STATUTORY INSTRUMENTS
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STATUTORY INSTRUMENTS SUPPLEMENT

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STATUTORY INSTRUMENTS

2004 No. 61.

THE MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS (LICENSING) REGULATIONS, 2004

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ARRANGEMENT OF REGULATIONS

STATUTORY INSTRUMENTS

2004 No. 61.

The Micro Finance Deposit-Taking Institutions (Licensing) Regulations, 2004.

(Under section 89 (3) (b) of the Micro Finance Deposit Taking Institutions Act, 2003, Act No. 5 of 2003)

IN EXERCISE of the powers conferred on the Central Bank by section 89 (3) (b) of the Micro Finance Deposit Taking Institutions Act, 2003, these Regulations are made this 12th day of May, 2004.

PART I—PRELIMINARY.

1. These Regulations may be cited as the Micro Finance Deposit-Taking Institutions (Licensing) Regulations, 2004. Citation

2. These Regulations apply to all micro finance deposit-taking institutions in Uganda. Application

3. (1) In these Regulations, unless the context otherwise requires— Interpretation

"Act" means the Micro Finance Deposit-Taking Institutions Act, 2003;

"institution" or "MDI" means a micro finance deposit-taking institution;

"licence" means a licence granted to an institution to carry on micro finance business in Uganda, issued under these Regulations in accordance with section 7 of the Act;

"reputable financial institution" means a financial institution licensed to conduct banking or other financial institution business under the laws of any state, country or territory and which meets the following criteria—

(a) has demonstrable experience of providing financial services in Uganda or elsewhere for a minimum of 3 years;

(b) is well capitalized as evidenced by its audited financial statements, with a capital base that is at least double that of the minimum requirements of an institution under the Act;

(c) has a strong and qualified board and management who are fit and proper in accordance with the Second Schedule to the Act; and

(d) has a clean supervisory record from its home country regulator;

"reputable public company" means a company that is financially strong, whose ownership is widely distributed and is of good public standing .

(2) Terms and expressions used in these Regulations have the same meaning ascribed to them in the Act.

Purpose

4. The purpose of these Regulations is to provide information and guidance on the conditions to be fulfilled by an applicant in order to obtain a licence from the Central Bank to conduct micro finance business in Uganda.

Objectives

5. The objectives of these Regulations are—

(a) to promote a strong and viable micro finance industry in Uganda in order to enhance economic growth by contributing to poverty reduction in both rural and urban areas in Uganda;

(b) to promote the growth of the financial sector in Uganda by ensuring that micro finance business is conducted in a safe and sound manner;

(c) to establish clear and transparent criteria for the submission and evaluation of applications for engaging in micro finance business in Uganda;

(d) to enable the Central Bank to determine whether institutions have suitable shareholders, adequate financial strength and management with sufficient expertise and integrity to operate the institution in a sound and prudent manner;

(e) to oversee the safety and health of the financial sector in Uganda by controlling entry into the sector; and

(f) to restrict entry into the financial sector to viable institutions that are adequately capitalized, efficiently managed, properly governed and owned by fit and proper shareholders.

PART II—LICENSING REQUIREMENTS.

Licencing criteria

6. (1) The Central Bank shall, in accordance with section 7 of the Act, take into account the following factors when evaluating an application for a licence to operate an institution—

(a) the financial capacity of the applicant, that is, the applicant's ability to meet the minimum and ongoing capital requirements as stipulated by sections 15 and 16 of the Act, and the applicant's ability to inject additional core capital when required in future;

(b) the background, reputation, integrity, experience and capacity of the proposed owners, directors and board members of the applicant as evidenced by the *curriculum vitae* and professional records of those proposed persons;

(c) the applicant's reputation, relevant experience in micro finance business and the provision of sustainable financial services to low income earners in Uganda and in other countries and the administrative capacity of the proposed senior management as evidenced by the *curriculum vitae* and professional background of the proposed management;

(d) the business plan of the applicant, including plans to conduct micro finance business in Uganda;

(e) the projected profitability of the applicant, supported by detailed feasibility studies and projected balance sheets and income statements;

(f) the scope of operations and services to be offered, including a specific description of the financial services to be offered to the public, the rationale for the services, the capacity of the applicant to provide the services and the past record of ownership and management in such operations in Uganda or elsewhere ;

(g) the proposed staff development programs, with a written explanation as to how staff skills and expertise will be developed;

(h) the applicant's risk management systems: the applicant should have the ability to identify, measure, monitor and control the level and type of risks to be assumed, and should provide a comprehensive risk management program tailored to its needs and circumstances covering

credit risk, liquidity risk, interest rate risk, foreign exchange risk, operational risk and strategic risk;

(i) the needs of the community and whether the public interest shall be served by the granting of the licence.

(2) In reviewing an application for a licence to operate an institution, the Central Bank shall have due regard to the following key parameters—

(a) management and administration, including—

(i) evidence of management and the board's ability to identify, monitor and control risks of the institution's proposed activities;

(ii) evidence of the level and quality of oversight and support to be provided by management and the board of directors;

(iii) the applicant's projected compliance with relevant laws;

(iv) evidence of accuracy, timeliness, and effectiveness of the applicant's management information systems;

(v) the adequacy of the applicant's proposed internal policies and controls; and

(vi)the extent of the likelihood of management being affected by, or be ing susceptible to, dominant influence and concentration of authority;

(b) liquidity and funds management, including—

(i) projected degree and reliance on short, volatile sources of funds;

(ii) availability of assets readily marketable or convertible to cash without undue loss;

(iii) foreseeable access to money markets and other sources of funding and ability to meet liquidity needs;

(iv) effective liquidity policies and practices;

(v) adequate fund management strategies;

(vi) adequate contingency funding plans; and

(vii) adequate level of funding sources on and off balance sheet;

(c) earnings, including—

(i) evidence of the applicant's ability to provide for adequate capital through retained earnings;

(ii) level, trend and stability of projected earnings;

(iii) quality and sources of projected earnings;

(iv) projected level of expenses in relation to operations;

(v) vulnerability of projected earnings to market risk exposures; and

(vi) adequacy of budget systems, forecasting processes and management information systems; and

(d) capital adequacy, including—

(i) evidence of the applicant's ability to meet the statutory minimum paid-up capital and minimum on-going capital adequacy requirements;

(ii) projected level and quality of capital;

(iii) balance sheet composition; and

(iv) growth plans and prospects.

PART III—LICENSING PROCEDURE.

Application for a licence.

7. An application for a licence to operate an institution shall be submitted through a letter duly signed by the applicant, addressed to the Executive Director, Supervision Function, Bank of Uganda.

Information and supporting documents.

8. (1) To ensure that the Central Bank has adequate information to make a judgment on an application for a licence, the applicant shall provide all the information required in accordance with section 7(1) of the Act, and in the form set out in Schedule 1 to these Regulations, including—

(a) a copy of the memorandum and articles of association of the company, together with the certificate of incorporation or other instrument under which the company is incorporated;

(b) verified official notification of the company's registered place of business;

(c) amount of authorised and paid up capital;

(d) the prospective place of operation, indicating that of the head office and branch offices;

(e) certificate of a time deposit equivalent to seventy five percent of the required minimum paid-up capital deposited with a commercial bank and which shall be held with the bank until the licence is approved;

(f) biographical data on each of the founding shareholders, together with a breakdown of the proposed ownership structure and of the proposed directors and officers;

(g) information relating to the criteria for determining professional and moral suitability of proposed directors, top managers and shareholders of institutions and a sworn declaration of assets and liabilities of founder shareholders, in the form set out in Schedule 2 to these Regulations;

(h) in the case of a wholly owned subsidiary of a bank licensed in Uganda, a copy of the Resolution of the Board approving the proposed investment;

(i) in the case of a reputable financial institution, a copy of the Resolution of the Board approving the proposed investment and, where applicable, a copy of the approval granted by the home country regulator;

(j) in the case of a company in operation, a copy of the latest audited balance sheet and profit and loss accounts of the company for each of the three years preceding the application, and other suitable evidence of the resources required for business operations, including a copy of the Resolution of the Board with the approval for the proposed investment;

(k) two copies of the feasibility study of the institution showing the nature of the planned business, the organisational structure and the planned internal monitoring procedures of the company, covering, among others, the following—

(i) mission statement and overall goals;

(ii) market research;

(iii) ownership and corporate governance;

(iv) management;

(v) business strategy;

(vi) projected balance sheets and profit and loss accounts for three years subsequent to the grant of a licence to the applicant supported by the following—

(A) deposit mobilisation and interest payable, stating separately the proposed major sources of deposits;

(B) cash and other liquid assets to be maintained;

(C) small-scale and micro credits to be made and interest receivable;

(D) provisions for bad and doubtful debts;

(E) investments to be made and earnings, stating policy and categories of business and productive activities to be financed;

(F) fixed assets, including business premises;

(G) operating expenses including rents, salaries, employee benefits and directors' remuneration;

(H) capital structure;

(I) other income, including commissions, fees; and

(J) net operating profit or loss;

(vii) financial analysis; and

(viii) interest rate sensitivity analysis of the projections submitted or other similar analyses of the extent to which the forecasts will vary when interest rates fluctuate, stating the assumptions underlying the projections and sensitivity analysis;

(l) copies of the applicant's risk management programs and the following—

(i) credit manual, including but not limited to the following: lending and provisioning, including borrowers selection criteria, amounts, terms and collateral; and the lending policies and procedures must take into account the different steps of the credit process, including the analysis, negotiation, approval, disbursement, monitoring and collection, taking into account sound and prudent practices including foreclosure;

(ii) human resource manual;

(iii) operations manual;

(iv) liquidity and funds management policies and procedures;

(v) accounting procedures manual; and

(vi) audit manual.

(m) a fully completed questionnaire on the institution's premises as specified in Schedule 3 to these Regulations.

(2) An applicant who submits any false or misleading information commits an offence under section 88(1)*(b)* of the Act and shall be rendered an unfit and improper person, and that action shall constitute sufficient grounds for rejection of the application or revocation of the licence under section 12(1)*(b)* of the Act.

9. The Central Bank shall, on receipt of the application, notify the applicant, in writing, of a date and time for an interview during which the application shall be appraised.

