) making provision for bad and doubtful debts;
- (d) making provision for depreciation of assets;
- (e) contributing to any scheme or fund established under this Statute;
- (f) taking into consideration any other contingencies; (-)y net profits or losses from the Bank's operations shall be shared between the Bank and the Government in respective proportions of twenty five percent and seventy five percent.

(2) In determining the profits and loss at the end of each financial year, the accounts shall clearly distinguish profits or loss arising from the normal operations of the Bank and those resulting from profits or loss from exchange fluctuation.

(3) The Board may determine that the whole of tile net profit of the Bank be paid into the Consolidated Fund if at the end of the financial year the amount of money in the

General Reserve Fund is twice or more than the amount of the paid up Capital of the Bank.

(4) The Bank may, after consultation with the Minister, retain from money payable into the Consolidated Fund under this section any amount of money as the Board may determine, in satisfaction or reduction of any amount of money due to the Bank by the Government.

Unit of
Currency

18. (1) The unit of currency shall be the shilling.

(2) All monetary obligations or transactions shall expressed, recorded and settled in the shilling unless otherwise provided under any enactment or is lawfully agreed to between the parties to an agreement under any lawful obligation.

External value
of the shilling

19. (1) The Board shall, in consultation with the Minister prescribe the framework for determining the external value of the shilling.

Issuance of
foreign
currency

20. The Bank may buy and sell foreign currency-

- (a) at rates determined by market conditions; and
- (b) on terms that may be determined by the Board.

Right to issue
notes and coins

21. (1) The Bank shall have the sole right to issue notes and coins and the Government or any person shall not issue currency notes, bank notes, coins, any documents or tokens payable to bearer on demand, being documents or tokens likely to be passed as legal tender.

(2) The Bank shall-

- (a) arrange for the printing of notes and the minting of coins;
- (b) determine the denominations to be issued;
- (c) issue and re-issue and exchange notes and coins at the Bank's offices and at the Bank's agencies established or appointed by the Bank;

- (d) arrange for the custody of unissued stocks of currency ,and for the preparation, safe custody and destruction of plates and paper for the printing of notes and of dies for the minting of coins.

Design of
bank notes

22. The Bank shall determine the design of the bank notes issued by it but no bank note shall bear in its design a portrait of a living person or any political symbol or word.

denominatio
and form
bank notes
and coins.

23. (1) The bank notes and coins issued by the Bank shall be in denominations of the shilling or fraction of the shilling expressed in cents as shall be determined by the Board with the approval of the Minister.

(2) Denominations issued by the Bank shall be in forms and designs and bear devices that shall be determined by the Board.

(3) The standard weight and composition of coins issued by the Bank and the remedy and variation shall be determined by the Board

Legal tender

24. (1) Notes issued by the Bank shall be legal tender at their face value.

(2) Coins issued by the Bank, if not tampered with, shall be legal tender for payments up to an amount not exceeding-

- (a) one thousand shillings, in case of coins of denominations of not less than five shillings; or
- (b) five hundred shillings in case of coins of a lower denomination; or
- (c) as may be prescribed by the Board, from time to time

(3) On giving not less than fifteen days' notice in the *Gazette*, the Bank may call in any of its bank notes and coins on payment of the face value and any notes or coins with respect to which notice may have been given under this subsection shall, on the expiration of the notice cease to be legal tender.

(4) For the purpose of this Statute, a coin shall be deemed to have been tampered with if the coin shall have been-

(a) impaired diminished or lightened otherwise by fair wear and tear;
or

(b) defaced by stamping, engraving or piercing whether the coin shall or shall not have been diminished or lightened.

Refund of
lost or
imperfect
bank
notes and

25. (1) No person shall be entitled to recover from the Bank the value of any lost, stolen, mutilated or imperfect bank note or any coin which is tampered with.

(2) Subject to subsection (1) the circumstances in which and the conditions and limitations subject to which the value of any lost, stolen, mutilated or imperfect bank notes or coins tampered with may be refunded as of grace, shall be within the absolute discretion of the Board.

Evidence
of
imitation
of bank
notes.

26. Where in any proceedings in any court of competent jurisdiction it is to be determined whether a document purporting to be a bank note is an imitation of a bank note, a certificate under the hand of the Governor or any officer of the Bank, authorized by him certifying that he has examined the document which purports to be a bank note, stating the denomination, and the number of the bank note, and that the document is an imitation of a bank note and is not a note issued by the Bank, shall be received in evidence without further proof as conclusive evidence of the fact that the document is an imitation of a bank note

Exemption
from stamp
duty.

27. The Bank shall not be liable to the payment of any stamp duty under the Stamps Act in respect of notes issued by it.

PART IV--OFFICERS AND STAFF

The Governor
and Deputy
Governor.

28. (1) There shall be a Governor who shall be a person of recognized financial or banking experience and shall be appointed by the President on the advice of the Cabinet.

(2) There shall be a Deputy Governor who shall be a person of recognized financial or banking experience and shall be appointed by the President acting on the advice of the Cabinet.

(3) The Governor and Deputy Governor shall be appointed for a period of five years and shall be eligible for re-appointment.

(4) The Governor and Deputy Governor shall not, while holding office of Governor or Deputy Governor occupy any other office or employment whether remunerated or not.

(5) Notwithstanding the provisions of subsection (4) the Governor or Deputy Governor may-

- (a) become a trustee of any staff, pension, provident or superannuation fund or scheme;
- (b) with the approval of the Minister act as a member of any commission or committee appointed by the Government to inquire into any matter affecting currency or banking or other matters.
- (c) with the consent of the Minister and the approval of the Board, become a director, governor or member of the board, by whatever name called, of any international bank or an international monetary authority to which the Government shall have adhered or given support or approval.

(6) The Governor and Deputy Governor shall be appointed on conditions specified in their letters of appointment.

(7) The Governor or Deputy Governor shall resign his office by writing addressed to the Minister and the resignation shall take effect one month from the date of receipt of the letter of resignation by the Minister.

pointment
employees

29. (1) There shall be Executive Directors who shall be appointed by the Board and carry on supervisory functions over a number of departments as may be determined by the Board.

(2) There shall be Heads of departments of the Bank who shall be appointed by the Board.

(3) The Bank shall have other officers and employees as the Board may determine.

(4) Save as may otherwise be provided by bye-laws of the Bank, all appointments of employees shall be by the Board.

(5) Employees of the Bank shall be engaged on terms and conditions that shall be laid down by the Board.

(6) No salary, fee, wage, or other remuneration or allowance paid by the Bank shall be computed by reference to the net or other profits of the Bank.

(7) No employee of the Bank shall be liable-

- (a) for any loss or damage suffered by the Bank unless that loss or damage was caused by his own default or willful act;
- (b) to any legal proceedings for anything which done in good faith pursuant to the provision of this Statute.

PART V-BANKING

Credit and
other
operations

30. (1) The Bank may-

- (a) open accounts for and accept deposits from-
 - (i) the Government,
 - (ii) local governments,

- (iii) Funds, corporations and institutions controlled by the Government, and
 - (iv) financial institutions;
- (b) buy, sell, discount and rediscount inland bills of exchange, promissory notes, Treasury Bills or other instruments
- (c) subject to the provisions of subsection (4) of this section, purchase and sell securities of the Government which have been publicly offered on issue which is being made to the public at the time of acquisition and such securities are to mature within a period of twenty years;
- (d) grant advances to its customers specified under Paragraph (a) for fixed periods not exceeding three months against publicly, issued Treasury Bills of the Government maturing within ninety-three days;
- (e) grant to financial institutions advances for fixed periods not exceeding three months, at a rate of interest not being less than one *percentum* above the Bank's standard rediscount rate against promissory note secured by the pledge with the Bank-
 - i. securities of the Government which have been publicly offered for sale and are to mature within a period of twenty-five years, so however that any advance so secured shall not at any time exceed seventy-five *percentum* of the market value of the security pledged and that the total amount of the securities held by the Bank, whether under the provisions of this subparagraph or otherwise, is within the limitations imposed under the provisions of subsection (4) of this section and that where in

the opinion of the Bank there is no established market value for those securities the value shall be determined by the Bank; the securities referred to exclude such bonds issued for purposes of capitalization of the Bank,

- ii. bills of exchange and promissory notes as are eligible for purchase, discount or rediscount by the Bank, so however that any advances so secured shall not at any time exceed seventy-five *percentum* of the normal value of instrument pledged,
 - iii. warehouse warrants issued by lawfully formed general and bonded warehouses or their equivalent securing possession of goods,
 - iv. required reserves held at the Bank;
- (d) subject to subsection (4) grant to financial institutions medium and long-term loans for periods not exceeding fifteen years upon such securities as the Board of Directors of the Bank may prescribe;
- (e) guarantee loans granted by financial institutions not exceeding twenty percentum of the core capital or as may be determined by the Board.
- (2) The Bank may—
- (a) issue demand drafts and effect other kinds of remittances payable at its own offices or at the offices of its agents or correspondents;
 - (b) purchase and sell gold coin or gold bullion;
 - (c) invest in securities of the Government for any amount, and to mature at any time, on behalf of staff funds and superannuation funds and other internal funds of the Bank;

- (d) with the approval of the Minister and subject to subsection (4) subscribe to hold and sell shares of any corporation or company established for the purpose of facilitating the financing of economic development;
- (e) maintain accounts with central and other banks and act as correspondent, banker or agent for any central or other bank or other monetary authority outside Uganda and for any international monetary authority established under Government auspices;
- (f) accept from its customers for custody securities and other articles of value;
- (g) undertake on behalf of customers specified under paragraph (1) (a) and correspondents the purchase, sale, collection and payment of securities, currencies and credit instruments within and without Uganda and the purchase and sale of gold.

(3) Subject to the provisions of this Statute, the Bank shall not-

- (a) engage in trade or otherwise have a direct interest in any commercial, agricultural, industrial or any other undertaking except such interest as the Bank may in any way acquire in the course of the satisfaction of debts due to it, which interest acquired shall be disposed of as soon as may be reasonably practicable;
- (b) purchase the shares of any body corporate, incorporate including the shares of any financial institution;
- (c) grant loans upon the security of any shares;
- (d) grant unsecured advances or advances secured otherwise than as provided for under the provisions of paragraphs (d) and (e) of subsection (1) of this section, but in the event of any debts

due to the Bank becoming, in the opinion of the Bank endangered, may secure such debt on any real or other property of the debtor and may acquire such property which shall be resold as soon as may be reasonably practical

(4) At any particular date the total amount-

- (a) of long term securities or loans referred to under paragraphs (c) and (f) of subsection (1);
- (b) subscriptions under paragraph (d) of subsection (2); or
- (c) any other long, term loan other than securities held under paragraph (c) of subsection (2),

shall not exceed twenty percentum of the core capital of the Bank or such other percentage as the Board may determine.

(5) Without prejudice to any provision contained in this section the Bank may do all matters and things that are incidental or subsidiary to its functions under this Statute.

(6) Notwithstanding anything contained in this section, the Bank may, with the approval of the Minister, establish a Credit Guarantee Scheme, a Development Finance Fund, and any other scheme for developmental purposes not exceeding ten *percentum* of the core capital of the Bank.

(7) A Scheme or Fund referred to under subsection (6) shall be established by a Statutory Instrument, in which Instrument the structure and operations of the Scheme and other matters connected thereto shall be spelt out.

blication of
discount
es.

31. The Bank shall fix and make public at all times its standard rediscount rate and the Bank may determine different terms, conditions and rates of interest in respect of particular classes of transactions.

ternal
erve

32. (1) The Bank shall maintain a reserve of external assets at least equal to four weeks import requirements of the country consisting., of any or all of the following-

- (a) gold coin or gold bullion;

- (b) convertible foreign exchange in any of the following forms-
- i. demand or time deposits, money at call, notes and coins,
 - ii. bills of exchange when they bear at least two signatures of which one is that of a commercial bank and which have a maturity not exceeding ninety days exclusive of days of grace,
 - iii. marketable securities of, or guaranteed by foreign governments or international financial institutions;
- (c) any external fund, facility or drawing rights inclusive of the reserve tranche purchase from the International Monetary Fund which the Minister, after due consultations with the Bank, considers acceptable for inclusion.