Licencing interview

10. (1) The Central Bank shall, at the appraisal interview, verify the applicant's supporting documents.

Interview process

(2) The applicant's representative shall, on verification of the supporting documents by the Central Bank, formally present the application and supporting documents to the Central Bank.

(3) Where the Central Bank is satisfied that the information required for a proper appraisal has been received, it shall issue a letter to the applicant stating that the application has been accepted, and the six-month period stipulated in section 7(3) of the Act for consideration of the application and grant of a licence or refusal to grant a licence shall thereupon commence.

(4) The Central Bank shall reject all incomplete applications.

(5) The Central Bank shall, on the third working day after the appraisal interview, instruct the applicant's representatives to publish a notice for three consecutive days in a daily newspaper with national circulation in the form set out in Schedule 4 to these Regulations to enable persons with objections to the licensing of the institution to make them; and the applicant's representative shall provide a copy of the notice to the Central Bank.

(6) Objections shall be made within fifteen days after the publication of the notice, and shall be based on concrete and trustworthy grounds.

(7) Objections shall be brought to the attention of the founders who shall have a period of fifteen days within which to reply to them.

(8) Any responses made by the founders under subregulation (7) shall be duly communicated to the applicant.

(9) The Central Bank may, during the evaluation process, require the applicant's representatives and the applicant's proposed Chief Executive Officer, to have meetings or interviews with officials of the Central Bank in order to discuss any document or matter concerning the applicant institution.

Disqualification of a shareholder

11. (1) The Central Bank shall disqualify a shareholder who—

(a) has been involved in the commission of a criminal offence or who has participated in illegal financial activities;

(b) has been convicted of the commission of common law offences;

(c) is not financially solvent or who is incapable of meeting the subscription and payment of the allocated shares;

(d) has a non-performing loan or non-performing loans in any financial institution in Uganda;

(e) has been declared bankrupt in a civil or criminal case involving companies in general or financial institutions in particular;

(f) has issued cheques referred to drawer or has been disqualified from operating current accounts;

(g) has been permanently suspended from acting as director, trustee, manager, administrator or proxy in any financial institution; or

(h) has been disqualified by the Central Bank from acting as internal auditor in any financial institution.

(2) Where the Central Bank disqualifies a founder or shareholder under subregulation (1), the disqualification shall be communicated to the founder or shareholder within a period not exceeding thirty working days from the receipt of the application.

(3) The Central Bank shall disqualify any member of the senior management of the institution who is found not to be a fit and proper person in accordance with the criteria stipulated in the Second Schedule to the Act.

Pre-licencing inspections

12. (1) The Central Bank shall carry out an on-site inspection of the premises of the applicant institution to determine the adequacy of its security system, and to confirm the following matters—

(a) endorsement and evidence of cash payment of the total amount (100%) of capital as stated in the opening balance sheet in the feasibility study;

(b) evidence of availability of capital, including copies of bank statements, fixed deposit receipts, treasury bills or deposits in any commercial bank to the total equity;

(c) appropriateness of the premises for start up operations with the public and insurance policies covering such risks as are inherent to the institution's prospective business; and

(d) the management information system, the administrative and operational processes and the internal control system.

(2) The minimum standards for the business premises for the institution are stipulated in Schedule 5 to these Regulations.

Review of the management information and internal control system.

13. (1) In reviewing the management information system and the internal control system, the Central Bank shall take into account the following aspects—

(a) management information systems (MIS)

The management information systems shall facilitate decision making at the different levels in the institution, with reference to the specific description of the system of deposits and loan portfolio, adequate identification of depositors and borrowers, and reporting requirements of the Central Bank, which shall include—

(i) functionality and expandability including—

(A) functional completeness, appropriateness and integration;

(B) accounting package;

(C) portfolio tracking;

(D) deposit monitoring;

(E) customer information system;

(F) expandability and institutional growth;

(G) flexibility;

(H) customer-centric and account-centric;

(I) institutional types;

(J) lending methodologies;

(K) loan interest types;

(L) savings and deposit account types;

(M) deposit interest types;

(N) payment types;

(O) payment frequencies; and

(P) multiple branches or regions;

(b) usability, including—

(i) ease of use and user-friendliness; and

(ii) user interface;

(c) reporting, including—

(i) reports; and

(ii) report generation;

(d) administration and support, including—

(i) security;

(ii) backup and recovery;

(iii) fault tolerance and robustness;

(iv) end-of-period processing;

(v) support infrastructure and maintenance; and

(vi) version control and upgrade strategy.

(2) The internal control systems shall ensure the reasonable accomplishment of the following objectives—

(a) operational efficiency and effectiveness, which refers to the appropriate management of assets and other resources thus protecting the institution from possible losses while ensuring that the personnel work towards the attainment of the stated aims and safeguard the assets of the institution from loss, fraud or inefficient use;

(b) the reliability and relevance of the reports and the data generated by the information systems which entails accuracy, reliability, integrity and relevance in terms of decision making at the different levels in the institution, the Central Bank, investors and foreign customers;

(c) adherence to prevailing rules and regulations which applies also to the policies at the institution, internal control procedures, practices, competence and independence.

Conditions on licence

14. (1) The Central Bank may, in granting a licence, attach such conditions to the licence as it may deem necessary.

(2) Conditions under subregulation (1) may relate to permissible or non-permissible operations or activities of an institution, and may be of a temporary or permanent nature.

Application fee

15. The applicant shall, at the time of filing the application, pay to the Central Bank a fee of twenty five currency points.

Grant of approval

16. (1) Where the Central Bank is satisfied that all the necessary conditions have been fulfilled, it shall issue to the applicant institution a licence to permit the commencement of operations.

(2) The Central Bank may, at its discretion, postpone the granting of the licence and specify the period during which the applicant should rectify the underlying causes of the postponement.

(3) The Central Bank shall inform the applicant, in writing, of its decision to grant or refuse to grant the licence.

(4) A notice communicating the decision not to grant a licence shall state the grounds upon which it is based.

17. An institution granted a licence under the Act, shall publish, in the *Gazette*, and for three consecutive days in a newspaper with national circulation, a prominent, full-page notice of the licence; and the institution shall send a copy of the notice to the Central Bank.

Publication of Licence.

18. (1) The applicant shall pay to the Central Bank a licence fee of fifty currency points.

Licence fee.

(2) The licence fee shall become due and payable by successful applicants within fourteen days after notification of the decision to grant a licence.

(3) An annual licence fee prescribed by the Central Bank shall be payable on or before the 31st day of January of each year until the licence is revoked.

19. A licence issued under these Regulations shall expire if business is not commenced within one year from the date on which it is granted.

Expiry of licence.

20. An institution shall not transfer or assign a licence.

Prohibition on transfer Or Assignment of licence.

21. The Central Bank may, at any time and in accordance with section 11 of the Act, amend or restrict the terms and conditions of any licence.

Amendment and restriction of licence

PART IV—REVOCATION OF LICENCE.

22. (1) A licence shall expire or be revoked by the Central Bank in accordance with sections 9 (Expiry of licence) and 12 (Revocation of licence) of the Act.

Expiry and revocation

(2) The Central Bank shall, before exercising its powers under section 12 of the Act, consider the options available to it under sections 58 to 63 of the Act.

SCHEDULE 1

Regulation 8(1)

APPLICATION FOR A LICENCE TO CONDUCT MICRO FINANCE BUSINESS

1. Name of institution:..
2. Physical address of head office: ....

   Street...

   Building..
3. Postal address ....

   Telephone No ....
4. Date and country of incorporation ....
5. Names of branch offices and the number of years each has been established and has conducted or carried on business.

   ....
   ....
   ....
   ....
6. Former name(s) by which the institution has been known

   ....
   ....
   ....
7. Particulars of shareholding

Present and Former name	Nationality	*Address*	SHAREHOLDING		
			No. Of shares	Amount (Ushs)	*% of total*
Total capital					

8. Particulars of officers

(a) Directors

Present and Former name	*Nationality*	*Address*	*Date of Appointment*	*Other Directorships*

(b) Chief operating officers:

PRESENT AND FORMER NAME	DESIGNATION	NATIONALITY	ACADEMIC/ PROFESSIONAL QUALIFICATIONS AND YEARS OBTAINED	DETAILS OR PREVIOUS EMPLYMENT	DATE OF APPOINTMENT

9. Name and address(es) of banker(s).

....

....

10. Does the institution hold, or has it ever held any authority from a supervisory body to carry on any business activity in Uganda or elsewhere? ....

If yes, give particulars...

....

If any such authority has been revoked, give particulars.
....
....
....

11. Has the institution been put under receivership in the past or made any compromise or arrangement with its creditors in the past or otherwise failed to satisfy creditors in full? ....

If yes, give particulars...
....

....

12. Is an inspector or other authorised officer of any government ministry, department or agency, professional association or other regulatory body investigating the affairs of the institution or has such an investigation ever previously taken place into the affairs of the institution?

....
....
....
....

13. Has the institution been refused registration, in Uganda or elsewhere, to any professional body or trade association concerned with banking or financial activities or decided not to apply for entry after making an approach? ....

If yes, give particulars...
....
....

14. Is the institution engaged or does it expect to be engaged, in Uganda or elsewhere, in any litigation which may have a material effect on the resources of the institution? ....

If yes, give particulars...
....
....

15. Is the institution engaged, or does it expect to be engaged in any business relationship with any of its officers or shareholders? ....

If yes, give particulars ....
....
....

16. DECLARATION

We, the undersigned, being officers of the institution, declare that to the best of our knowledge and belief, the information contained herein is complete and accurate.

Director..*(Name)*

Signature................................ *Date*.............................

Director ....*(Name)*

Signature................................ *Date*.............................

Director ....*(Name)*

Signature................................ *Date*.............................

Director ....*(Name)*

Signature................................ *Date*.............................

EXPLANATORY NOTES FOR COMPLETION OF APPLICATION FORM

These explanatory notes are intended to give further guidance for the completion of the application form. It is deemed that further guidance is necessary for certain items. These include-

1. Application form for a licence to conduct micro finance business

1.1 Item Number 2: Physical address
These details should be submitted to the Bank of Uganda as soon as the permanent physical location of the applicant is known.