(2) The Bank will advise the Minister whenever the target on reserves is likely to be violated for any reason and suggest remedial measures.

PART VI-BANK RELATIONSHIP WITH GOVERNMENT

Relationship
with
Government

33.(1) The Minister may direct the Bank to render device to Government on financial or other related matters and the Bank shall advise and inform the Government through Minister on any matter which is within its functions and powers under this Statute.

(2) The Bank shall render services to Government as may be determined by the Minister.

(3) The Government shall seek advice from the Bank on monetary policy, and it shall be the duty of the Bank to formulate such monetary policy and advise Government accordingly.

(4) The Government shall consult with the Bank from time to time on its domestic or foreign credit requirements or any other relevant matter.

temporary
advances

34. (1) The Bank may make temporary advances to the Government and local governments in respect of temporary deficiencies of recurrent revenue.

(2) The Treasury shall, at the beginning of *each* financial year identify and submit to the Bank all its requirements for temporary advances for that year and the Bank shall, subject to subsection (3) operate within that requirement.

(3) The total amount of advances made under subsection (1) shall not at any time exceed eighteen *percentum* of the recurrent revenue of the Government.

(4) The Bank shall charge market rates of interest on any advance to the Government or local government unless the Board determines otherwise.

report on
advances

35. (1) Where in the opinion of the Bank the limitations on Bank credit prescribed under subsection (3) of section 34 or the holding of securities is exceeded, the Bank shall make a report on the Bank's outstanding advances or holding of securities in terms of those sections, and the causes that have led to the breach of the limitations, together with any recommendation or remedy; and the Bank shall make further reports and recommendations to the Minister at intervals not exceeding six months until the situation has been rectified.

(2) At any time when the limitations on Bank Credits or the submitted requirement is exceeded, the powers of the Bank to grant additional financing shall cease until the situation has been rectified.

36. (1) The Bank may participate in development financing through-

Development
Financing

- (a) the refinancing facilities to financial institutions;
- (b) the management of loans and grants for development projects through commercial banks;

(c) closely supervising the outcome of the funds dispersed to commercial banks.

(2) For the avoidance of doubt the Bank shall not directly finance any developmental project with exception of development funds established under section 30 (6).

PART VII-BANK RELATIONSHIP WITH FINANCIAL INSTITUTIONS

Clearing
House

37. (1) The Bank may provide facilities for clearing financial instruments generally on terms that may be determined by the Bank.

(2) The Bank may make regulations prescribing the procedure and other provisions for the participation in the clearing house and for the clearing, of checks and other credit instruments.

(3) The Bank may allow a commercial bank to participate in the activities of the clearing house on the recommendation of the Uganda Bankers Association.

Co-operation
with financial
institutions

38. The Bank shall in the discharge of its functions under this Statute, seek the co-operation of and co-operate with financial financial institutions in order

- (a) to promote and maintain adequate and reasonable banking services for the public;
- (b) to ensure high standards of conduct and management throughout the banking system;
- (c) to promote such policies not being inconsistent with any provision of this Statute; and
- (d) to provide facilities for the clearing of financial instruments for financial institutions generally on terms determined by it; and
- (e) to vet Directors of the financial institutions.

Minimum
cash reserve
balances.

39. (1) Subject to the provisions of this section, the Bank may prescribe for each bank or group of financial institutions the minimum cash reserve balances inclusive of vault cash which may be required to be maintained in the form of deposits at the Bank or any other method laid down by the Bank.

(2) The Bank may, prescribe various ratios for different kinds of liabilities and shall prescribe the methods of computing the amount of cash reserve balances.

(3) The total amount of the cash reserve balances referred to in subsection (1) of this section shall not exceed twenty-five per centum of the financial institution's deposits and other liabilities provided that within this overall limit the Bank may impose incremental reserves up to one hundred per centum on any increase of any kind of liability from the date prescribed by the Bank.

(4) The Bank may impose on a financial institution which fails to maintain the minimum cash reserve balances required under this section a penalty not exceeding one-tenth of one *per centum* per day on the amount of the deficiency for each day during which the deficiency continues and the amount of any such penalty may be recovered by deduction from any balance of, or moneys owing to the financial institution concerned or as a civil debt.

(5) For the purposes of this section the liabilities of a financial institution means its liabilities in Uganda whether these are payable within or without Uganda.

Control of
credit and
interest rates.

40. (1) The Bank may, in consultation with the Minister, by statutory instrument, prescribe-

- (a) the maximum amounts of investments, loans, advances and bills and promissory notes discounted whether applied in total or to *any* specified class or classes of such investments, loans, advances and bills and promissory notes discounted which each financial institution may have outstanding during the period that may be specified by the Bank;
- (b) the purpose for which loans and advances may be granted and the class of business underlying investments and bills and promissory notes discounted;

- (c) the maximum period of loans and advances and the type and minimum amount of security which shall be required; and the maximum tenor of bills and promissory notes discounted;
- (d) the maximum or minimum rates of interest ,and other charges which in the transaction of their business financial institutions may pay on any type of deposit or other liability and impose on credit extended in any form;
- (e) the maximum charges which in the transaction of their business financial institution may impose on any banking transaction.

(2) Any prescription made under subsection (1) shall-

- (a) have regard to commitments which financial institutions may have entered into with their customers at the time of the coming into force of the statutory instrument and shall take effect after the period of grace as the Bank may specify in the instruments;
- (b) not discriminate between one financial institution and another.

(3) A financial institution which contravenes any prescription made under subsection (1) of this section shall be liable to pay, on being called upon to do so by the Bank, fine not exceeding one million shillings.

financial
institutions to
furnish
information.

41. (1) Every financial institution shall furnish to the Bank in a manner prescribed by statutory instrument all information that may be required by the Bank for the proper discharge of its functions.

(2) The Bank may publish in whole or in part, information furnished to it under subsection (1) as the Board may determine.

(3) The Bank shall not publish or disclose any information regarding the affairs of a financial institution or of a

customer of a financial institution unless the consent of the institution or the customer has been obtained.

financial
institutions as
agents of the
Bank

42. The Bank may, appoint any financial institution as its agent for the issue, re-issue, exchange and withdrawal of notes and coins or for any other purpose on terms and conditions that may be agreed upon by the Bank and the institution appointed agent.

PART VIII---ACCOUNTS AND STATEMENTS

Bank's
financial year

43. The financial year of the Bank shall be the same the financial year of the Government.

Audit

44. The Accounts, of the Bank shall be audited, at least once every financial year, by the Auditor General or an auditor appointed by him to act on his behalf.

Returns

45. (1) The Bank shall as soon as may be practicable, after the end of each quarter, make a quarterly return of its assets and liabilities and the return shall be published in the *Gazette* and a copy submitted to the Minister.

(2) The Bank may submit to the Minister, from time to time, information on the exercise and performance of its duties or on its assets and liabilities in a form that may be determined by the Board.

PART IX- MISCELLANEOUS PROVISIONS

Declaration
Secrecy

46. (1) The members of the Board, officers and employees of the Bank shall be bound by a declaration of secrecy and shall not, except as may reasonably be in the performance of their functions, disclose to any person any material information acquired in the performance of their functions unless called upon to give evidence in a court of competent jurisdiction or to fulfil other obligations imposed by law.

(2) Every former member of the Board, officer or employee of the Bank shall continue to be bound by the declaration of secrecy after the termination of service and

shall not except with the prior written permission of the Bank disclose any material information acquired by him in that capacity, unless he is called upon to give evidence in a court of competent jurisdiction or to fulfil other obligations imposed by law.

(3) Where the Bank unreasonably withholds permission under this section, the aggrieved party may appeal to the High Court whose decision shall be final.

(4) Any person who contravenes the provisions of this section commits an offence and shall be liable on conviction, to imprisonment for a term not exceeding five years or to a fine not exceeding five hundred thousand shillings or to both such imprisonment and fine.

Exemption
from tax

47. The Bank shall be exempted from the payment of income tax and profits or capital gains tax in respect of its functions under this Statute.

Prohibited
names

48. Unless a written consent from the Minister has been obtained, no financial institution shall register or be registered under any law in force by a name which includes the following words-

(a) Central;

(b) National;

(c) Uganda;

(d) Ugandan;

(e) Reserve;

(f) State; or

(g) other equivalent word in **any** language.

Minister's
powers of
direction

49. (1) The Minister may, after consultation with the Governor and subject to the provisions of this Statute, give powers **of** directions of a general nature in writing, relating to the financial and economic policy of the Bank.

(2) If, after consultation with the Governor, the Minister is of the opinion that the policies being pursued by the Bank are not adequate for, or conducive to, the achievement of the functions of the Bank, the Minister may, with the approval of Cabinet, by directive in writing determine the specific policy to be adopted by the Bank and the Bank shall give effect to the directive while the directive remains in force.

(3) The Minister shall lay before the legislature any directive issued under subsection (2), within fifteen sitting days after issuing that directive to the Bank.

Annual
Report

50. (1) The Bank shall, not later than three months after the end of each financial year, present to the Minister a report generally on the activities and operations of the Bank during the preceding financial year and in particular-

- (a) with regard to the procedures and policy of the Bank as the Bank considers may properly be, given without detriment to the interests of the activities of the Bank;
- (b) a copy of the audited accounts.

(2) The Minister shall lay before the Legislature the report received under subsection (1) within three months after the end of the financial year.

Bye-laws

51. The Board may, with the approval of the Minister make bye-laws not inconsistent with this Statute regulating-

- (a) the terms and conditions of service by Board members;
- (b) the structural establishment of the Bank;
- (c) the terms and conditions of service for officers and
- (d) employees of the Bank;
- (e) retiring and other service benefits of the employees and officers of the Bank; or

(f) any other matter falling within the scope of its functions.

Offences **52. (1)** A person commits an offence and is liable on conviction, to a term of imprisonment not exceeding twelve months or to a fine not exceeding four hundred thousand shillings or to both the fine and imprisonment, who-

- (a) contravenes a provision of this Statute;
- (b) knowingly makes an incorrect statement in a document submitted by him; or
- (c) knowingly makes a false reply to a question asked of him for the purposes of this Statute.

(2) Where an offence is committed by a body of persons, every person who at the time of its commission was a director, manager or partner of that body shall be deemed to have committed the offence unless he proves-

- (a) that the offence was committed without his knowledge; and
- (b) that he took all reasonable steps to ensure compliance with the provisions of this Statute.

Regulations **53.** The Minister may, after consultations with the Board, make regulations generally for the better carrying into effect the provisions of this Statute.

Repeal and saving Act 5 of 1966. **54. (1)** The Bank of Uganda Act, 1966 is repealed.

(2) Notwithstanding the repeal under subsection (1) regulations and bye-laws made under that Act shall continue in force until revoked or replaced by the relevant authority.

SCHEDULE.**MEETINGS OF THE BOARD.**

1. The Governor shall preside at all meetings of the Board and in the absence of the Governor the Deputy Governor shall preside.
2. The Board shall meet for the discharge of its functions as often as business requires and in any case the Board shall meet at least ten times in a year and the Governor may convene a meeting whenever two Directors request for a meeting.
3. The quorum at any meeting of the Board shall be by a simple majority including either the Governor or the Deputy Governor or a person presiding at the meeting.
4. A decision on a question proposed at any meeting of the Board shall be determined by a simple majority of the votes of the members present and voting and in the case of equality of votes the person presiding shall have a casting vote.
5. The Board shall cause to be kept minutes of all the proceedings of its meetings.
6. The Board may invite any number of persons to attend any of its meetings as consultant or adviser.
7. No act or proceedings of the Board shall be invalidated by reason only of the existence of a vacancy among the members of the Board.
8. All acts done by any person in good faith as a member of the Board, shall be valid notwithstanding any defect in his appointment.
9. In all other matters not provided for under this Statute the Board may regulate its own procedure.

**BILLS
SUPPLEMENT No. 3**

26th February, 1993.

BILLS SUPPLEMENT

to the Uganda Gazette vol. 8 Volume LXXXV dated 26th February 1993.

Printed by the Government printer, Entebbe by order of the Government.

THE BANK OF UGANDA BILL, 1993.

MEMORANDUM

The Bill seeks to amend and consolidate the Bank of Uganda Act, 1966, to strengthen the Bank of Uganda's powers with a view to enabling it to maintain adequate external reserves and to ensure the stability of the currency. The Bill is geared to giving the Bank, more powers of monetary control and enabling the Bank to participate in the formulation of monetary policy in order to establish a structure conducive to a balanced and sustainable rate of growth of the economy of the country.

J S. MAYANJA-NKANGI,

*Minister of Finance and Economic
Planning.*

THE BANK OF UGANDA BILL 1993.**ARRANGEMENT OF CLAUSES***Clause***PART I-PRELIMINARIES.**

1. Short title
2. Interpretation

**PART II-ESTABLISHMENT OF THE BANK
AND THE BOARD OF DIRECTORS***Establishment of the Bank*

3. Establishment of the Bank
4. The seal of the Bank
5. Functions of the Bank.
6. Powers of the Bank.
7. Head Office.

The Board of Directors

8. Board of Directors.
9. Qualifications of Directors
10. Disqualification of Directors
11. Duties and powers of the Board
12. Meetings of the Board
13. Remuneration of members
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PART III-CAPITAL, RESERVE AND CURRENCY

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Clause

17. Distribution of profits and-loss
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20. Auctioning of foreign currency
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22. Design of bank notes.
23. Denominations and form of bank notes and coins
24. Legal tender
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PART IV-OFFICERS AND STAFF

28. The Governor and Deputy Governor
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30. Credit and other operations
31. Publication of rediscount rates.
32. External reserves.

PART VI-BANK RELATIONSHIP WITH GOVERNMENT

33. Relationship with Government
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36. Development financing

Clause

- 37. Clearing House
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- 39. Minimum cash reserve balances.
- 40. Control of credit and interest rates, etc.
- 41. Financial Institutions furnish information.
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- 43. Bank's financial year
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- 46. Declaration of secrecy
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- 52. Offences
- 53. Regulations
- 54. Repeal and Saving

A BILL for a Statute

ENTITLED

THE BANK OF UGANDA STATUTE, 1993.

A Statute to amend and consolidate the Bank of Uganda Act for regulating the issuing of legal tender, maintaining external reserves and for promoting the stability of the currency and a sound financial structure conducive to a balanced and sustained rate of growth of the economy and for other purposes related to the above.

BE IT ENACTED by the President and the National Resistance Council as follows:

PART I-PRELIMINARIES.

1. This Statute may be cited as the Bank of Uganda Statute, 1993.

2. In this Statute, unless the context otherwise requires-

Short Title
Interpretation

"Bank" means the Bank of Uganda established under section 3 of this Statute;

"financial institution" includes a bank, credit institution, a building society, and any institution classified as a financial institution by the Bank;

"Board" means the Board of Directors established under section 8 of this Statute;

"Executive Director" means a person appointed under section 29 of this Statute;

"Governor" means the Governor of Bank of Uganda appointed under section 29 of this Statute;

"Fund" means the General Reserve Fund of the Bank established under section 16 of this Statute;

"Minister" means the Minister responsible for finance.

PART II-ESTABLISHMENT OF THE BANK AND THE BOARD OF DIRECTORS

establishment
the Bank 3.(1) The Bank of Uganda established under the Banking Act, 1966, shall continue as the Central Bank of Uganda.

(2) The Bank shall be a body corporate with perpetual succession and a common seal and may sue or be sued in its corporate name.

(3) The Bank may, subject to the limitations contained in this Statute relating to the business which the Bank may carry on, purchase, hold, manage and. dispose of real and movable property, and may enter into contracts that maybe expedient.

e Seal of
Bank 4. (1) The seal of the Bank shall be authenticated by the signatures of the Governor and the Secretary to the Bank.

(2) In the absence of the Governor, the Deputy Governor may sign in his place, and the person performing the functions of the Secretary may sign in the absence of the Secretary.

(3) A document issued by the Bank which document is sealed with the seal of the Bank and authenticated in the manner provided under this section shall be received and taken to be a true document without further proof unless the contrary is shown.

functions of
the Bank.

5. (1) The functions of the Bank shall be to and implement monetary policy directed to economic objectives of achieving and maintaining economic stability

(2) Without prejudice to the generality of subsection (1) the Bank shall-

- (a) Maintain monetary stability;
- (b) maintain external assets reserve;
- (c) issue currency notes and coins;
- (d) be the banker to Government;
- (e) act as financial adviser to Government. and manager of public dept;
- (f) advise Government on monetary policy as is provided under subsection (3) of section 33;
- (g) where appropriate, act as an agent in financial matters for the Government;
- (h) be the banker to financial institutions;
- (i) be the clearing house for cheques and other financial instruments for financial institutions;
- (j) supervise, regulate, control and discipline all financial institutions, insurance companies and pension, funds institutions;
- (k) where appropriate, participate in the economic growth and development programmes.

Powers of the
Bank

6. Subject to the provisions of this Statute, the Bank shall have all the powers pertaining to a legal person and may do all things necessary for the better carrying out of its functions.

Head Office 7. The Bank shall have its head office in Kampala and may establish branches and appoint agents and correspondents in and out of Uganda as the Board may decide.

The Board of Directors

the Board of Directors 8.(1) The governing body of the Bank shall be a Board of Directors consisting of-

- (a) the Governor, who shall be the Chairman;
- (b) the Deputy Governor who shall be the Deputy Chairman;
- (c) the Secretary to the Treasury; and
- (d) not less than four nor more than six other Directors.

(2) The Directors referred to under paragraph (d) of subsection (1) shall be appointed by the Minister.

(3) A member of the Board may hold office for a period of four years and different members shall be appointed at different times so that the expiry date of the members shall fall at different times.

(4) A member of the Board appointed under subsection (2) shall be eligible for re-appointment.

(5) A Director may resign his office by writing under his hand addressed to the Minister which resignation shall take effect one month from the date of receipt of the letter of resignation by the Minister.

(6) If a member of the Board dies or resigns or otherwise vacates office before the expiry of the term for which he was appointed, the Minister may appoint another person in his office and the person so appointed shall hold office for the unexpired period of the term of office of the person in whose place he is appointed.

(7) Whenever for any sufficient reason the offices of the Governor and the Deputy Governor are vacant at the

same time, the Minister shall, in consultation with the Board designate one of the Executive Directors to perform the duties of the Deputy Governor and attend meetings of the Board until the appointment of the Governor or Deputy Governor, but shall not for those purposes be, or be deemed to be a member of the Board.

(8) Whenever for any sufficient reason the Governor and Deputy Governor are absent at the same time, the Governor shall, designate a senior officer to perform the executive law functions of the Deputy Governor and attend meetings of the Board until the resumption of office by the Governor or the Deputy Governor, and the Board shall appoint from among themselves a Chairman for the period of absence of the Governor and Deputy Governor.

9. A person may be appointed a Director-

- | | |
|--------------------------------|---|
| Qualifications
of Directors | <ul style="list-style-type: none"> (a) if he is a citizen of Uganda; or (b) if he has recognized qualification in, economic, financial, business or banking experience. |
|--------------------------------|---|

10. (1) No person shall be appointed or be a member of the Board who is or becomes-

- | | |
|----------------------------------|--|
| Disqualification
of Directors | <ul style="list-style-type: none"> (a) a director or salaried officer of the Bank other than the Governor and the Deputy Governor; (b) a shareholder of any financial institution, supervised by the Bank. |
|----------------------------------|--|

(2) A member of the Board shall cease to hold office if-

- (a) he becomes of unsound mind or is incapable of carrying out the duties of his office;
- (b) he becomes bankrupt or suspends payment or compounds with his creditors;
- (c) he is convicted of an offence punishable by more than three months imprisonment or is convicted of an offence involving fraud or dishonesty;
- (d) he is convicted of the offence of abuse of office;

- (e) in the case of a person having professional qualifications, he is disqualified' or suspended from practicing his profession by a competent authority or ceases to be a member of the profession otherwise than at his own request.

Duties and Powers of the Board

11. The Board shall-

- (a) be responsible for the general management of
- (b) affairs of the Bank;
- (c) ensure the functioning of the Bank and the implementations of its functions;
- (d) formulate the policies of the Bank;
- (e) do anything required to be done by the Bank under this Statute; and
- (f) do anything that is within, or incidental to the functions of the Bank.

Meetings of the Board. **12.** The procedure of the meetings of the Board shall be as is provided in the Schedule to this Statute.

Remuneration of members **13.** Members of the Board and any person not being an employee of the Bank attending a meeting of the Board may be paid a remuneration or allowance as the Board may, in consultation with the Minister, determine.

Conditions of Service of members. **14.** The Board may make bye-laws to regulate conditions of service of members of service of its members and such bye-laws shall be submitted, to the Minister for approval which approval shall be given in a period not exceeding thirty days from the date of submission of the proposed bye-laws.

PART III-CAPITAL, RESERVE AND CURRENCY

Authorised capital. **15.** (1) The authorized capital of the Bank shall be thirty billion shillings which shall be *subscribed* by the Government from time to time.

- (2) The authorized capital may be increased by a resolution of the legislature.

- (3) The issued and paid up capital of the Bank shall be a minimum of twenty billion shillings.
- (4) Where the capital of the Bank is impaired at any particular time the Government will furnish securities to the Bank to make good the impairment.
- (5) The capital of the Bank shall be increased from time to time to ensure it is adequate in relation to the operations of the Bank.

General Reserve Fund **16.** (1) There shall be a General Reserve Fund of the Bank which shall be determined by the Board from time to time.

(2) The Bank may, in consultation with the Minister transfer funds from the General Reserve Fund to the capital of the Bank.

17.(1) At the end of each financial year of the Bank, and after-

Distribution of profits and loss

- (a) making good the authorized capital and Reserve Fund balance;
- (b) allowing for expenses of operation;
- (c) making Provision for bad and doubtful debts;
- (d) making provision for depreciation of assets;
- (e) contributing to any scheme or fund established under this Statute,
- (f) taking into consideration any other contingencies; any net profits or losses from the Bank's operations shall be shared between the Bank and Government in respective proportions of twenty five percent and seventy five percent.

(2) In determining the Profits and loss at the end of each financial year, the accounts shall clearly distinguish profits or loss arising from the normal operations of the Bank and those resulting from profits or loss from exchange fluctuation.

(3) The Board may determine that the whole of the net profit of the Bank be paid into the Consolidated Fund if at the end of the financial year the amount of money in the

General Reserve Fund is twice or more than the amount of the paid up Capital of the Bank.

(4). The Bank may, after consultation with the Minister, retain from money payable into the Consolidated Fund under this section any amount of money as the Board may determine in satisfaction or reduction of any amount of money due to the Bank by the Government.

Unit of
currency

18. (1) The unit of currency shall be the shilling.

(2) All monetary obligations or transactions shall be expressed, recorded and settled in the shilling unless otherwise provided under any enactment or is lawfully agreed to between the parties to an agreement under any lawful obligation.

External
value of the
shilling

19. (1) The Board shall, in consultation with the Minister, prescribe the framework for determining the external value of the shilling.

Auctioning
of foreign
currency.

20. The Bank may buy and sell foreign currency-

(a) at rates determined by market conditions; and

(b) on terms that may be determined by the Board.

Right to
issue
notes and
coins.

21.(1) The Bank shall have the sole right to issue notes and coins and the Government or any person shall not issue currency notes, bank notes, coins, any, documents or tokens payable to bearer on demand, being documents or tokens likely, to be passed as legal tender.