1.2 Item Number 5: Names of branches
This item should be completed by a person licensed in Uganda operating under an Act other than the Micro Finance Deposit-taking Institutions Act, 2003, and seeking to be licensed to operate under the Micro Finance Deposit-Taking Institutions Act, 2003.

1.3 Item Number 8: Particulars of officers
In completing this item—

(a) the term 'officer' should be used as defined in section 85 of the Micro Finance Deposit-Taking Institutions Act, 2003;

(b) the officers referred to are hose proposed or already engaged by the institution;

(c) where the institution is proposing to, or has entered into a management agreement with another entity, details of the senior persons from the said entity heading or proposed to head the management team should be given.

SCHEDULE 2

Regulation 8(1)(g)

CRITERIA FOR DETERMINING PROFESSIONAL AND MORAL SUITABILITY OF THE PROPOSED DIRECTORS, MANAGERS, AND SUBSTANTIAL SHAREHOLERS OF INSTITUTIONS LICENSED UNDER THE MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS ACT, 2003

(This form is to be completed by all persons proposed as Chief Executive Officer, Senior/Top Management, directors and substantial shareholders of the proposed institution)

NB: *(a)* *Read the declaration in section 6 below before completing this form.*

(b) *In case the space provided is inadequate, attach additional information on separate pages.*

1. THE INSTITUTION

Name ....

....

2. PERSONAL INFORMATION

(a) Surname/Corporate name ....

Other names ....

(b) Previous names (if any) by which you have been known:...

(c) Year and place of birth/registration ....

(d) Nationality ....

(e) Identification card number and date of issue ....

(f) Passport number and date of Issue/Company Number...

(g) Postal address ....

....

(h) Previous postal address (if any) ....
Physical address..
Educational qualifications ....
....

(i) Professional qualifications and years obtained—
....Year.......................
.
....Year.......................
.

(j) Name(s) of your bankers for the last 5 years—
....
....
....

3. SWORN DECLARATION OF ASSETS AND LIABILITIES

3.1 Balance sheet

Assets	*Amount in Ushs.*	*Liabilities*	*Amount in Ushs.*
Checking accounts in banks		Loan from financial institutions	
Other deposits in financial institutions		Outstanding bills	
Shares, bonds and securities		Outstanding taxes	
Bills for collection		Credit ales	
Immovable asset (rural and urban)		Others (decribe)	
Vehicles, ships, and aircraft			
Machinery			
Cattle			
Agricultural land			
Others: Gods and merchandise			
Others descrobe			
1		Total libilities	
2		Net: Equity (assets liabilities	
Total assets		Total liabilities and equity.	

3.2 Risks (guarantees for third party obligations)

Type of Institution	Amount in Ushs.
Financial Institutions	
Companies: commercial and industrial	
Other guarantees	

3.2 Annual income and expenditure

Income	Amount in Ushs.	Expenditure	Amount in Ushs.
Cash Salary		General expenses	
Cash Salary (spaouse)		Rents	
Incomes		Repayments: debts, liabilities	
Other income (describe)			
1.		1.	
Total Income		Total expenditure	
Surplus (Deficit)			

Shares underwritten by the deponent shall be extinguished by the following resources____

(If more space is required attach another page)

4. Employment/Business record

Person	Name of Employer/business and address	Positions held and dates	Responsibilities (where applicable)	Reasons for leaving

5. DESCRIPTION OF YOUR PAST AND CURRENT ACTIVITIES IN UGANDA AND ABROAD

5.1 Shareholding (Directly owned or through nominees)

Company's name	Date of incorporation	Amount of shareholding	5age of shareholding	Past shareholding		Remarks
				A	B	

A. Refers to date of closure or surrender of shares
B. Refers to reasons for closure or surrender

5.2 Directorship

Company's name	Date of Appointment	Executive or Non-executive	Position held in case of executive	Past shareholding		Remarks
				C	D	

A. Refers to date of retirement
B. Refers to reasons for retirement

5.3 Professional Bodies

Name of body	Membership Number	Position held (if any)	Past club membership		Remarks
			E	F	

A. Refers to date of retirement
B. Refers to reasons for retirement

5.4 Social Clubs

Name of body	Membership Number	Position held (if any)	Past club membership		Remarks
			G	H	
A. Refers to date of retirement B. Refers to reasons for retirement					

5.5 Borrowing

Loan/facility	1	2	3	4	5
Name of lending institution					
Type of facility					
Amount borrowed					
Date of offer					
Security offered					
Value of security					
Current outstanding balance					
Remarks					

6.0. ADDITIONAL INFORMATION

6.1 Have you or any entity with which you are associated as director, shareholder or manager, ever held or applied for a licence or equivalent authorisation to carry on any business activity in any country?..

If yes, give particulars..
....
If any such application was rejected or withdrawn after it was made or any authorisation revoked, give particulars:
....
....
....

6.2 Have you at any time been convicted of any criminal offence in any jurisdiction? ....

If yes, give particulars of the court in which you were convicted, the offence, the penalty imposed and the date of conviction...
....
....
....

6.3 Have you, or any entity with which you have been involved, been censured, disciplined, warned as to future conduct, or publicly criticised by a regulatory authority or any professional body in any country?..

If yes, give particulars
....
....
....

6.4 Have you, or has any entity with which you are, or have been associated as a director, shareholder or manager, been the subject of an investigation, in any country, by a government department or agency, professional association or other regulatory body?..
If yes, give particulars.
....
....
....

6.5 Have you, in any country, ever been dismissed from any office or employment, been subject to disciplinary proceedings by your employer or barred from entry of any profession or occupation? ....

If yes, give particulars
....
....
....

6.6 Have you failed to satisfy a debt adjudged due and payable by you on order of a court, in any country, or have you made any compromise arrangement with your creditors within the last10 years? ....

If yes, give particulars.

....
....
....

6.7 Have you ever been declared bankrupt by a court in any country or has a bankruptcy petition ever been served on you? ....

If yes, give particulars

....
....
....

6.8 Have you ever been held liable by a court, in any country, for fraud or other misconduct? ....

If yes, give particulars

....
....
....

6.9 Has any entity with which you were associated as a director, shareholder or manager in any country made any compromise or arrangement with its creditors, been wound up or otherwise ceased business either while you were associated with it or within one year after you ceased to be associated with it?...

If yes, give particulars

....
....
....

6.10 Are you presently, or do you, other than in a professional capacity, expect to be engaged in any litigation in any country? ....

If yes, give particulars
....
....
....
....

6.11 Indicate the names, addresses, telephone numbers and positions of three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

....
....
....
....
....

6.12 Is there any additional information which you consider relevant for the consideration of your suitability or otherwise for the position(s) held / to be held?

(The omission of material facts may represent the provision of misleading information)
....
....
....
....

N.B. This information given in response to this questionnaire shall be kept confidential by the Bank of Uganda, except in cases provided for by law.

7. DECLARATION

I am aware that under section 88(1) of the Act, it is an offence to provide any information which is false or misleading in connection with an application for a licence for a micro finance deposit -taking institution.

I certify that the information given above is complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the supervisory authority should be aware.

I undertake to inform the supervisory authority of any changes material to the application which arise while the application is under consideration.

NAME................................ POSITION HELD ....

DATED AT .... THIS .... DAY OF .... 20....

WITNESSED (Signed)..*(Applicant)*

BEFORE ME: ....

COMMISSIONER FOR OATHS/MAGISTRATE

Name ....

Signature ....

Address ....

SCHEDULE 3

Regulation 8 (1)(m)

QUESTIONNAIRE ON PREMISES

	YES	NO	COMMENTS
1.1 THE DEED/LEASE AGREEMENT (a) Title Deed Is the institution registered as the owner of the premises? (Obtain a copy of the title deed.) (b) Lease Agreement (Obtain a copy of the lease agreement.) Is the lease signed by both parties? Is the lease registered? What is the duration of the lease and is it long enough to allow for economical use of permanent improvements? Is the landlord's approval for interior design/alteration obtained and other conditions satisfied?			
1.2 APPROVAL BY RELEVANT AUTHORITIES Have the following approvals been obtained where necessary- * Local Authority; * Security firm-regarding physical security of staff, premises and assets; * Approval by UEDCL for electrical wiring of the premises.			
1.3 BUSINESS HALL Does the business hall suit the type of business to be undertaken in the premises?			

		YES	NO	COMMENTS
1.4	STAFF OPERATING AREA			
	Is the space allowed for each individual employee adequate ?			
	Are sufficient and suitable sanitary conveniences for employees provided and kept clean?			
1.5	VENTILATION Is ventilation adequate for security and circulation of fresh air in the premises?			
1.6	LIGHTING Is there sufficient and suitable lighting in every part of the premises?			
2.1	[redacted] Are the outer doors of heavy duty metal or reinforced wood?			
	Are there a minimum of two locks of good quality?			
	Are windows and glass walls reinforced with metal grills or made of anti-burglar/bullet proof glass?			
2.2	STRONGROOM (SAFE/VAULT) Is there a strong room?			
	Is it conveniently situated i.e. does it boarder with the outside walls?			
	Is there adequate space to cater for the needs of the institution?			
	Are the duplicate keys stored off the premises?			
	Is there dual control for entry?			
2.3	FREE - STANDING SAFE			
	Is the safe fire proof? Is access to the safe and the room where the safe is kept under the control of more than one perso n?			

	YES	NO	COMMENTS
Is the safe in a window-less room and secured by a heavy duty lock door of fire resistant material?			
2.4 RECORD ROOM AND STATIONERY STORE Is it fire proof?			
2.5 CASH LOADING AREA Is it protected from public view and access?			
Is cash in transit protected by police/security firm?			
Are there security guards at the premises at all times - day and night?			
2.6 CASHIER'S TILL Is it restricted to the individual cashiers during working hours?			
2.7 ALARM SYSTEM Is there an alarm system installed in the premises? If yes, Is it connected to police/security firm? Switches to be located in the- * Strong room * Cashiers' cubicles * Manager's office			
2.8 EMERGENCY PLAN Is there an emergency plan? Is it documented? Are there fire extinguishers at appropriate places? i.e.,- * Water type * Non-water type			

SCHEDULE 4

Regulation 10 (5)

PUBLIC ANNOUNCEMENT OF ESTABLISHMENT OF A MICRO FINANCE DEPOSIT-TAKING INSTITUTION

(Form to be used by all institutions and to be published in a daily newspaper of national circulation for three consecutive days)

In accordance with regulation10(5) of the Micro Finance Deposit Taking Institution (Licensing) Regulations, 2004, this is to inform the public that a request to establish an institution has been submitted to the Bank of Uganda.