(2) The Bank shall-

(a) arrange for the printing of notes and the minting of coins;

(b) determine the denominations to be, issued;

(c) issue and re-issue and exchange' notes and coins at the Bank's offices and at the Bank's agencies established or appointed by the Bank;

- (d) arrange for the custody of unissued stocks of currency and for the preparation, safe custody and destruction of plates and paper for the printing of notes and of dyes for the minting of coins.

Design of
Bank notes. **22.** The Bank shall determine the design of the bank notes issued by it but no bank note shall bear in its design a portrait of a living person or any political symbol or word.

Denominations
and form of
bank notes and
coins. **23.**(1) The bank notes and coins issued by the Bank shall be in denominations of the shilling or fraction of the shilling expressed in cents as shall be determined by the Board with the approval of the Minister.

(2) Denominations issued by the Bank shall be in forms and designs and bear devices that shall be determined by the Board.

(3) The standard weight and composition of coins issued by the Bank and the remedy and variation shall be determined by the Board.

Legal
Tender. **24.**(1) Notes issued by the Bank shall be legal tender at their face value.

(2) Coins issued by the Bank, if not tampered with, shall be legal tender for payments up to an amount not exceeding-

(a) one thousand shillings, in case of coins of denominations of not less than five shillings; or

(b) five hundred shillings in case of coins of a lower denomination; or

(c) as may be prescribed by the Board, from time to time.

(3) On giving not less than fifteen days' notice in the *Gazette*, the Bank may call in any of its bank notes and coins on payment of the, face value and any notes or coins with respect to which notice may have been given under this subsection shall, on the expiration of the notice cease to be legal tender.

(4) For the purpose of this Statute, a coin shall be deemed to have been tampered with if the coin shall have been-

(a) impaired, diminished or lightened otherwise by fair wear and tear; or

(b) defaced by stamping, engraving or piercing whether the coin shall or shall not have been diminished or lightened.

Refund of
lost or
imperfect
bank
notes and

25. (1) No person shall be entitled to recover from the Bank the value of any lost, stolen, mutilated or imperfect bank note or any coin which is tampered with.

(2) Subject to subsection (1) the circumstances in which and the conditions and limitations subject to which the value of any lost, stolen, mutilated or imperfect bank notes or coins tampered with may be refunded as of grace, shall be within the absolute discretion of the Board.

Evidence of
imitation of
bank notes.

26. Where in any proceedings in any court of competent jurisdiction it is to be determined whether a document purporting to be a bank note is an imitation of a bank note, a certificate under the hand of the Governor or any officer of the Bank authorized by him certifying that he has examined the document which purports to be a bank note, stating the denomination, and the number of the bank note, and that the document is an imitation of a bank note and is not a note issued by the Bank, shall be received in evidence without further proof as conclusive evidence of the fact that that document is an imitation of a bank note.

Exemption
from stamp
duty.

27. The Bank shall not be liable to the payment of any stamp duty under the Stamps Act in respect of notes issued by it.

PART IV-OFFICERS AND STAFF.

Governor and
Deputy
Governor

28. (1) There shall be a Governor who shall be a person of recognized financial or banking experience and shall be appointed by the President on the advice of the Cabinet.

(2) There shall be a Deputy Governor who shall be a person of recognized, financial or banking experience and shall be appointed by the President acting on the advice of his Cabinet.

(3) If the President so wishes the Governor or Deputy Governor may be appointed from the Public Service.

(4) The Governor and Deputy Governor shall be appointed for a period of five years and shall be eligible for re-appointment.

(5) The Governor and Deputy Governor shall not, while holding office of Governor or Deputy Governor occupy any other office or employment whether remunerated or not.

(6) Notwithstanding the provisions of subsection (5), the Governor or Deputy Governor may-

- (a) become a trustee of any staff, pension, provident or Superannuation fund or scheme;
- (b) With the approval of the Minister act as a member of any, commission or committee appointed by Government to inquire into any matter affecting currency or banking or other matters.
- (c) with the consent of the Minister and the approval of the Board, become a director, governor or member of the board by whatever name called, of any international bank or an international or an international monetary authority to which the Government shall have adhered or given support or approval.

(7) The Governor and Deputy Governor shall be appointed on conditions specified in their letters of appointment

(8) The Governor or Deputy Governor may resign his office by writing addressed to the Minister and the resignation shall take effect one month from the date of receipt of the letter of by the Minister.

pointment
employees.

29. (1) There shall be Executive Directors who shall be appointed by the Board and carry on supervisory functions over a number of departments as may be-determined by the Board.

(2) There shall be Heads of department of the Bank who shall be appointed by the Board.

(3) When making appointments under subsections (1) and (2), the board shall ensure that a good number of Ugandans are appointed in both categories.

(4) The Bank shall have other officers and employees the Board may determine.

(5) Save as may otherwise be provided by bye-laws of the Bank. all appointments of employees shall be made by the Board.

(6) Employees of the Bank shall be engaged on terms and conditions that shall be laid down by the Board.

(7) No salary, fee, wage, or other, remuneration or allowance paid by the Bank shall be computed by reference to the net or other profits of the Bank.

(8) No employee of the Bank shall be liable-

- (a) for any loss or damage suffered by the Bank unless that loss or damage was caused by his own default or willful act-;
- (b) to any legal proceedings for anything which was done in good faith pursuant, to the provisions of this Statute.

PART V-BANKING

30.(1) The Bank may-

Credit and
other
operations.

- (a) open accounts for and accept deposits from-
 - i. the Government,
 - ii. local governments,

- iii. Funds, corporations and institutions controlled by the Government,
and
 - iv. financial institutions,
- (b) buy, sell, discount and rediscount inland bills of exchange, promissory notes, Treasury Bills or other instruments;
 - (c) subject to the provisions of subsection (4) of this section, purchase and sell securities of the Government which have been publicly offered on issue which is being made to the public at the time of acquisition and such securities are to mature within a period of twenty years;
 - (d) grant advances to its customers specified under paragraph (a) for fixed periods not exceeding three months against publicly issued Treasury Bills of the Government maturing within ninety-three days;
 - (e) grant to financial institutions advances for fixed periods not exceeding three months, at a rate, of interest not being less than one *percentum* above the Bank's standard rediscount rate against promissory notes secured by the pledge with the Bank-
- i. securities of the Government which have been publicly offered for sale and are to mature within a period of twenty-five years, so however that any advance so secured shall not at any time exceed seventy-five *percentum* of the market value of the security pledged and that the total amount of the securities held by the Bank, whether under the provisions of this subparagraph or otherwise, is within the limitations imposed under the provisions of subsection (4) of this section and that where in the opinion

of the Bank there is no established market value for those securities the value shall be determined by the Bank; the securities referred to exclude such bonds issued for purposes of capitalization of the Bank,

- ii. bills of exchange and promissory notes as are eligible for purchase, discount or rediscount by the Bank, so however that any advances so secured shall not at any time exceed seventy-five *percentum* of the normal value of the instrument pledged,
 - iii. warehouse warrants issued by lawfully formed general and bonded warehouses or their equivalent securing possession of goods,
 - iv. required reserves held at the Bank;
- (f) subject to subsection (4) grant to financial institutions medium and long term loans for periods not exceeding fifteen years upon such securities as the Board of Directors of the Bank may prescribe;
- (g) guarantee loans granted by financial institutions not exceeding twenty *percentum* of the core capital or as may be determined by the Board.

(2) The Bank may-

- (a) issue demand drafts and effect other kinds of remittances payable at its own offices or at the offices of its agents or correspondents;
- (b) purchase and sell gold coin or gold bullion;
- (c) invest in securities of the Government for any amount, and to mature at any time, on behalf of staff funds and superannuation funds and other internal funds of the Bank;

- (d) with the approval of the Minister and subject to subsection (4) subscribe to hold and sell shares of any corporation or company established for the purpose of facilitating the financing of economic development;
 - (e) maintain accounts with central and other banks and act as correspondent, banker or agent for any central or other bank or other monetary authority outside Uganda and for any international monetary authority established under Government auspices;
 - (f) accept from its customer's for custody securities and other articles of value;
 - (g) undertake on behalf of customers specified under paragraph (1) (a) and correspondents the purchase, sale, collection and payment of securities, currencies and credit instruments within and without Uganda and the purchase and sale of gold.
- (3) Subject to the provisions of this Statute, the Bank shall not-
- (a) engage in trade or otherwise have a direct interest in any commercial, agricultural, industrial or any other undertaking except such interest as the Bank may in any way acquire in the course of the satisfaction of debts due to it, which interest acquired shall be disposed of as soon as may be reasonably practicable;
 - (b) purchase the shares of any body corporate, incorporate including the shares of any financial institution;
 - (c) grant loans upon the security of any shares;
 - (d) grant unsecured advances or advances secured otherwise than as provided for under the provisions of paragraphs (d) and (e) of subsection (1) of this section, but in the event of any debts

due to the Bank becoming,. in the opinion of the Bank endangered, may secure such debts on any real or other property of the debtor and may acquire such property which shall be resold as soon as may be reasonably practical.

(4) At any particular date the total amount-

- (a) of long term securities or loans referred to under paragraphs (c) and (f) of subsection (1);
- (b) subscriptions under paragraph (d) of subsection (2); or
- (c) any other long-term loan other than securities held under paragraph (c) of subsection (2),

shall not exceed twenty *per centum* of the core capital of the Bank or such other percentage as the Board may determine.

(5) Without prejudice to any provision contained in this section the Bank may do all matters and things that are incidental or subsidiary to its functions under this Statute.

(6) Notwithstanding anything contained in this section, the Bank may, with the approval of the Minister, establish a Credit Guarantee Scheme, a Development Finance Fund, and any other scheme for developmental purposes not exceeding ten *per centum* of the core capital of the Bank.

(7) A Scheme or Fund referred to under subsection (6) shall be established by a Statutory Instrument, in which Instrument the structure and operations of the Scheme, other matters, connected thereto shall be spelt out.

Publication
of
rediscount
rates.

31. The Bank shall fix and make public at all times its standard rediscount rate and the Bank may determine different terms, conditions and rates of interest in respect of particular classes of transactions.

External
reserve

33.(1) The Bank shall maintain a reserve of external assets at least equal to four weeks' import requirements of the country consisting of any or all of the following-

- (a) gold coin or gold bullion;

(b) convertible foreign exchange in any of the following forms-

- i. demand or time deposits, money at call, notes and coins,
- ii. bills of exchange when they bear at least two signatures of which one is that of a commercial bank and which have a maturity not exceeding ninety days inclusive of days of grace,
- iii. marketable securities of, or guaranteed by foreign governments or international financial institutions;

(c) any external fund facility or drawing rights inclusive of the reserve tranche purchase from the International Monetary Fund which the Minister, after due consultations with the Bank, considers acceptable for inclusion.

(2) The Bank will advise the President whenever the target on reserves is likely to be violated for any reason and suggest remedial measures.

PART VI-BANK RELATIONSHIP WITH GOVERNMENT

Relationship
with
Government.

33. (1) The Minister may direct the Bank to render advice to Government on financial or other related matters and the Bank shall advise and inform the Government through the Minister on any matter which is within its functions and powers under this statute.

(2) The Bank shall render services to Government as may be determined by the Minister.

(3) The Government shall, when formulating the monetary policy, seek advice from the Bank and it shall be the duty of the Bank to formulate a draft monetary policy and advise the Government accordingly.

(4) The Government shall consult with the Bank from time to time on its domestic or foreign credit requirements or any other relevant matter.

Temporary
advances.

34. (1) The Bank may make temporary advances to the Government and local governments in respect of temporary deficiencies of recurrent revenue.

(2) The Treasury shall at the beginning of each financial year identify and submit to the Bank all its requirements for temporary advances for that year and the Bank shall subject to subsection (3) operate within that requirement.

(3) The total amount of advance, made under subsection (1) shall not at any time exceed eighteen percentum of the recurrent revenue of the Government.

(4) The Bank shall charge market rates of interest on any advance to the Government or local government unless the Board, determines otherwise.

Report on
advances.

35. (1) Where in the opinion of the Bank the limitations on Bank credit prescribed under subsection (3) of section 34 or the holding of securities is exceeded, the Bank shall make a report on the Bank's outstanding advances or holding of securities in terms of those sections, and the causes that have led to the breach of the limitations, together with any recommendation or remedy; and the Bank shall make further reports and recommendations to the Minister at intervals not exceeding six months until the situation has been rectified.

(2) At any time when the limitations on Bank Credits or the submitted requirement is exceeded, the powers of the Bank to grant additional financing shall cease until the situation has been rectified.

Development
financing

36. (1) The Bank may participate in development financing through-

- (a) the refinancing facilities to commercial banks;
- (b) the management of loans and grants for development projects through commercial banks;

- (c) closely supervising the outcome of the funds dispersed to commercial banks.

(2) For the avoidance of doubt the Bank shall not directly finance any development project with exception of development funds established under section 30 (6).

PART VII-BANK RELATIONSHIP WITH FINANCIAL INSTITUTIONS

37. (1) The Bank may provide facilities for clearing financial instruments generally on terms that may be determined by the Bank.

(2) The Bank may make regulations prescribing the procedure and other provisions for the participation in the clearing house and for the clearing of cheques and other credit instruments.

(3) The Bank may allow a commercial bank to participate in the activities of the clearing house on the recommendation of the Uganda Bankers Association.

38. The Bank shall in the discharge of its functions under this Statute, seek the co-operation. of and co-operate with financial institutions in order-

Co-operation
with financial
institutions.

- (a) to promote and maintain adequate and reasonable banking services for the public;
- (b) to ensure high standards of conduct and management throughout the banking system;
- (c) to promote such policies not being inconsistent with any provision of this Statute; and
- (d) to provide facilities for the clearing of financial instruments for financial institutions generally on terms determined by it.

Minimum
cash reserve
balances.

39. (1) Subject to the provisions of this section, the Bank may prescribe for each bank or group of financial institutions cash the minimum cash reserve balances inclusive of vault cash which may be required to be maintained in the form of

deposits at the Bank or any other method laid down by the Bank.

(2) The Bank may prescribe various ratios for different kinds' of liabilities and shall prescribe the methods of computing the amount of cash reserve balances.

(3) The total amount of the cash reserve balances referred to in subsection (1) of this section shall not exceed twenty-five percentum of the financial institution's deposits and other liabilities provided that within this overall limit the Bank may impose incremental reserves *uiD* to one hundreds *percentum* on any increase of any kind of liability from a date prescribed by the Bank.

(4) The Bank may impose on a financial institution which fails to maintain the minimum cash reserve balances required under this section a penalty not -exceeding one-tenth of one *percentum* per day on the amount of the deficiency for each day during which the deficiency continues and the amount of any such penalty may be recovered by deduction from any balance of, or moneys owing to the financial institution concerned or as a civil debt.

(5) For the purposes of this section the liabilities of a financial institution means its liabilities in Uganda whether these are payable within or without Uganda.

Control of
credit and
interest
rate, etc.

40. (1) The Bank may, in consultation with the Minister, by statutory instrument, prescribe--

- (a) the maximum amounts of investments, loan advances and bills and promissory notes discounted whether applied in total or to any specified class or classes of such investments, loans, advances and bills and promissory notes discounted which each financial institution. may have outstanding during the period that may be specified by the Bank;
- (b) the purpose for which loans and advances may be granted and the class of business underlying investments and bill's and prondssory notes discounted;

- (c) the maximum period of loans and advances and the type and minimum amount of security which shall be required; and the maximum tenor of bills and promissory notes discounted;
- (d) the maximum or minimum rates of interest and other charges which in the transaction of their business financial institutions may pay on any type of deposit or other liability and impose on credit extended in any form;
- (e) the maximum charges which in the transition of their business financial institutions may impose on any banking transaction.

(2) Any prescription made under subsection (1) shall-

- (a) have regard to commitments which financial institutions may have entered into with their customers at the time of the coming into force of the statutory instrument and shall take effect after the period of grace as the Bank may specify in the instrument;
- (b) not discriminate between one financial institution and another.

(3) A financial institution which contravenes any prescription made under subsection (1) of this section shall be liable to pay, on being called upon to do so by the Bank, fine not exceeding one million shillings.

financial
institutions to
furnish
information

41.(1) Every financial institution shall furnish to the Bank in a manner prescribed by statutory instrument all information that may be required by the Bank for the proper discharge of its functions.

(2) The Bank may publish in whole or in part, information furnished to it under subsection (1) as the Board may determine.

(3) The Bank shall not publish or disclose any information regarding the affairs of a financial institution or of a

customer of a financial institution unless the consent of institution or the customer has been obtained.

financial institutions as agents of the bank 42. The Bank may appoint any financial institution as its agent for the issues re-issue, exchange and withdrawal of notes and coins or for any other purpose on terms and conditions that may be agreed upon by the Bank and the institution appointed agent.

PART VIII-ACCOUNTS AND STATEMENTS

Bank's financial year 43. The financial year of the Bank shall be the same as the financial year of the Government.

Audit 44. The Accounts of the Bank shall be audited, at least once every financial year by the Auditor-General or an auditor appointed by him to act on his behalf

Returns 45. (1) The Bank shall as soon as may be practicable, after the end of each quarter, make a quarterly return of its assets and liabilities and the return shall be published in the *Gazette* and a copy submitted to the Minister.

(2) The Bank may submit to the Minister, from time to time information on the exercise and performance of its duties or on its assets and liabilities in a form that may be determined by the Board.

PART IX-MISCELLANEOUS PROVISIONS

Declaration of secrecy 46. (1) The members of the Board, officers and employees of the Bank shall be bound by a declaration of secrecy and shall not, except as may reasonably be in the performance of their functions, disclose to any person any material information acquired in the performance of their functions unless called upon to give evidence in a court of competent jurisdiction or to fulfil other obligations imposed by the law.

(2) Every former member of the Board officer or employee of the Bank shall continue to be bound by the declaration of secrecy after the termination of service and

shall not except with the prior written permission of the Bank disclose -any material information acquired by him in that capacity, unless he is called upon to give evidence in a court of competent jurisdiction or to fulfil other obligations imposed by law.

(3) Where the Bank unreasonably withholds permission under this section, the aggrieved party may appeal to the High Court whose decision shall be final.

(4) An person who contravenes the provisions this section commits an offence and shall be liable on conviction, to imprisonment for a term not exceeding five years or to a fine not exceeding five hundred thousand shillings or to both such imprisonment and fine.

Exemption
from income
tax.

47. The Bank shall be exempted from the payment of Exemption income tax and profits or capital gains tax in respect of its from tax functions under this Statute.

Prohibited
names

48. Unless a written consent from the Minister has been prohibited obtained, no financial institution shall register or be registered under any law in force by a name which includes the following words-

- (a) Central,
- (b) National;
- (c) Uganda;
- (d) Ugandan;
- (e) Reserve;
- (f) State; or
- (g) other equivalent word in any language.

Minister's
powers of
direction

49. (1) The Minister may, after consultation with the Governor and subject to the provisions of this Statute, give directions of a general nature in writing, relating to the financial and economic policy of the Bank.

(2) The Minister may, with the approval of Cabinet and after consultation with the Governor, issue such directions to the Bank as he may consider to be necessary in, public interest.

Annual Report **50.** (1) The Bank shall, not later than three months after the end of each financial year, present to the Minister a report generally on the activities and operations of the Bank during the preceding financial year and in particular-

- (a) with regard to the procedures and policy of the Bank as the Bank considers may properly be given without detriment to the interests of the activities of the Bank;
- (b) a copy of the audited accounts.

(2) The Minister shall lay before the Legislature the report received under subsection (1), within three months after the end of the financial year.

51. The Board may, with the approval of the Minister, make bye-laws not inconsistent with this Statute regulating-

- Bye-laws
- (a) the terms and conditions of service by Board members;
 - (b) the structural establishment of the Bank;
 - (c) the terms and conditions of service for officers and employees of the Bank;
 - (d) retiring and other service benefits of the employees and officers of the Bank; or
 - (e) any other matter falling within the scope of its functions.

Offences **52.**(1) A person commits an offence and is liable on conviction, to a term of imprisonment not exceeding twelve months or to a fine not exceeding four hundred thousand shillings or to both the fine and imprisonment, who-

- (a) contravenes a provision of this Statute;

- (b) knowingly makes an incorrect statement in a document submitted by him;
or
- (c) knowingly makes a false reply to a question asked of him for the purposes of this Statute.

(2) Where an offence is committed by a body of persons, every person who at the time of its commission was a director, manager or partner of that body shall be deemed to have committed the offence unless he proves-

- (a) that the offence was committed without his knowledge; and
- (b) that he took all reasonable steps to ensure compliance with the provisions of this Statute.

regulations **53.** The Minister may, after consultations with the Governor, make regulations generally for the better carrying into effect the provisions of this Statute.

repeal and
savings Act 5
or 1966 **54.** (1) The Bank of Uganda Act, 1966 is repealed.

(2) Notwithstanding the repeal under subsection (1) all regulations and bye-laws made under that Act shall continue in force until revoked or replaced by the relevant authority.

SCHEDULE

MEETINGS OF THE BOARD

1. The Governor shall preside at all meetings of the Board and in the absence of the Governor the Deputy Governor shall preside.
2. The Board shall meet for the discharge of its functions as often as business requires and in any case the Board shall meet at least ten times in a year and the Governor may convene a meeting whenever two Directors request for a meeting.
3. The quorum at any meeting of the Board shall be by a simple majority including either the Governor or the Deputy Governor or a person presiding at the meeting.

4. A decision on a question proposed at any meeting of the Board shall be determined by a simple majority of the votes of the members present and voting and in the case of equality of votes the person presiding shall have a casting vote.
5. The Board shall cause to be kept minutes of all the proceedings of its meetings.
6. The Board may invite any number of persons to attend any of its meetings as consultant or adviser.
7. No act or proceedings of the Board shall be invalidated by reason only of the existence of a vacancy among the members of the Board.
8. All acts done by any person in good faith as a member of the Board shall be valid notwithstanding any defect in his appointment.
9. In all other matters not provided for under this Statute the Board may regulate its own procedure.

BILLS
SUPPLEMENT No. 3

26th February, 1993

BILLS SUPPLEMENT

To the Uganda Gazette No. 8 Volume LXXXV dated 26th February, 1993.
Printed by the Government Printer, Entebbe by Order of the Government.

THE FINANCIAL INSTITUTIONS BILL, 1993.

MEMORANDUM

The Bill seeks to amend and consolidate the law regulating financial institutions. The Bill also seeks to regulate deposit and non-deposit taking financial institutions to ensure their activities are conducive to economic growth and development. It also provides for other purposes which are incidental or connected thereto.

J. S. MAYANJA-NKANGI,

*Minister of Finance and Economic
Planning.*

THE FINANCIAL INSTITUTIONS BILL 1993**ARRANGEMENT OF CLAUSES****PART I-PRELIMINARY***Clause*

1. Short title
2. Interpretation
3. Application of Statute

PART II-LICENSING

4. Licensing of financial institutions
5. Application for a license
6. Factors to be considered when granting a license
7. Processing of applications
8. License fee
9. Duration of license, etc
10. Failure to commence operations
11. Revocation of license

PART III-CAPITAL REQUIREMENTS

12. Minimum capital requirements for financial institutions
13. On-going capital adequacy requirements.
14. Review of minimum capital requirements.
15. Minimum holdings of liquid assets.
16. Computation of minimum amount of liquid assets
17. Control of the foreign exchange.