1. Name of entity...
2. Location of headquarters *(city)* ....
3. Paid-up capital: Ug Shs 500,000,000 divided into .....shares with a nominal value of Ug shs...................................... each.
4. Purpose: To be engaged in Micro finance business in accordance with section 2 of the Micro Finance Deposit-Taking Institutions Act, 2003. (Each institution to describe its target group)

5. Shareholders (names, principal business, domicile)

   a. ....

   b. ....

   c. ....

   d. ....

   e. ....

6. Legal representative of the entity (names, principal business, domicile)

   ....
   ....
   ....

Persons that have reasonable objections against the new organisations or against one or more of the shareholders or the legal representative may submit the objections in writing to the Bank of Uganda within fifteen working days after this announcement has been published, by a confidential note which shall be sent to:

The Executive Director,
Supervision Function,
Bank of Uganda,
P. O Box 7120, Kampala.

All information will be treated with utmost confidentiality.

Kampala, ...(DATE)

SCHEDULE 5

Regulation 12(2)

GUIDELINES ON MINIMUM STANDARDS FOR BUSINESS PREMISES OF MDIs.

Objectives

These guidelines aim at establishing the minimum standards that MDIs must conform to when operating to ensure a safe and secure environment.

Meaning of Premises

Premises refer to MDI premises/buildings whether owned, rented or leased.

Location and size

* Premises should be accessible to MDI's clientele.
* Premises should have ample space to receive clients and a back office to enable the MDI to cope with the volume of business.

Security

* The premises should have sufficient security to ensure the safety of the MDI's assets.
* The premises should be strong with reinforced entrance doors and windows.
* The premises should have fire extinguishers.
* Where premises are shared with other businesses, there should be a distinct barricade separating the businesses.
* Sensitive stationery and documents such as land titles should be kept in lockable fireproof cabinets.
* The premises should be guarded by at least two armed guards.

Strong room

* Premises must have a strong room of ample size to accommodate a safe.
* The safe must have a dual control system.
* The strong room walls must be reinforced.

* The strong room must not be exposed to the public or be accessible to unauthorised persons.

Other General Requirements

* The premises should conform to the institution's established policies, procedures and internal controls established by the MDI with regard to acquisition, revaluation, maintenance works, depreciation and dis posal.
* Acquisition and disposal of premises should be reported and duly approved by the Board of Directors.
* The MDI in rented or leased premises should ensure that rents, ground rents, rates and property taxes are paid up to date.
* Each MDI should keep a fixed register for the premises, together with all the covenants relating to the premises.
* The fixed assets register should be regularly reviewed and reconciled to ensure that all necessary entries with regard to acquisition, revaluation, depreciation and disposal are properly recorded.

E. TUMUSIIME-MUTEBILE,
Governor, Bank of Uganda

Enquiries on any aspect of these Regulations should be referred to-
The Executive Director
Supervision Function
Bank of Uganda
P.O. Box 7120
KAMPALA.

STATUTORY INSTRUMENTS
SUPPLEMENT No. 34 **15th October, 2004**

STATUTORY INSTRUMENTS SUPPLEMENT

to The Uganda Gazette No. 53 Volume XCVII dated 15th October, 2004

Printed by UPPC, Entebbe, by Order of the Government.

STATUTORY INSTRUMENTS.

2004 No. 62.

THE MICRO FINANCE DEPOSIT-TAKING INSTITUTION (LIQUIDITY AND FUNDS MANAGEMENT) REGULATIONS, 2004.

ARRANGEMENT OF REGULATIONS

SCHEDULES

SCHEDULE 1: WEEKLY STATEMENT OF LIQUIDITY FOR MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS.

SCHEDULE 2: POLICY STATEMENT OF THE BANK OF UGANDA ON PRUDENTIAL ASPECTS OF LIQUIDITY OF MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS.

STATUTORY INSTRUMENTS.

2004 No. 62.

The Micro Finance Deposit-Taking Institutions (Liquidity and Funds Management) Regulations, 2004.

(Under section 89(3) of the Micro Finance Deposit-Taking Institutions Act, 2003, Act No. 5 of 2003)

In exercise of the powers conferred on the Central Bank by section 89 (3) of the Micro Finance Deposit Taking Institutions Act, 2003, these Regulations are made this 12th day of May, 2004.

PART I—PRELIMINARY.

Citation

1. These Regulations may be cited as the Micro Finance Deposit-Taking Institutions (Liquidity and Funds Management) Regulations, 2004.

Application

2. These Regulations apply to all micro finance deposit-taking institutions in Uganda.

Inter-pretation

3. (1) In these Regulations, unless the context otherwise requires—

"Act" means the Micro Finance Deposit-Taking Institutions Act, 2003;

"institution" or "MDI" means a micro finance deposit taking institution.

(2) Terms and expressions used in these Regulations have the same meaning ascribed to them in the Act.

Objectives

4. The objectives of these Regulations are—

(a) to ensure that institutions maintain an adequate level of liquidity at all times and are thus able to meet all known obligations and commitments and to plan for unforeseen obligations and commitments;

(b) to promote public confidence in institutions by ensuring that the institutions have adequate liquidity at all times; and

(c) to help ensure that institutions manage their liquidity by means of clear and well thought out written policies which take into account all aspects of proper liquidity management.

Purpose

5. The purpose of these Regulations is—

(a) to emphasise to institutions that micro finance business involves public trust, especially with regard to institutions meeting their obligations as to depositors, other liabilities, and off balance sheet commitments; and that proper liquidity management is essential to ensure that such trust and confidence is maintained; and

(b) to emphasise to institutions that maintaining an adequate level of liquidity is more complex than simply meeting a liquid asset requirement, and that the intent is to put forth a quantitative requirement with a qualitative approach through a policy statement on liquidity management.

PART II—REGULATORY REQUIREMENTS

Liquid asset requirement.

6. (1) For the purposes of these Regulations, the liquid asset requirement shall be consistent with section 17 of the Act (which provides for minimum liquid assets).

(2) An institution shall maintain, at all times, minimum liquid assets as defined in section 17 (2) of the Act, to equal or exceed the sum of 15% of total deposit liabilities.

(3) " Liquid assets" include all or any of the following—

(a) notes and coins which are legal tender in Uganda;

(b) balances with the Central Bank;

(c) balances with banks and financial institutions licensed to accept deposits in Uganda;

(d) money at call in Uganda;

(e) treasury bills issued by Government and maturing within three months, exclusive of days of grace;

(f) marketable Government securities that are held by financial institutions for trading purposes; and

(g) such other assets as the Central Bank may from time to time approve.

(4) The Central Bank shall monitor compliance with liquid asset requirements by means of a weekly liquidity return in the form set out in Schedule 1 to these Regulations.

(5) An institution which fails to meet the liquid asset requirements commits an offence and is liable, on conviction, to a fine of one hundred currency points, and in case of a continuing contravention, to an additional penalty of twenty currency points in respect of each day on which the offence continues.

Internal policies on liquidity and funds management

7. (1) An institution shall properly manage its liquidity, taking into account the complex aspects of sound asset and liability management, through an approved board policy on liquidity and funds management.

(2) In formulating and implementing the policy referred to in subregulation (1), an institution shall follow widely accepted norms for the prudential aspects of the institutions' liquidity and shall be guided by the Central Bank's policy statement set out in Schedule 2 to these Regulations.

Role of Board of Directors

8. (1) The Board of Directors of an institution shall—

(a) approve the procedures, guidelines, internal controls and limits for managing and monitoring liquidity submitted to it by the institution's senior management;

(b) understand the nature and level of the institution's liquidity risk;

(c) at all times, be informed of the liquidity situation of the institution;

(d) ensure that senior management monitors and controls liquidity risk;

(e) ensure that contingency plans are in force, which shall include strategies for handling liquidity crises and procedures for addressing cash-flow shortfalls in emergency situations; and

(f) ensure that management information systems are in place which can adequately measure, monitor, control and report on liquidity risk.

(2) Where an institution operates a branch, the role of the board shall be ascribed to a group comprising the chief executive officer and the finance managers of the institution.

Role of management

9. (1) The board shall assign to the senior management of the institution the responsibility to—

(a) establish procedures, guidelines, internal controls and limits for managing and monitoring liquidity to ensure that adequate liquidity is maintained at all times;

(b) prepare contingency plans;

(c) review the institution's liquidity position on a regular basis and monitor internal and external factors and events that could have a bearing on the institution's liquidity;

(d) review, periodically, the institution's liquidity strategies, policies and procedures;

(e) develop the required techniques, procedures and information systems for implementation of the policy, and to ensure their dissemination to all appropriate personnel within the institution;

(f) ensure that the techniques employed measure accurately, continually and consistently with the institution's current liquidity, and estimate its projected liquidity; and

(g) prudently manage and control liquidity in accordance with the policy.

(2) The choice of analytical techniques, procedures and level of sophistication of the information systems, shall depend in part, on the size of the institution, the number and location of its operating units, its products, and the stability of its funding sources and the extent to which it accesses funds.

10. (1) The management of an institution shall put in place mechanisms that assist in the identification of problems in order to explore ways and means of raising additional funds of the right type and amount.

Liquidity management process

(2) An institution shall base its liquidity management process on the following—

(a) preparation of cash flow projections; and assumptions made in cash flow projections shall be clear and documented and shall be subject to review to determine the validity of underlying factors;

(b) maintenance of a stock of readily available high quality liquid assets in line with the cash flow projections;

(c) measurement and control of the institution's funding requirements which shall involve the process of assessing cash inflows against the institutions outflows to identify the potential for any shortfall and shall incorporate funding requirements for off-balance sheet items;

(d) managing access to funds in the market;

(e) contingency plans to handle a liquidity crisis shall be in place; the strategy for handling liquidity crises shall include procedures for making up liquidity shortfalls in emergency situations and each institution shall develop a back-up liquidity strategy for circumstances in which its normal sources of funding operations is disrupted.