*Clause***PART IV-RESTRICTIONS AND PROHIBITIONS
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- 21. Accounts
- 22. Books and accounts to be kept in English.
- 23. Appointment of auditor
- 24. Appointment of auditor by the Central Bank.
- 25. Accessibility to books
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RE-ORGANISATION**

- 30. Liquidation
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- 32. Management of seized financial institution
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PART VII-MISCELLANEOUS

- 34. Branches, etc.
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Clause

- 38. Unclaimed balances.
- 39. Disqualification of officers.
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- 41. Obligations under Companies Act, etc.
- 42. Use of the word "bank".
- 43. Examination of persons suspected to be doing banking business, etc.
- 44. Protection of Central Bank, etc.
- 45. Declaration of bank holidays.
- 46. Non-application of Interpretation Decree.
- 47. Regulations.
- 48. Offences.
- 49. Repeal and saving.
- 50. Statute to take precedence over other Acts that relate to banking, etc.

A BILL for a Statute

ENTITLED

**THE FINANCIAL INSTITUTIONS
STATUTE, 1993**

**A Statute to amend and consolidate the law relating to the regulation and control of
financial institutions and to provide for related matters.**

BE IT ENACTED by the President and the National Resistance Council as follows:

PARTI-PRELIMINARY

Short title **1.** This Statute may be cited as the Financial Institutions Statute, 1993.

2. In this Statute, unless the context otherwise requires-

Interpretation

"bank" means any company licensed to carry on banking business as its principal business and includes all branches and offices of that company in Uganda;

"banking business" means the business carried on as a principal business of-

- (a) accepting deposits of money from the public repayable on demand or at the expiry of a fixed period or after notice;
- (b) employing such deposits wholly or partly by lending or any other means for the account and at the risk of the person accepting such deposits; and**
- (c) presenting to another bank, for payment, cheques, drafts or orders, received from customers in the capacity of a banker;

"Board" means the Board of the Central Bank;

Cap. 91 "building society" means a society formed for the purpose of raising by the subscriptions of members stock or fund from which to make advances to members and registered in accordance with the provisions of the Building Societies Act;

Cap. 85 "Central Bank" means the Bank of Uganda established under the Bank of Uganda Statute, 1993;

"company" means a company incorporated under the Companies Act and includes a building society duly incorporated under the Building Societies Act;

"core capital" means permanent shareholders' equity in the form of issued and fully paid-up shares plus all disclosed reserves, less good will or any other intangible assets;

"credit institutions" means any company licensed carry on credit institution business as its principal business, and any other body specified by the Central Bank, to be a credit institution for the purposes of this Statute, and includes all branches and offices of that company or body in Uganda;

"credit institution business" means the business of accepting deposits of money from the public repay-

able after a fixed period or after notice and of employing such deposits wholly or partly by lending or any other means for the account and at the risk of the person accepting such deposits;

"demand deposits" means deposits which are repayable on demand and are withdrawable by cheque, draft, order or by other means;

"disclosed reserves" includes all reserves created or increased through share premiums attained profits (after deducting all expenses, provisions, taxation, and dividends) and general reserves if such disclosed reserves are permanent and unencumbered and thus able to absorb losses;

"demand liabilities" means the total deposit liabilities of a bank or credit institution which are denominated in any currency and payable upon demand;

"draft" means a bankers' draft payable on demand drawn by or on behalf of a bank upon itself whether payable at the head office or some other office of the bank;

"financial institution" includes a bank, credit institution, a building society, and any institution classified as a financial institution by the Central Bank;

"foreign company" means a company not being a local company;

"license" means a license issued under section 7 of this Statute;

"licensed" means licensed under this Statute;

Cap. 85

"local company" means an incorporated company under the laws of Uganda whereby, all the shareholders are Ugandans;

"Minister" means the Minister responsible for finance;

"off balance sheet items" means all items not shown on the balance sheet but which constitute credit risk; and such risks include guarantees, acceptances, performance bonds, letters of credit, and other off

balance sheet items deemed to constitute credit risk by the Central Bank;

"officer" includes a person who carries out or is empowered to carry out functions relating to the direction of a financial institution;

Cap 76

"order" when used in conjunction with the word "cheque" or "draft", means an unconditional order in writing constituting a bill of exchange as defined, in the Bills of Exchange Act;

"rural area" means an un-urbanised, un-industrialised countryside;

"supplementary capital" means general provisions which are held against future and presently unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves on barking premises which arise periodically from independent valuation of such premises, and any other form of capital as may be determined from time to time by the Central Bank;

"time deposits" means deposits repayable after a fixed period or after notice and includes saving deposits;

"time liabilities" means deposit liabilities other than demand liabilities of a financial institution which are denominated in any currency and are subject to payment after a fixed period of time or after notice;

"total capital" means the sum of core capital, and supplementary capital;

"urban area" means an. area which is not a rural area;

"unsecured advances or unsecured credit facilities" means advances or credit facilities made without security or, in respect of any advance or credit facility made with security or any part of it which

at any time exceeds the market value of the assets constituting that security, or where the Central Bank is satisfied that there is no established market value, on the basis of a valuation approved by the Central Bank.

Applications
under the Statute

3. (1) This Statute shall apply to a financial institution defined in section 2 of this Statute.

(2) Notwithstanding the general effect of subsection (1) of this section Parts II, IV, V, VI and sections 12, 13, 15, 34, 35, 36, 38, 41, 42, and 50 are the provisions of this Statute which shall apply to a budding society.

Statute No. 8
1991

(3) This Statute shall not apply to a co-operative society registered under the Co-operative Societies Statute save a cooperative society established for the purpose of accepting deposits from the public notwithstanding the acceptance of deposits may be limited to its members.

PART II-LICENSING.

Licensing of
financial
institutions.

4. A Person shall not transact banking business, credit institution business, or building societies business or without a valid licence granted for that purpose under this Statute.

(2) No financial institution shall be granted a license unless it is a company within the meaning of this Statute.

Application
for a license

5. (1) A company proposing to transact banking, building societies or credit institution business shall apply, in writing to the Central Bank for a licence under this Statute that application shall be considered by the Board.

(2) The application referred to in subsection (1) of this section shall contain the following information-

(a) the name and address of-

- (i) the proposed financial institution;
- (ii) the directors;
- (iii) the shareholder;

- (b) nationality by directors
- (c) nationality and shareholding of any shareholder;
- (d) proposed location of where the financial institution is going to operate from;
- (e) the estimated number of persons to be employed; the
- (f) qualifications, experience, nationality and other relevant particulars of the proposed management and staff;
- (g) the capital structure and earning prospects of the financial institution;
- (h) the business financial plans and earnings forecasts for at least three years;
- (i) any other information relating to the viability of the financial institution or other matters as the applicant considers relevant to his application.

(3) An application under subsection (1) of this section shall be accompanied by a Memorandum and Articles of Association or rules, and a certificate of incorporation.

(4) Where an application under subsection (1) of this section does not provide all the relevant information or if clarification is necessary, the applicant may be called upon to provide that information or clarification to complete the application.

6. The Central Bank shall, in considering an application for a license under section 5 of this Statute require be satisfied to-

- (a) the financial condition and history of the applicant;
- (b) the nature of the business of the applicant,
- (c) the competence and integrity of the proposed management
- (d) the adequacy of the applicant's capital structure, earning prospects, business plans, financial plans;

factors to
be
considered
when
granting a

(e) the convenience and needs of the community to be served;

(f) whether public interest will be served by the granting of the licence.

Processing of
applications

7. (1) The Central Bank shall within six months, after receipt of an application, or of the additional information or clarification referred to in subsection (3) of section 5 of this Statute investigate and prepare a detailed report in respect of each application.

(2) The Central Bank shall, for the purpose of considering and making a report or an application under this section appoint a committee of three or more members of the Board who shall report, in writing, their recommendations to the Central Bank.

(3) The Central Bank shall within fourteen days after the period referred to in subsection (1) of this section consider the application and the report, and shall grant the licence if it is satisfied that the application is in accordance with this Statute.

(4) The Central Bank shall within seven days after its decision under subsection (3)-

- (a) inform the applicant of its decision in writing; and
- (b) in the event of refusal to grant a licence the aggrieved applicant may appeal to the Minister.

(5) Where the Central Bank grants the licence it may grant it upon such conditions as are necessary.

License fee

8. The applicant shall, upon being granted a licence under this Statute, pay a fee to be prescribed by the Central Bank and the holder of the licence shall thereafter pay a fee to be prescribed by the Central Bank on or before each anniversary of the granting of the licence.

Duration of
licence, etc.

9. (1) A licence granted under section 7 of this Statute shall remain in force until revoked, save where a licence has been suspended under section 10 of this Statute it shall cease to be in force for the period of such suspension.

(2) A licence granted under section 7 of this Statute shall be kept displayed in a conspicuous place in the premises in which the financial institution carries on its lawful business, and copies of it shall be similarly displayed in each of its branch offices.

Failure to
commence
operations

10. A licensed financial institution which fails to commence operations within twelve months from the date of issue of the licence shall have its licence revoked.

Revocation of
licence

11. The Central Bank may, at any time, in consultation with the Minister, revoke a license of a financial institution if it is satisfied that the financial institution-

- (a) has ceased to carry on business;
- (b) has been declared insolvent;
- (c) has gone into liquidation;
- (d) has been wound up;
- (e) has been dissolved;
- (f) is carrying on business in a manner detrimental to the interests of depositors;
- (g) has failed to comply with any condition stipulated by the Central Bank under subsection (5) of section 7 of this Statute.

PART III-CAPITAL REQUIREMENTS.

Minimum
capital
requirements
for financial
institutions

12.(1) A local person proposing to transact banking business in Uganda shall have a minimum paid-up capital of not less than five hundred million shillings invested in such assets in Uganda as the Board may approve.

(2) A foreign person proposing to transact banking business in Uganda shall have a minimum paid-up capital of not less than one billion shillings invested in such assets in Uganda as that Central Bank may approve.

(3) A person proposing to transact credit institution business shall, in the case of-

- (a) a local person, have a minimum paid up capital of not less than three hundred million shillings; and
- (b) a foreign person, have a minimum paid-up capital of not less than five hundred million shillings invested in such assets in Uganda as the Board may approve.

(4) A person proposing to transact building societies business shall have a minimum paid-up capital of not less than three hundred million shillings invested in such assets in Uganda as the Board may approve.

(5) A financial institution in existence immediately before the commencement of this Statute shall be given a period of three years, in which to build up its capital to the minimum level stipulated in this section.

13. (1) A financial institution shall at all times maintain-

Ongoing
capital
adequacy
requirements.

- (a) a core capital of not less than four percent of total risk adjusted assets plus risk adjusted off balance sheet items as may be determined by the Central Bank by Statutory Instrument;
- (b) a total capital of not less than eight percent of its total risk adjusted assets plus risk adjusted off balance sheet items as may be determined by the Central Bank by Statutory Instrument.

(2) A financial institution in existence immediately before the commencement of this Statute shall be given a period of three years in which to build up its capital to the level stipulated under this section.

Review of
minimum
capital
requirements

14. The Central Bank may, with the approval of the Minister, from time to time, review the minimum capital requirements and increase them by Statutory Instrument as circumstances warrant.

minimum
holdings of
liquid assets

15. (1) A financial institution shall maintain a minimum holding of liquid assets, as determined by the Central Bank in accordance with subsection (2) of this section.

(2) A minimum holding of liquid assets under this section shall be expressed as a proportion of the demand and time liabilities of a financial institution not exceeding thirty *percentum* of such demand and time liabilities, but-

(a) different proportions may be determined for demand liabilities and time liabilities and for various types of financial institutions and

(b) demand or time liabilities due by a financial institution to its head office or to any bank situated outside Uganda may, at the discretion of the Central Bank, be included wholly or in part.

(3) The Central Bank shall allow reasonable time after a minimum holding is prescribed or increased under subsection (1) of this section to enable the financial institutions comply with the requirement.

(4) A financial institution which contravenes this section is liable to pay, on being, called upon to do so by the Central Bank, a fine not exceeding one tenth of one *percentum* of the amount of the deficiency for every day on which the deficiency continues.

(5) For the purposes of this section "liquid assets" means all or any of the following-

(a) notes and coins which are legal tender in Uganda and any other currency prescribed by Statute No. 1993 of the Central Bank;

(b) balances held at the Central Bank including any balances in accordance with the Bank of Uganda Statute, 1993;

(c) balances at banks in Uganda other than the Central Bank and other moneys at call;

(d) Uganda Treasury Bills maturing within a period not exceeding 91 days;

- (e) Uganda Government Stock maturing within a period not exceeding five years;
- (f) Balances at banks abroad withdrawable on demand and money at call are in currencies which are freely negotiable and transferable in international exchange markets consistent with the articles of agreement of the International Monetary Fund;
- (g) Commercial bills and promissory notes which are eligible for discount by the Central Bank under the Bank of Uganda Statute, 1993;
- (h) Any other asset approved by the Central Bank.

computation
minimum
amount of
liquid assets

16. (1) The Central Bank shall prescribe the minimum amount of liquid assets to be held by financial institutions, including the off-setting of general or specified liquid assets against demand and time liabilities.

(2) In computing the minimum amount of liquid assets to be held by a financial institution operating in Uganda and elsewhere, all offices or branches of that financial institution in Uganda shall be deemed to constitute one financial institution.

control of the
foreign
exchange
reserves

17. The Central Bank may fix or prescribe manner of determination of the maximum working balances which financial institutions may respectively hold in foreign currencies generally or in any specified foreign currency and may at any time, require any financial institution to sell to the Central Bank all or any specified part of the surplus in excess of such maximum amount.

PART V-RESTRICTIONS AND PROHIBITIONS ON FINANCIAL INSTITUTIONS

advances,
credits and
guarantees.

18 (1) A financial institution shall not, without prior approval of the Central Bank-

- (a) grant any advance or credit facility against security

- (b) of its own shares or those of a company affiliated to it;
- (c) grant or permit to be outstanding advances or credit facilities which in the aggregate exceed twenty-five percentum of its core capital to any of its directors or of their immediate families or business enterprises in which they have substantial interests whether such advances or facilities are obtained by its directors jointly or severally;
- (d) grant or permit to be outstanding in respect of any one of its officers or employees unsecured advances or unsecured credit facilities which in the aggregate exceed one year's emolument of such officer or employee;
- (e) grant to a single person any advance or credit facility which is more than twenty-five *percentum* of its core capital.

(2) For the purposes of this section, advances or credit facilities made to several persons sharing a common interest shall be deemed by the Central Bank to be a single advance or credit facility for purposes of applying this provision.

ade,
estments
d
movable
property

19. (1) A financial institution shall not-

- (a) engage on its own account, alone or with others, in wholesale or retail trade, including import or, export trade, except in the course of the satisfaction of debts due to it in which case interests in such trade shall be disposed of at the earliest moment suitable to that financial institution;
- (b) Acquire or hold any part of the share capital of, or make any other capital investment or otherwise have a direct interest in any commercial, agricultural, industrial or other undertaking exceeding twenty-five *percentum* of its core

- (c) capital; except such shareholding, capital investment, or interest as the financial institution may acquire in the course of the satisfaction of debts due to it, which shall be disposed of at the earliest moment suitable to that financial institution, but any shareholding approved by the Central Bank in any corporation set up for the purpose of promoting development in Uganda, shall not be included in any of the said percentage;
- (d) purchase or acquire any immovable property or any right on it except as may be reasonably necessary for the purpose of conducting its business or of housing or providing amenities for its staff but this paragraph shall not prevent a financial institution-
 - (i) from letting part of any building which is used for the purpose of conducting its business; or
 - (ii) from securing a debt on any immovable property and in the event of default in payment of such debt, from holding such immovable property for realization at the earliest moment suitable to that financial institution.

(2) Notwithstanding subsection (1) of this section, the Central Bank may permit a financial institution to engage in commercial, agricultural, industrial or other undertaking, upon such conditions as it may deem fit, provided that such, undertaking is not likely to impair the viability and efficiency of the financial institution.

Dividends **20.** (1) A financial institution shall not at any time pay any dividend or make any transfer from profits or capital if such payments result in such financial institution not meeting the requirements of section 13 of this Statute.

(2) A financial institution in existence before the commencement of this Statute, which fails to meet the require-

ments of section 13 of this Statute s not pay any dividend in excess of twenty percent of its net profit until such a time as that financial institution complies with section 13 of this Statute.

(3) A financial institution which contravenes this section commits an offence and is liable on conviction to a fine of ten per cent of the dividends paid out contrary to this section.

PART V-SUPERVISION.

counts

21. (1) A financial institution shall keep accounts and records which-

- (a) show a clear and correct state affairs ;
- (b) explain its transactions and financial position to enable the Central Bank to determine whether the financial institution has complied with the provisions of this Statute.

(2) A financial institution shall preserve the accounts and records referred to in this section for a period of not less than ten years.

ooks and
counts

22. All entries in any books and all accounts to be kept by a financial institution shall be kept and recorded in the English language using the system of numerals employed in Government accounts.

pointment
auditor.
p. 85

23. (1) A financial institution shall appoint annually a person qualified as an auditor under the Companies Act and approved by the Central Bank whose duty shall be to make a report upon the annual balance sheet and accounts of the financial institution.

(2) A financial institution shall ensure that a report made under this section is submitted to the Central Bank within a period of four months after the close of its, financial year.

(3) A financial institution which contravenes subsection (2) of this section commits an offence and is liable to a fine prescribed by the Central Bank under section 48 of this Statute,

appointment
auditor by
Central
Bank.

24. Where a financial institution fails to appoint an auditor under section 23 of this Statute or fails to fill a vacancy for such auditor or where the Central Bank is not satisfied with the audit report in respect of a financial institution, the Central Bank may appoint an auditor for, and shall fix the remuneration to be paid to the auditor by that financial institution.

accessibility
books, etc.

25. An auditor appointed under section 23 or 24 shall have a right of access at all times to such books, accounts, vouchers, and securities of the financial institution and shall be entitled to receive from the officers, and staff of the financial institution such information and explanations, as he may require to perform his duties.

responsibilities
auditor to the
Central Bank

26. (1) The Central Bank if dissatisfied with the results of the audit, may reflect it and call for a new audit at the expense of the financial institution concerned.

(2) Before annual accounts are finalized, dividends paid, and the capital requirements of sections 12 and 13 are met, the Central Bank must be satisfied that-

(a) provisions for bad debts are sufficient; and

(b) a proper policy of non-accrual is in place and being enforced

(3) External audits are to be prepared in accordance with generally accepted accounting standards and such other regulations, directives, policies, or guidelines as the Central Bank may issue.

(4) The Central Bank may impose any or all of the following duties on an external auditor-

(a) a duty to submit such additional information in relation to his audit as the Central Bank considers necessary;

- (b) a duty to carry out any other investigation or establish any procedure in any particular case;
- (c) a duty to verify the accuracy of returns and other reports submitted to the Central Bank;
- (d) a duty to submit a report to the Central Bank on the matters referred to in paragraphs (a), (b) and (c) and the financial institution concerned shall remunerate the auditor in respect of the discharge by him of all or any of these additional duties.

(5) The Central Bank, if it consider it necessary, may arrange from time to time trilateral meetings with each financial institution and its auditors to discuss matters relevant to the Central Bank's supervisory responsibilities, which have arisen in the course of the statutory audit of that financial institution, including relevant aspects of its business, its accounting and internal control systems, and its annual balance sheet and profit and loss accounts.

(6) The Central Bank may if it considers it desirable or necessary in the interest of depositors, arrange from time to time, bilateral meetings with the auditors of financial institutions.

(7) No duty or confidentiality to which an auditor may be subject shall be regarded as contravened by reason of the auditor's communication in good faith with the Central Bank, whether in response to a request by it or not, and this includes any information or opinion which is relevant to the Central Bank's functions under this Statute.

information
to be
furnished by
financial
institutions

27. (1) A financial institution shall furnish to the Central Bank at such times in such form as the Central Bank may prescribe all information and data of its operations in Uganda including periodic returns called for by the Central Bank and the audited balance sheet and profit and loss account and those of any company or body affiliated to it which the Central Bank may require for the proper discharge of its functions under this Statute.

(2) A financial institution shall prepare and cause to be submitted to the Central Bank an audited balance sheet within a period of four months after the end of its financial Year.

(3) A financial institution shall exhibit throughout the year, in a conspicuous place in each of its offices and branches a copy of its last audited balance sheet with the full and correct names of all persons who are directors of the financial institution, and a copy of the balance sheet shall be published in a local newspaper of general circulation.

(4) The Central Bank may publish in whole or in part at such time as it may determine, any information or data furnished under subsection. (1) of this section, except that no information or data shall be published which might disclose the affairs of a financial institution or of a customer of a financial institution unless the consent of that financial institution or customer has been obtained.

(5) A financial institution which fails to comply with subsection (1) of this section commits an offence and is liable to a fine of 0.5 *percentum* of the total deposit liabilities of the financial institution for each month in default.

pection of
ancial
stitutions.

28. (1) The Central Bank may, periodically or at any time at its discretion, cause an inspection to be made by an officer of the Central Bank or other person appointed by the Central Bank, of any financial institution and of its book's and accounts on the premises of such financial institution and shall supply to that financial institution a copy of the report on the inspection.

(2) It shall be the duty of a financial institution to produce to the officer making an inspection under subsection (1) of this section all such books, accounts and other documents, as well as assets including cash, notes, and securities held by the financial institution, in its custody or power and to furnish that officer with such statements or information relating to the affairs of the financial institution as that officer may require of it within such reasonable time as that officer may specify.

(3) Any officer of a financial institution who fails to furnish any document in his custody or power as may be required under subsection (2) of this section commits an offence and is liable to a penalty fixed by the Central Bank, from time to time, by Statutory Instrument.

Powers of the Central Bank to issue orders after inspection

29. (1) If the Central Bank finds upon an inspection under section 28 of this Statute that the affairs of a financial institution are conducted in a manner detrimental to the interests of the depositors or prejudicial to the interests of the financial institution, or in contravention of this Statute or any other written law, the Central Bank may, without prejudice to any other course of action-

- (a) require that financial institution to take the necessary measures to rectify the situation which measures may include signing an agreement between the directors and management of the financial institution and the Central Bank;
- (b) appoint a competent person to advise the financial institution on the measures to be taken to rectify its situation and shall fix his remuneration which shall be paid by the financial institution;
- (c) prohibit the declaration of dividends until the situation is rectified;
- (d) withhold approvals on the establishment of new branches or other expansion of operations;
- (e) initiate a legally binding cease and desist order of either temporary or indefinite duration requiring the financial institution and its management to stop the unacceptable practice or take affirmative action to rectify the undesirable situation;
- (f) initiate the legal removal or suspension of a person from the management of the affairs of the financial institution;

(g) impose fines, on a member of the management for contravention of this Statute.

(2) The Central Bank may, upon representation made to it or on its own motion, modify or cancel any order issued under this section, and in so modifying or canceling an), order, may impose such conditions as are necessary subject to which the modification or cancellation shall have effect.

PART VI-LIQUIDATION, SEIZURE AND RE-ORGANISATION

liquidation **30.** (1) A financial institution may, with the approval of the Central Bank, voluntarily liquidate its operations.

(2) Subject to subsection (1) of this section a financial institution shall forthwith cease all activities except those which are incidental to the orderly realization, conservation and preservation of its assets and the settlement of its obligations.

(3) In case of a liquidation under this section-

- (a) the liability of the shareholder's for uncalled subscriptions to the capital stock of the financial institution shall continue until the end of the liquidation process;
- (b) the depositors shall be entitled to first claim and thereafter all other creditors shall be ranked in accordance with the law relating to insolvent companies 1 under the Companies. Act;
- (c) the Board of Directors of the financial institution shall, before paying creditors holding direct claims and with the approval of the Central Bank, make arrangements as are necessary to ensure a pro rata distribution among holders of claims that are likely to be reduced to judgement in a court.