Computation and weekly returns

11. (1) An institution shall, at all times, maintain adequate records with regard to liquid assets, all deposit liabilities and all off-balance-sheet commitments in the form MDI 110A set out in Schedule 1.

(2) Each institution shall submit to the Central Bank, on a weekly basis, a return showing its compliance with regulation 6(4) of these Regulations.

(3) The Central Bank may use its powers to inspect under section 56 of the Act to verify the accuracy of a return and direct the institution to adjust the return or past returns as a result of the inspection.

(4) An institution shall, upon request of the Central Bank, require its external auditor, as appointed under section 30 of the Act, to verify to the Central Bank the accuracy of a return and to alert the Central Bank as to any errors or adjustments to the return.

PART III—REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS.

Remedial measures

12. (1) Where the Central Bank determines that an institution is not in compliance with these Regulations, it may exercise its powers to take corrective action under section 58 of the Act.

(2) Where the Central Bank determines that an institution's non-compliance with these Regulations has resulted in such undue risk that it is unsound, does not have adequate liquidity, or that the funds of depositors are in jeopardy, it may exercise its powers to take prompt mandatory corrective action under section 59 of the Act.

13. The Central Bank may, in addition to the remedial measures specified in regulation 12, impose any or all of the following administrative sanctions with regard to an institution that fails to comply with these Regulations— Administrative sanctions

(a) prohibition from declaring or paying dividends;

(b) suspension of establishment of new branches and expansion into new financial activities;

(c) suspension of acquisition of fixed assets;

(d) suspension of acceptance of new deposits; and

(e) suspension of lending operations.

SCHEDULE 1

Regulations 6(4), 11(1)

FORM MDI 110A

WEEKLY STATEMENT OF LIQUIDITY FOR MICRO FINANCE DEPOSIT - TAKING INSTITUTIONS

NAME OF MICRO FINANCE DEPOSIT-TAKING INSTITUTION:...…………………………………………......

WEEKLY STATEMENT OF LIQUIDITY AS AT: ……………

(in thousands of shillings)

Amount ('000s)

1. Notes and coins which are legal tender in Uganda ……….......
....

2. Demand balances and money at call from banks ……………..
……………………………………………………………

3. Balances with other financial institutions ……………........
……………………………………………………………

4. Government of Uganda treasury bills ……………………......
……………………………………………………………

5. Uganda Government stocks and marketable securities maturing in not more than 5 years ……………………………

6. Demand balances with Head Office and branches……………
……………………………………………………………

7. Demand balances with Head Office, branches and other money at call abroad in convertible currencies after off-setting amount due to such institutions ………………………………

8. Commercial bills and promissory notes eligible for discount at the Bank of Uganda …………………………………………

9. Total liquid assets held ………………………………………

DEPOSIT LIABILITIES

10. Saving liabilities ……………………………………………....
......…………………………………………………………………

11. Time deposits …………………………………………………

12. Total deposit liabilities. ……………………………………….

LIQUIDITY RATIO REQUIREMENTS

13. 15% of deposit liabilities ……………………………………......

14. Total liquid assets needed to comply with the statutory requirements (surplus, compare item 9 with item 12) ………..
……………………………………………………………........

15. Total advances ………………………………………………...

16. **Ratio:** Advances/deposits ……………………………………

We certify that to the best of our knowledge, the figures in this statement are those appearing in our books and records as at close of business.

Date ……………………………………………

Signature ………………………………………

SCHEDULE 2

Regulation 7 (2)

POLICY STATEMENT OF THE BANK OF UGANDA
ON
PRUDENTIAL ASPECTS OF LIQUIDITY OF
MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS

1. INTRODUCTION

1.1 Maintenance of an adequate level of an institution's liquidity along with solvency is an essential aspect of the overall institution's soundness. This policy statement is aimed at guiding institutions as to considerations for their own liquidity policy, as well as to inform them of supervisory standards for their liquidity. The policy statement is confined to liquidity for prudential purposes, i.e. safety and soundness, and is not intended to address monetary policy aspects.

1.2 The Micro Finance Deposit-Taking Institutions Act 2003, No. 5/2003 ("the Act") authorises the Bank of Uganda to prescribe a minimum holding of liquid assets. The liquid assets required are stipulated in these Regulations. Liquidity is a complex facet of an institution's business. It cannot be fully measured and analysed in a single ratio. The dynamics of effective liquidity management must take into account cash flow analysis, maturity profile, funding and off-balance-sheet commitments, and back-up sources of funding. Unlike capital adequacy and profitability, ratio analysis alone cannot reveal the full extent of an institution's liquidity. The Bank of Uganda expects institutions to internally manage their own liquidity by means of their own written and approved Board policies. The guidelines as to such liquidity management are given as follows—

2. SUPERVISORY PERSPECTIVES ON AN INSTITUTION'S LIQUIDITY

2.1 For prudential purposes, liquidity can be defined as "the ability to fund at reasonable cost, all contractual obligations of an institution including lending and investment commitments, withdrawal of deposits, and liability maturities in the normal course of business.

2.2 In considering proper liquidity management, the "reasonable cost" element is crucial. Institutions often raise liquidity quickly if they are willing to sell or otherwise dispose of assets at a huge loss/discount or to acquire funds quickly at a very high price. In turn, institutions which take a very cautious approach to liquidity may do so at an opportunity -cost to profits. Thus it must be recognised that there is a close relationship between liquidity and profitability.

2.3 For the above reasons, institutions are required to properly "manage" their liquidity in addition to ensuring that they are meeting the liquid assets requirement given in these Regulations. Sound liquidity management takes into account all the elements of an institution's business that affect liquidity, including: maturities of assets and liabilities; core deposits as opposed to volatile sources of funding; commitments to lend and other off-balance-sheet contingencies; and secondary and/or back-up sources of liquidity to be used under unforeseen circumstances. Stated above, these multi-faceted aspects cannot be captured in a single ratio, though the Bank of Uganda will continue to use the liquid asset requirement as the key indicator to monitor the trend of liquidity.

2.4 Sound liquid management begins with a written policy, approved by the institution's Board of Directors, for liquidity/funds management.

3. (a) KEY POLICIES FOR LIQUIDITY AND FUNDS MANAGEMENT

3.1 Institutions should manage their liquidity (and applicable Funds Management aspects such as interest rate risk) using a formal policy. The policy should be written by senior management, approved by the board (annually with amendments/changes as needed), and fully enforced through controls and reporting and by means of written exception reports when limits and/or guidelines are exceeded.

3.2 An effective policy for liquidity and funds management is dependent on the availability, timeliness and accuracy of data made available to management with regard to assets, liabilities and off-balance-sheet items. Institutions must therefore have in place management information systems (MIS) to support written liquidity and funds management policies.

3.3 The liquidity policy should begin with clearly stated objectives. A main objective should be to ensure that the institution has sufficient liquidity for expected and most foreseen and/or contingent needs. Such liquidity needs are to be above the Bank of Uganda's reserve requirement. The objectives should also include ensuring that cash needs can always be met at a reasonable cost, i.e. avoidance of penalty rates or selling assets at a loss.

3.4 Institutions should write a comprehensive Asset and Liability Management (ALM) policy. The other objectives in an ALM policy would include interest rate risk, foreign exchange risk, and profitability as affected by pricing management.

3.5 Such policies should have quantitative elements. These would usually be shown as target ratios for liquidity components. A target should be set for meeting the liquid assets requirement. Additional targets may cover: advances to deposit ratios, and liquid assets to deposit/borrowings, etc. The policy should also take into account targets based on cash flow and/or maturity profiles so as to reflect the on-going dynamics of a financial institution's liquidity as opposed to reliance on "point-in-time" ratios.

3.6 The written policy should also call for regular analysis of maturity structures of both assets and liabilities to reasonably take into account all funding obligations, especially deposits and borrowings. Included in this analysis should be a determination of core deposits (usually savings and a percentage of borrowings). Normally institutions with heavy reliance on volatile funding should have higher levels of liquid assets.

3.7 In writing a liquidity policy, management should closely analyse the level of normal and/or anticipated funding commitments. Limits as to the amount of such contingents or commitments should be set and effectively communicated to all lending personnel and closely monitored for compliance.

3.8 The policy should also take into account economic aspects, especially seasonal factors which affect liquidity in Uganda's institutions. Contingent plans for obtaining needed liquidity during certain times of the year should be specified in the policy.

3.9 Finally, the policy should set out responsibilities for the management of liquidity, including the Board of Directors, senior management (perhaps through funds management or ALCO committee), line managers (especially lending officers), and support group primarily responsible for timely and accurate data for policy makers. The flow of information should be made clear in the policy, and it should also include exception reports for times when limits are exceeded or targets are not met. Such exception reports should not only be promptly reviewed and acted upon by senior management but should also be brought to the attention of the Board at the earliest possible time.

3.10 Liquidity management is far more effective when done through a formal Board -approved written policy. As such, the Bank of Uganda will be calling for such policies to be written and will be reviewing them for completeness and effectiveness as part of its on-site examination of institutions.

3 (b) MANAGEMENT OF LIQUIDITY

Institutions should base their liquidity management processes around six essential steps—

(i) Prepare cash flow projections.
(ii) Maintain a stock of readily available high quality liquid assets in line with the cash flow projections.
(iii) Measure and control the institutions funding requirements.
(iv) Manage access to funds in the market.
(v) Contingency planning.

(vi) Foreign currency liquidity management.

3.11 Cash Flow Projections

Institutions should prepare cash flow projections on a regular basis for measuring and managing their net refinancing risk. Projections should cover not only the assets and liabilities as they exist in the balance sheet at a particular time, but also flows from planned future activities. In addition, a statement of assets and liabilities prepared in the order of liquidity level of various items can serve as a useful management tool for monitoring operations.

3. 12 Stock of Liquid Assets

Assets of varying levels of liquidity should be categorised in accordance with their credit quality, marketability and market value.

Institutions should establish thresholds for minimum holdings at all times of different categories of liquid assets for liquidity management purposes. Such thresholds will be set in the light of factors, such as an institutions' loan portfolio quality, stability of funding sources and their associated costs, and short term funding requirements. The 'liquidity' assets used should be unencumbered and of high quality so that they can be readily liquidated without incurring a substantial discount.