(4) Where the Central Bank is satisfied that the assets of a financial institution which has voluntarily liquidated its operations under this section are not sufficient to discharge

its obligations or that the completion of the liquidation of its operation is unduly delayed, the Central Bank may, if it deems it fit, take possession of the financial institution and take proceedings leading to compulsory liquidation in conformity with this Statute.

Seizure **31.** (1) The Central Bank may take possession of a financial institution-

- (a) which is insolvent;
- (b) which is conducting its business in a manner contrary to this Statute;
- (c) when the continuation of its activities is detrimental to the interests of depositors;
- (d) that refuses to submit itself to inspection by the Central Bank as required by this Statute; or
- (e) whose licence has been revoked under section 1 of this Statute.

(2) Where a financial institution is seized under this section the following shall apply-

- (a) any term whether statutory, contractual or otherwise on the expiration of which a claim of right of the financial institution would expire or be extinguished, shall be extended six months from the date of seizure;
- (b) any attachment or lien existing six months prior to seizure of the institution shall be vacated and no attachment or lien except a lien created, by the Central Bank, shall attach any property, or assets of the financial institution as long as the Central Bank continues to possess the financial institution; and
- (c) any transfer, of any asset of the financial institution made six months before the insolvency or seizure of the institution, with intent to effect is preference shall be void.

Management
of seized
financial
institutions

32. (1) The Central Bank shall, upon possessing a financial institution under section 31 of this Statute, be vested with exclusive powers of management and control of the affairs of the financial institution.

(2) The powers referred to in subsection (1) of this section shall include power to-

- (a) continue or discontinue its operations as a financial institution (notwithstanding the revocation of its licence);
- (b) stop or limit the payment of its obligations;
- (c) employ any necessary staff;
- (d) execute any instrument in the name of the financial institution;
- (e) initiate, defend and conduct in its name any action or proceeding to which the financial institution may be a party;
- (f) re-organize or liquidate the financial institution in accordance with this Statute; and
- (g) do any other act which is necessary to enable the Central Bank carry out its obligations under this section.

(3) The Central Bank shall, as soon as possible after taking possession of a financial institution, make an inventory of the assets of the financial institution and shall transmit a copy of it to the Minister.

(4) Where, as a result of its inventory under this section the Central Bank determines that a financial institution is insolvent, the Central Bank may, in consultation with the Minister close the financial institution on account of its inability to meet its obligations to its depositors and, other creditors.

Receiver

33. (1) The Central Bank or an appointee of the Central Bank, upon a financial institution becoming insolvent, shall be the receiver of the financial institution.

(2) The Central Bank may, in carrying out its duties as receiver, either arrange a merger with another financial institution in which case the acquiring financial institution will assume all recorded deposit liabilities of the insolvent financial institution or proceed with liquidation of the insolvent financial institution.

(3) The Central Bank, in making a decision under subsection (2) of this section, shall take into consideration-

- (a) the estimated cost of the Central Bank with regard to shortfalls to be covered through acquisition, of all deposit liabilities by the acquiring financial institution;
- (b) the impact on and loss to depositors as a result of liquidation; and
- (c) the overall impact on public confidence in and the stability of the financial sector in general as a result of acquisition or liquidation.

(4) Where the Central Bank arranges an acquisition under subsection (2) of this section it shall negotiate with the acquiring financial institution the terms and conditions of acquisition.

(5) Where the Central Bank decides to liquidate a financial institution it shall--

- (a) realise the assets of the insolvent financial institution;
- (b) enforce the individual liability of the shareholders and directors of the financial institution;
- (c) wind up the affairs of the insolvent financial institution; and
- (d) in winding up the affairs of the insolvent financial institution, eliminate the interests of shareholders and may purchase, sell, or transfer assets in order to recover the maximum amount of a pro rata distribution to depositors and creditors of an insolvent financial institution.

PART VII-MISCELLANEOUS

34. (1) A financial institution shall not open a new place of business or change the location of an existing place of business or change its hours of business without the approval of the Central Bank.

(2) Before granting any approval under this section in respect of opening a new place of business or change of location of an existing place of business, the Central Bank may, require to be satisfied by an inspection of the financial institution or otherwise as to-

- (a) the history and financial condition of the financial institution;
- (b) the general character of its management;
- (c) adequacy of its capital structure and earning, prospects;
- (d) the convenience and needs of the community to be served; and
- (e) whether public interest will be served by the opening of a new place of business or changing the location of the place or hours of business as the case may be.

(3) A financial institution shall not close an existing place of business unless it has given six months notice to the Central Bank, or such shorter period of notice as the Central Bank may consider reasonable, of its intention to close the place of business.

(4) A financial institution which contravenes this section commits, an offence and is liable to a fine fixed by the Central Bank, from time to time, by Statutory Instrument.

Mergers **35. (1)** A financial institution operating, in Uganda shall not be merged or consolidated with or taken over by any other institution or individual and no interest in the capital of any financial institution with a voting share exceeding ten *percentum* shall be acquired by any other financial institution without the approval of the Central Bank.

(2) In considering any application for approval under this section, the Central Bank shall have power to call for the relevant information.

(3) A financial institution which contravenes subsection (1) of this section commits an offence and is liable to a fine of one million shillings for every day during which the offence continues; and any officer who contravenes this section commits an offence and is liable on conviction, to a fine of one hundred thousand shillings for every day during which the offence continues and in default of payment to imprisonment for a term of one year.

restrictions
transfer of
shares

36. (1) A person shall not transfer shares in a financial institution representing, more than fifteen per cent of either capital stock or voting rights without the prior approval of the Central Bank.

(2) Where the Central Bank refuses to allow a person to transfer shares under this section, an appeal shall lie to the court.

(3) A financial institution shall, as may be required by the Central Bank, make periodic returns in respect of persons holding, more than fifteen per cent of the total shares of the financial institution.

Mortgages,
liens.

37. For the avoidance of doubt a financial institution may accept lien on crops, animals or other chattels as collateral security for loans and overdrafts.

claimed
balances

38. (1) Whenever any current or savings account has not been operated for a period of two years or a time or savings deposit account has not been operated for a period of two years after the date of maturity of the deposit, no withdrawal shall be allowed on such account except with the permission of two officers of the financial institution out of a number of signatories authorized to grant such permission.

(2) An account referred to in subsection (1) of this section shall be transferred to a separate register of dormant accounts in the books of the financial institution and a notice in writing of such action shall be given to the depositor at his last known address.

(3) Where any account which is transferable under subsection (2) of this section is subject to a service charge, such charge may continue to be levied up to the date on which the account has been transferred to the separate ledger of dormant accounts except that no charge shall be levied beyond two years.

(4) Where an account is transferred to a register of dormant accounts an advertisement shall be published after a period of ten years of such an account having been on the register of dormant accounts and thereafter after ten years and the cost of advertisement shall be charged on the restive accounts on a pro rata basis.

(5) Any account may be transferred out of the register of dormant accounts if the depositor, or if he is dead his legal representative, makes such a request.

(6) Unclaimed balances shall after a period of twenty years be employed by the Central Bank to off set costs of supervising financial institutions or as may be prescribed.

squalificati
of officers

39. (1) A person-

- (a) who has been a director or officer of, or directly responsible for the mismanagement of a financial institution leading to its being compulsorily wound up by a court;
- (b) who has been convicted of an offence under section 48; or
- (c) who is a bankrupt or suspends payment or compounds with his creditors,

shall not without the express authorization of the Central Bank, act or, continue to act as a director or officer, or be directly or indirectly involved in the management of a financial institution.

(2) A person who has been convicted of an offence involving dishonesty or fraud shall not act or continue to act in any way in the management of a financial institution.

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40. An officer or servant of a financial institution shall be deemed to be a person employed in the public service for the purposes of sections 83, 84 and 88 of the Penal Code.

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p. 85
p. 91
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41. Nothing in this Statute shall be deemed to relieve a financial institution from any of its obligations under the Companies Act or Building Societies Act.

42. (1) No person shall except a person licensed under this Statute, without the consent of the Central Bank-

- (a) use the word "bank" or any of its derivatives in any language or any other word indicating the transaction of banking business in the name, description of title under which such person is transacting business;
- (b) make or continue to make any representation indicating the transaction of banking business in any bill-head, letter-paper, notice, advertising or in any manner whatsoever.

(2) No company shall carry on the business of banking unless it uses as part of its name the word "bank" or one of its derivatives.

(3) A person who contravenes this section commits an offence and is liable on conviction, to a fine of not less than, fifty thousand shillings for every day during which the offence continues.

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43. Whenever the Central Bank has reasonable grounds leading it to believe that any person is transacting banking or credit institution or building society business without a license, it shall have the power to examine the books of accounts and records of such person in order to ascertain whether or not such person has violated or is violating any

provisions of this Statute, and any refusal to submit such books, accounts and records shall be *prima facie* evidence of the fact of operation of banking or, as the case may be, credit institution business or building society business, without a license.

protection of Central Bank, thereof for anything which is done or is intended to be done in good faith pursuant to the provisions of this Statute.

claration bank
45. (1) The Minister may, at any time, by Statutory Instrument, declare any day to be a bank holiday.

(2) A financial institution shall not transact any business with the public on a bank holiday.

(3) A bank holiday declared under subsection (1) of this section shall not necessarily be a public holiday and nothing in this section shall be deemed to affect the provisions of any law in force relating to public holidays.

in- plication of erpretation
cree.
cree No.
of 1976
46. Sections 37 and 38 of the Interpretation Decree, 1976 shall not apply to this Statute.

gulations. 47. The Central Bank may make regulations-

- (a) prescribing prudential norms on asset quality including bad debt provisions and write-offs;
- (b) providing for the licensing of financial institutions;
- (c) providing for the minimum level of capital for financial institutions;
- (d) providing for the computation of on-going capital adequacy requirements for financial institutions;

- (e) providing for lending limits on credit extended to insiders;
- (f) providing for the limitations for advances or credit facilities to a single borrower;
- (g) providing for reporting requirements by financial institutions to the Central Bank;
- (h) generally for giving effect to the provisions of this Statute.

fences

48. (1) A person who carries on or is privy to the carrying on of the business of a financial institution which has been established contrary to this Statute commits an offence and is liable on conviction to a fine of not less than two million shillings or to imprisonment for a term of two years or both.

(2) A person convicted of an offence under subsection (1) of this section shall be disqualified from acquiring a licence under this Statute for a period of five years and thereafter shall not, without approval of the Central Bank, be issued with a license.

(3) A person who, being a director, manager or officer of a financial institution-

- (a) fails to take any reasonable steps to secure compliance with the requirements of this Statute;
- (b) makes any statement or gives any information which is false in answer to any request for information made under any provisions of this Statute;
- (c) is privy to the furnishing of any false information supplied under this Statute,

commits an offence and is liable on conviction, to a fine of not less than one million shillings or to imprisonment for a term not exceeding two years or both.

(4). A financial institution which fails to comply with an order issued by the Central Bank under this Statute com-

-mits an offence and is liable to a fine fixed by the Central Bank by Statutory Instrument.

(5) A financial institution which contravenes any provision of this Statute commits an offence and where no specific penalty is provided the financial institution is liable on conviction to a penalty prescribed by the Central Bank by Statutory Instrument.

(6) Where a director or officer of a financial institution authorises or commits the contravention of any provision of this Statute he shall be personally liable to the penalty specified in relation to the contravention.

Repeal and
Saving,
Act 16 of
1969

49. (1) The Banking Act, 1969 is hereby repealed

(2) Notwithstanding the repeal under subsection (1) of this section, all regulations, instructions, licences, orders and decisions made under the repealed Act, shall, in so far as they are consistent with this Statute, remain valid and binding and shall be deemed to have been made under this Statute.

(3) A reference in any law to the repealed Act prior to the commencement of this Statute shall now be read as referring to this Statute.

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50. For purposes of banking, credit institutions, and building societies business, this Statute shall take precedence over any legislation relating to financial institutions and in case of conflict this Statute shall prevail.