Where an institution is a subsidiary of another financial institution, the degree of integration of liquidity management with the parent will be taken into account, particularly when the parent is financially sound and has given a commitment of financial support to the subsidiary. Consideration will, however, be given to any legal or foreign exchange restriction on transfer of funds between countries. An institution should adopt limits on the extent of placements with the parent and other related companies.

3.13 Measuring and Controlling Net Funding Requirements

The guideline is not intended to be prescriptive on how an institution should measure and control its funding requirements. Each institution is responsible on its own for identifying and establishing well-based approaches most suitable to its operations. Certain approaches or ratios may be used to advantage.

Commercial Deposit and Loan Exposure

Because of the uncertainties associated with deposits and loans from other financial institutions and non-bank operators (e.g. corporations, fund managers), a continuing assessment of an institution exposure to such sources of funds should be maintained. A ratio of net liquid assets to total deposits and loans from other institutions of over 30 days maturity and from non-bank operators of over 30 days maturity plus ordinary deposit accounts, may be calculated to signal any undue exposure. Similarly, the ratio of advances to deposits will reflect on the extent to which commercial credit activity is financed by commercial deposits.

Liquidity concentration risk, associated with large individual depositors, should be continually monitored in terms of amounts involved and their loyalty to the institution, to control the institution's reliance on them. A regular assessment should be made of individual depositors with deposits representing over 2 % of total shillings and foreign currency liabilities.

Gap Analysis

A gap analysis (building a maturity ladder) determines fund excess or shortage at selected maturity dates. Maturity should be assessed on the basis of terms and conditions of funding or loan instruments as well as on the basis of behaviour of customers, assessed from their past history and current relationship with the institution.

A maturity ladder traces cash inflows and outflows over a series of specified time periods. Cash inflows arise from such items as maturing assets, saleable non-maturing assets, interest receivable, and drawdowns on credit lines. Cash outflows include maturing liabilities, other deposit runoffs and interest payable. A maturity ladder or any other method employed should identify, separately, cash flows.

The timeframe for a maturity ladder is usually short, starting with the next day and using intervals of, say, 2 to 8 days, 9 days to one month etc. Institutions would find it useful to prepare gap analysis beyond the usual short timeframe, taking into account their involvement in markets for long-term assets and liabilities. A funding gap in a distant period often requires planning and time to obtain assets with appropriate maturities to offset the gap.

An institution should establish prudential limits on short term and medium term mismatches. To enforce the limits, a ratio of mismatch to total balance sheet liabilities should be calculated. Such limits should be applied on total currency basis as well as separately for significant foreign currencies.

Since market conditions and an institution's liquidity needs change constantly, an institution will need suitably designed systems to generate accurate and timely information for decision making.

Scenario Testing

Scenario testing is an important tool for measuring and controlling funding requirements. The behavior of cash flows varies under different conditions. Analysing liquidity, therefore, entails doing a sensitivity analysis or laying out "what if" scenarios.

An institution should test at least two scenarios, first, in a "going concern" environment, that is, in the ordinary course of business, and second, as if there is a "specific crisis". For each scenario, the institution will be required to make well informed, conservative judgments respecting assets, liabilities, and off-balance sheet activities. For example, in the case of—

Assets

(a) the proportion of maturing assets that will be rolled over;

(b) the expected level of new loans;

Liabilities

(a) the expected level of rollovers of deposits and other liabilities;

(b) the expected growth in new deposits;

Off-balance sheet

* the anticipated outcome of contingent liabilities, such as financial guarantees.

Moreover, in an institution's specific crisis scenario, questions, such as the following should also be answered—

(a) Which sources of funds will likely stay with the institution under any circumstances?
(b) Which sources of funds are likely to run off gradually and at what rate?
(c) Which maturing liabilities or liabilities with early withdrawal options are likely to run off immediately?
(d) Are there any back-up facilities that can be relied upon?

The uncertainty inherent in answering these questions demands a conservative stance, that is, a bias toward assigning later dates to cash inflows and earlier dates to cash outflows.

3.14 Managing Access to Funds

An institution should assess periodically its efforts to maintain diversification of liabilities and foster relationships with liability holders. The assessment should be by individual funding sources, classified by providers of funds, instrument type, and geographic market. The institution should establish internal limits on the maximum funds it will accept from any one counterpart or funding market (for example, commercial paper).

Institution's should explore developing arrangements where they can borrow against assets or dispose of assets in the given market and legal environment.

3.15 Contingency Planning

An institution's ability to withstand a liquidity crisis depends, to a large extent, on the quality of its contingency planning. Each institution should have in place a contingency plan, approved by its board of directors. The plan must be realistic, unambiguous, and designed for fast decisions and actions. It must have at least the following elements—

(a) A clear division of responsibility and accountability among managers in the event of an emergency.

(b) Processes to ensure timely and uninterrupted flow of information to senior management, conducive to fast decisions.

(c) A strategy to alter normal approaches to handling assets and liabilities. For example, it might be necessary to sell assets that would be ordinarily retained and otherwise market assets more aggressively.

(d) A prioritisation of sources of funds and their classification into primary and secondary sources for the purposes of liquidity, taking full account of their availability on a timely basis.

(e) A classification of borrowers and trading customers according to their importance to the institution . This would permit identification of relationships that might be foregone at different times in the crisis as well as those that should be nurtured and preserved.

(f) Procedures to communicate with the media, including identification of the person responsible for such communications.

In the design and implementation of its contingency plan, an institution should take a conservative stance in estimating the extent and availability of its sources of funds.

4. BOU MONITORING OF INSTITUTION'S LIQUIDITY

4.1 While the Bank of Uganda (BOU) expects institutions to properly manage their liquidity by means of written policies as called for above, it will, through its off-site surveillance efforts, monitor institutions liquidity through a number of measurements.

4.2 As stated above, an institution's liquidity is too complex a topic to be fully analysed through a single ratio. However liquidity ratios can serve as indicators as to the level and especially the trend of liquidity within an institution. The Bank of Uganda wishes to make clear to institutions how this monitoring will take place and what ratios will be emphasised.

4.3 In addition, the BOU will be closely monitoring compliance with the liquid assets requirement as called for in the Act and prescribed in these Regulations. Institutions should note the fine authorised in the Act for failure to meet the liquid assets requirement. Failure to meet this requirement will also be seen as a serious liquidity problem, and efforts will be made to determine the underlying cause.

4.4 The BOU will be monitoring institution's liquidity on quarterly basis as part of its off-site surveillance of institutions. In addition to liquid assets requirement, the BOU will also review various balance sheet ratios from returns, such as advances to deposits and liquid assets to deposits, to determine the level and trend of liquidity, as well as in comparison with the liquidity positions of other institutions. This analysis will also take into account seasonal factors. While taking also these factors into account, non- compliance with requirements, overdrafts in the BOU clearing account, or a declining trend and/or low ratios will be seen by the BOU as an indicator of a liquidity problem affecting the institution's soundness. When this is the case, the BOU may, at its discretion, seek to determine the underlying causes or problems, most likely through an on-site exam.

5. ON-SITE REVIEW OF INSTITUTIONS' LIQUIDITY

5.1 As part of long-term upgrading of its on-site exams, the BOU shall include a review of liquidity management in its scope of exams for general (full-scale) exams. As exam procedures and guidelines are written, institutions will be informed as to the scope of such review. However, all reviews of liquidity will focus on overall adherence to BOU requirements (liquid assets requirement) as well as giving special attention to a review of the institution's own written liquidity (funds management or ALM) policy. The review will be for completeness, compliance, adequacy of MIS to support the policy, and overall effectiveness in implementation.

5.2 In addition to the inclusion of liquidity reviews in general examinations, the BOU reserves the right to conduct limited scope examinations when compliance with BOU requirements and/or a declining trend in an institution's liquidity ratios is noted. Such exams will attempt to determine the underlying cause of liquidity problems. They will also include a review of the institution's own internal policy as discussed above. In addition, these limited scope examinations will focus on the institution's control of off-balance sheet commitments as well as the deposit structure (core deposits vs. volatile funding) and back-up sources of funding.

5.3 When on-site exams disclose a severe liquidity problem or poor liquidity management practices and/or policies, the BOU reserves the right, when necessary, to use any or all of its enforcement powers as specified in the Act.

5.4 When severe remedial measures are not necessary, but some form of supervisory action is essential to ensure improved liquidity, the BOU will look to administrative sanctions as described in these Regulations.

6. SUMMARY

6.1 Liquidity, as a complex aspect of an institution's business, needs to be properly managed. While institutions are expected to adhere to all BOU requirements for liquidity, including the liquid assets requirement given in these Regulations, the BOU also recognises that no single ratio or requirement can fully address all aspects of an institution's liquidity.

6.2 Institutions should manage their liquidity by a well written-out policy approved by the bank's Board of Directors. The policy needs to be supported by effective MIS and fully implemented, with reporting to management and Board. Liquidity management processes should be based on the four essential steps stipulated in these Regulations.

6.3 The BOU will monitor institution's liquidity through compliance with all BOU requirements as well as through off-site surveillance using a set to finance deposit ratios to be used as indicators as to the level and, especially, the trend of the institution's liquidity. It is expected procedures for a review of liquidity will be made part of the scope for all general examination of institutions, and the BOU may conduct limited scope exams of financial institutions to determine the underlying causes of emerging liquidity problems.

6.4 While BOU reserves the right to use its enforcement powers under the Act, it prefers close dialogue with an institution's management. When necessary, the BOU will call for a written agreement with the institution's management to include specific steps to strengthen liquidity. It may choose to impose administrative sanctions given in these Regulations to move toward the same goal of improved liquidity.

E. TUMUSIIME-MUTEBILE,
Governor, Bank of Uganda.

Enquiries on any aspect of these Regulations should be referred to—

The Executive Director
Supervision Function
Bank of Uganda
P.O. Box 7120
KAMPALA.

STATUTORY INSTRUMENTS
SUPPLEMENT No. 34 **15th October, 2004**

STATUTORY INSTRUMENTS SUPPLEMENT

to The Uganda Gazette No. 53 Volume XCVII dated 15th October, 2004

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STATUTORY INSTRUMENTS

2004 No. 63.

MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS (CAPITAL ADEQUACY) REGULATIONS, 2004

ARRANGEMENT OF REGULATIONS

SCHEDULE 1— MONTHLY COMPUTATION OF CAPITAL ADEQUACY: FORM MDI 100A

SCHEDULE 2— MONTHLY STATEMENT OF ASSETS AND LIABILITIES: FORM MDI 100

STATUTORY INSTRUMENTS

2004 No. 63.

The Micro Finance Deposit-Taking Institutions (Capital Adequacy) Regulations, 2004.

(Under section 89(3)(d) of the Micro Finance Deposit-Taking Institutions Act, 2003, Act No. 5 of 2003)

In exercise of the powers conferred on the Central Bank by section 89 (3)(d) of the Micro Finance Deposit-Taking Act, 2003, these Regulations are made this 12th day of May, 2004.

PART I—PRELIMINARY.

Citation

1. These Regulations may be cited as the Micro Finance Deposit-Taking Institutions (Capital Adequacy) Regulations, 2004.

Application

2. These Regulations apply to all micro finance deposit-taking institutions in Uganda.

Inter-pretation.

3. (1) In these Regulations, unless the context otherwise requires—

"Act" means the Micro Finance Deposit-Taking Institutions Act, 2003;

"Board" means the Board of Directors of an institution;

"capital adequacy" refers to the maintenance of minimum capital requirements as required by section 15 of the Act and the on-going capital adequacy requirements required by section 16 of the Act;

"capital deficiency" means the failure by an institution to meet all the capital requirements prescribed by the Act and these Regulations;

"capital impairment" means a capital deficiency to the extent of potential insolvency or endangering the funds of depositors or other creditors;

"capital requirement basis" refers to the total upon which core capital and supplementary capital is measured to determine capital adequacy;

"contingent claims" also known as "off balance sheet items" include direct credit substitutes, such as guarantees, acceptances and endorsements; transaction related items such as performance bonds; formal commitments such as standby facilities, credit lines and unused facilities;

" core capital" means shareholders equity in the form of issued and fully paid-up shares, including retained reserves approved by the Central Bank;

"general provisions" means loan loss reserves held against future, presently unidentified losses and which are freely available to meet losses, which subsequently materialise;

"institution" or "MDI" means a micro finance deposit-taking institution;

"specific provisions" means loan loss reserves held against presently identified losses or potential losses and which are not available to meet other losses, which subsequently materialise;

"subordinated debt" means a debt that ranks lower in priority to other debts of the financial institution;

"supplementary capital (Tier 2)" means general provisions which are held against future and presently unidentified losses that are freely available to meet losses which subsequently materialise and revaluation reserves on the premises of a micro finance deposit-taking institution which arise periodically from the independent valuation of those premises, and any other form of capital as may be determined from time to time by the Central Bank;

"total assets" means the amount reported under the monthly statement of assets and liabilities submitted by an institution to the Central Bank;

"total capital" means the sum of the core capital and supplementary capital.

(2) Terms and expressions used in these Regulations have the same meaning ascribed to them in the Act.

4. The objectives of these Regulations are— Objectives.

(a) to require institutions to have an adequate amount of capital to absorb losses;

(b) to protect the interests of depositors, creditors and the public in general; and

(c) to ensure that institutions maintain recognised capital standards.

5. The purpose of these Regulations is— Purpose.

(a) to ensure that institutions maintain a specified level of capital to promote public confidence;

(b) to help ensure the safety of depositors' funds in order to absorb adverse events, either within their control or due to external factors; and

(*c*) to prevent insolvency or unsound financial position of the institution.

PART II—REGULATORY REQUIREMENTS.

Capital requirements for micro finance deposit-taking institutions

6. (1) Every institution shall maintain, at all times, core capital, equal to the minimum paid-up capital requirements of Uganda Shillings five hundred million as specified in section 15 of the Act.

(2) An institution shall maintain, at all times, core capital of not less than 15% of the Risk Weighted Assets (RWA), as reported to the Central Bank in the forms set out in Schedules 1 and 2 to these Regulations.

(3) An institution shall maintain, at all times, total capital of not less than 20% of the Risk Weighted Assets (RWA), as reported to the Central Bank in Form MDI 100A set out in Schedule 1 to these Regulations, on a monthly basis.

Computation of capital adequacy

7. (1) An institution shall maintain, at all times, adequate records including balance sheets and periodic statements of income and expenditure to enable proper computation of the institution's capital adequacy.

(2) An institution shall prepare and submit, on a monthly basis, to the Central Bank a Monthly Computation of Capital Adequacy in Form MDI 100A set out in Schedule 1 to these Regulations, along with a monthly statement of assets and liabilities in Form MDI 100 set out in Schedule 2 to these Regulations as at the same date, on the 10th day of the following month.

(3) The Central Bank shall determine whether an institution is in compliance with the capital adequacy requirements of the Act and these Regulations, on the basis of Form MDI 100A referred to in subregulation (2).

(4) The Central Bank shall determine whether the institution has made adequate provision for bad debts, whether specific provisions or general provisions; and followed proper guidelines with regard to income recognition, specifically to accrual of interest.

(5) The Central Bank may call for adjustments to capital calculations with respect to increased provisions or interest accrual if an institution is not in compliance with the Micro Finance Deposit-Taking Institutions (Asset Quality) Regulations, 2004.

(6) The Central Bank may, in the exercise of its powers of inspection under section 56 of the Act, verify the accuracy of the information specified in Form MDI 100 and direct the institution to adjust or amend the information, based on the findings of the inspection.

(7) Every institution shall require its external auditor, appointed under section 30 of the Act, to verify to the Central Bank the accuracy of the Monthly Computation for Capital Adequacy on a quarterly basis, and to alert the Central Bank of any errors or adjustments to this information as at any month during the financial year under review.

(8) The Central Bank may also, at its discretion, call upon the external auditor at any time to verify the accuracy of any monthly reporting data in Form MDI 100.

PART III—REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS.

Remedial measures

8. (1) Where the Board determines that an institution has not met the capital adequacy requirements and has a capital deficiency, the Board shall communicate to the Central Bank the approved necessary remedial measures as approved by the

Board, including a recapitalisation program within a specific timeframe for compliance, not exceeding twelve months.

(2) Where the Central Bank determines that an institution has not met the capital adequacy requirements and has a capital deficiency, it may impose any of its corrective actions prescribed in section 58 of the Act.

(3) Where the Central Bank determines that an institution has a capital deficiency and that as a result, capital impairment is detrimental to the interests of depositors, it may act in accordance with its powers under section 60 of the Act to take over the management of the institution for a period as, in the opinion of the Central Bank, will permit the institutions condition to be remedied or resolved.

Offences and penalties

9. A financial institution which submits late reports under regulation 7(2) commits an offence and is liable, on conviction, to—

(a) a fine not exceeding two currency points for each of the first five days of delay; and

(b) a fine not exceeding four currency points for each day after the first five days of delay.

Administrative sanctions

10. The Central Bank may impose any or all of the following administrative sanctions on an institution for inaccurate reporting or non-compliance with these Regulations—

(a) prohibition from declaring or paying dividends;

(b) suspension of establishment of new branches or expansion into new financial activities;

(c) suspension of acquisition of fixed assets;

(d) suspension of acceptance of new deposits; and

(e) suspension of lending facilities.

SCHEDULE 1

Regulation 6(2), 6(3), 7(2)

BANK OF UGANDA FORM MDI 100A

MONTHLY COMPUTATION OF CAPITAL ADEQUACY

(To be submitted with Form MDI. 100 as at same reporting date)

NAME OF MDI..

MONTH ENDING..

1.0	CORE CAPITAL (Tier 1)	Ushs
1.1	+ Paid-up share capital	....
1.2	+ Share premium	....
1.3	+ Retained earnings	....
1.4	+ Net after-tax, current year-to-date (50% only)/(Loss 100%)	....
1.5	(-) Less, investment in financial companies, not consolidated	....
1.6	(-) Less, accumulated losses	....
1.7	CoreCapital	____________(A)
2.0	SUPPLEMENTARY CAPITAL (Tier 2)	
2.1	General provisions up to 1.0 per cent of loan portfolio (Limited to a maximum of 1.25% of gross risk-weighted assets).	....
2.2	Subordinated debt (Not to exceed 50% of core capital, subject to discount factor).	....
2.3	Other reserves	....
2.4	Total supplementary capital (Not to exceed 100% of tier 1 capital)	------------------(B)
3.0	TOTAL CAPITAL (Core + Supplementary)	==========(C)

FORM MDI 100A (continued)

CAPITAL REQUIREMENT BASIS

(Amounts to agree to MDI 100)	Amount	Risk Weighting	Capital Requirement
1. Notes and coins		0%	Nil
2. Balance with banks in Uganda	....	20%	…………
3. Balance with banks outside Uganda	………	20%	…………
4. Balance with other financial institutions in Uganda	………	20%	…………
5. Balance with other financial institutions outside Uganda	………	20%	…………
6. Investments in Government Securities	....	0%	Nil
7. Loans net of provisions	………	100%	…………
8. Long term investments	………	100%	…………
9. Premises and other fixed assets		100%	…………
10. Inter branch/due from own office (own offices)	………	100%	…………
11. Other assets	………	100%	…………
	______	______	________
Total Risk weighted Assets*			
	======	=====	=======

*Amount column for sum of items 1 through 11 must equal to the amount of total assets of the balance sheet.

CONTINGENT CLAIMS: ** (If applicable)

	Risk Weighting	Capital Requirement
12. Contingent claims secured by cash collateral	0%	Nil
13. Direct credit substitutes (guarantees and acceptances)	100%	…………
14. Transaction related (performance bonds)	50%	…………

** Amount column for sum of items 12 through 14 must equal to off-balance sheet items shown on MDI 100

CAPITAL REQUIREMENT BASIS

(Risk weighted sum of items 1 through 14) ========== (D)

Core capital required: 15 % of (D) ___________ (E)

Total capital required: 20% of (D) ___________ (F)

CAPITAL REQUIREMENT CALCULATIONS:

Minimum capital requirement
(Section 15 Micro Finance Deposit-Taking Institutions Act No 5 of 2003 U Shs 500 million)

Paid Up Share Capital = line 1.1 (Under core capital) =======

Core capital requirement
(Section 16(2))a minimum ratio of 15% = line 1.7 /Risk Weighted Assets _________%

Surplus or (deficiency) of Core capital =========

Total capital requirement
(Section 16(3)) (Minimum ratio of 20%) = line 3.0 /Risk Weighted Assets _________%

Surplus or (deficiency) of Total Capital =========

The amounts shown on this form have been verified to be accurate as at the reporting date.

____

CHIEF EXECUTIVE OFFICER

Date: ________________________

SCHEDULE 2

REGULATION 6(2), 7(2)

FORM MDI 100

BANK OF UGANDA

MONTHLY STATEMENT OF ASSETS AND LIABILITIES FOR MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS (MDI'S IN UGANDA)

NAME OF MDI ....

MONTH ENDING ....

BRANCH NETWORK

Number of branches; ....

Number of agencies; ....

To be submitted not later than the 10th day of the month following that to which it refers.

To:

The Director,
Supervision Function,
Non-Banking Financial Institutions Department,
Bank of Uganda,
P.O. Box 7120,
Kampala

And copies to:

The Director,
Research and Policy Function,
Research Department, Bank of Uganda,
P.O. Box 7120,
Kampala

FORM MDI 100

Regulation 6(2), 7(2)

MONTHLY STATEMENT OF ASSETS AND LIABILITIES

NAME OF MICRO FINANCE DEPOSIT-TAKING INSTITUTION

....

MONTH ENDING...

ASSETS		Sub-Total Amount Shs. '000'
1 Notes and Coins		
2 Balance with financial institutions in Uganda		
3 Balance with financial institutions outside Uganda		
4 Investment in Securities (Line items 5 and 6)		
5. Treasury Bills		
6 Others e.g. Government Bonds, etc (specify)		
7 Loans (Line items 8, 9, and 10)		
8 Current		
9 Past Due		
10 Restructured		
11. Allowance for loan losses: general and specific		
12 Net loans outstanding (Line item 7 less 11)		
13 Inter Branch / Due from own offices		
14 Fixed Assets (Gross) (Line items 16 to 17)		
15 Land		
16 Buildings		
17 Equipment		
18 (Accumulated depreciation)		
19 Net Fixed Assets (Line items 14 less 18)		
20 Long term investments		
21 Other assets (specify)		
22 Total Assets (line items 1 and 4. 12 to 13 and 19, 20 to 21		

23 **LIABILITIES**		Sub-Total Amount Shs. '000'
24 deposits: (Line items 25, 26 and 27)		
25 Savings		
26 Time Deposits		
27 Accrued interest		
28 Loan insurance funds / compylsory savings		
29 Borrowings-short term (Market rate		
30 Other liabilities (specify)		
31 Borrowings-long term debt (concensional rate)		
32 Borrowing-long term debt (Market rate)		
33 Borrowings-long term debit (consensional rate)		
34 Grants/Deferred income		
35 Inter Branch		
36 Other long-term liabilities (specify)		
37 Total liabilities (Line items 24, 28 to 36)		
38 **EQUITY**		
39 Paid up capital		
40 Share Premium		
41 Retained Earnings prior years		
42 Current year Net Profit/loss (Line 43 less 44 should agree with line item 45 from the income statement)		
43 Revenue		
44 Expenditure		
45 Other Reserves (specify)		
46 Total equity (Line items 39 to 42 and 45)		
47 Subordinated debt		
48 TOTAL LIABILITIES AND EQUITY (LINE ITEMS, 37, 46 AND 47)		

ASSETS		Sub-Total Amount Shs. ‘000’
OFF BALANCE SHEET ITEMS		
49 Contigent claims secured by cash collateral		
50 Direct credit substitutes (guarantees and acceptance		
51 Transaction related (performance bonds)		
52 Total (Line assets 49 and 51)		

Date... Date ....

Title .... Title ....

Signature .... Signature ....

A. Other Assets

No.	*Item*	*Amount*
1		
2		
3		
4		
5		
	Total	

B. Other Assets

No.	*Item*	*Amount*
1		
2		
3		
4		
5		
	Total	

C. Minimum and Maximum Interest Rates on Savings and Time Deposits

	Minimum	*Maximum*
Savings		
Time		
	Total	

D. Lending Rates

Sector	3-6.9%	7-10.9%	11-14.9%	15-18.9%	19-29.9%	Over 30%
Agriculture						
Trade and Commerce						
Transport and communications						
Electricity and Water						
Building and Construction						
Other services						
Total						

Key: Interest rates should refer to the reporting period only.

E. TUMUSIIME-MUTEBILE
Governor, Bank of Uganda

Enquiries on any aspect of these Regulations should be referred to-

The Executive Director
Supervision Function
Bank of Uganda
P.O. Box 7120
KAMPALA.

STATUTORY INSTRUMENTS
SUPPLEMENT No. 34 15th October, 2004

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STATUTORY INSTRUMENTS.

2004 No. 64.

THE MICRO FINANCE DEPOSIT -TAKING INSTITUTIONS (ASSET QUALITY) REGULATIONS, 2004.

ARRANGEMENT OF REGULATIONS

PART I—PRELIMINARY.

Regulation.

Regulation.

STATUTORY INSTRUMENTS.

2004 No. 64.

The Micro Finance Deposit-Taking Institutions (Asset Quality) Regulations, 2004.

(Under section 89 (3) (a) of the Micro Finance Deposit-Taking Institutions Act, 2003, Act No 5 of 2003)

IN EXERCISE of the powers conferred on the Central Bank by section 89 (3) *(a)* of the Micro Finance Deposit-Taking Institutions Act, 2003, these Regulations are made this 12th day of May, 2004.

PART I—PRELIMINARY.

1. These Regulations may be cited as the Micro Finance Deposit-Taking Institutions (Asset Quality) Regulations, 2004. Citation

2. These Regulations apply to all micro finance deposit-taking institutions in Uganda. Application

3. (1) In these Regulations, unless the context otherwise requires— Inter-pretation

"Act" means the Micro Finance Deposit-Taking Institutions Act, 2003;

"chief executive officer" means the managing director of an institution, the general manager or the most senior officer of an institution;

"classification" means the determination of a non-performing credit facility, using either subjective or objective criteria to determine its ultimate collectibility;

"credit facilities" means loans and other facilities by which a customer of the institution has access to funds or financial guarantees, or the incurring by the institution of other liabilities on behalf of a customer;

"Doubtful" refers to a classification of a non-performing credit facility that meets the criteria specified in regulation 9(2)*(d)*;

"general provision" means a loss reserve held against future and presently unidentified losses, and which is freely available to meet losses which subsequently materialise;

"institution" or "MDI" means a micro finance deposit-taking institution;

"interest in suspense" means that the interest on a non-performing credit facility is accrued or capitalized but the offsetting accounting entry is placed in a valuation reserve called "interest in suspense" rather than taken into income;

"Loss" means a classification of a non-performing credit facility that meets the criteria specified in regulation 9(2)*(e)*;

"non-accrual" means that a credit facility has been placed on a cash basis for accounting and financial reporting purposes, and interest earned or due but unpaid is not credited to interest income but instead credited to interest in suspense;

"non-performing" means a credit facility that is past due and is not generating any income and meets the criteria specified in regulation 6(1);

"Normal Credit Risk"(Pass) means a classification of a credit facility that meets the criteria specified in regulation 9(2)*(a)*;

"Portfolio at Risk" means the outstanding principal balance of all loans having an amount overdue as a percentage of outstanding principal portfolio;

"refinance" means providing an amount of loan funds in addition to the original loan amount;

"rescheduled loan" means a loan in which the terms have been extended, or in which the payment schedule has been changed;

"restructured credit facility" means a facility which has been refinanced, rescheduled, rolled over, or otherwise modified because of weaknesses in the borrower's financial position on the non-payment of the debt as arranged;

"specific provision" means a loss reserve held against presently identified losses or potential losses and which is not available to meet losses that subsequently materialise;

"Substandard" means a classification of a non-performing credit facility that meets the criteria specified in regulation 9(2)*(c)*;

"Watch" means a classification of a credit facility that meets the criteria specified in regulation 9(2)*(b)*;

"well-secured" means a credit facility that has sufficient collateral to protect the institution from loss of principal and interest through its timely disposition under a forced liquidation program and such collateral consists of—

(a) enforceable legal documentation;

(b) compulsory savings or loan insurance fund;

(c) the absence of a prior lien on the collateral, which could reduce its value or otherwise prevent the obtaining of clear title (aspects such as lack of a clear market value or any difficulties in actual foreclosure or disposing of collateral negate a well-secured status);

(d) a net realisable market value, which is adequate to cover the amount of principal and interest outstanding, as well as the cost of collection.

(2) Terms and expressions used in these Regulations have the same meaning ascribed to them in the Act.

Objectives

4. The objectives of these Regulations are—

(a) to ensure that institutions are in compliance with capital adequacy requirements by recognising possible impairment arising from provision for bad and doubtful accounts;

(b) to ensure that institutions are quantitatively identifying their non-performing credit facilities in order to help ensure that collection efforts are undertaken;

(c) to ensure that institutions present balance sheets and income statements that properly reflect the financial impact of non-performing credit facilities; and

(d) to promote transparency in the financial market and to ensure that all loan contracts between institutions and their clients are transparent and based on clear information.

Purpose

5. The purpose of these Regulations is —

(a) to ensure that institutions grant loans only after carrying out an objective risk analysis and following the strategies, policies and procedures approved by the board of the institution, in accordance with the Act;

(b) to assist institutions to recognise problem assets using a quantitative definition of non-performing status and the manner in which to treat such assets with regard to accrual of interest, classification, and adequate provisions based on such classification;

(c) to assist institutions to appreciate that the recognition of non-performing assets stimulates collection efforts and thus helps reduce the possibility of loss on these assets;

(d) to emphasise to institutions that supervisory authorities world-wide have recognised that their effectiveness is dependent on the integrity of balance sheets and income statements resulting from proper identification and accounting treatment of non-performing assets; and that failure to set such standards can lead to fictitious profits and misleading balance sheets to the supervisory authority and other interested parties.

PART II—REGULATORY REQUIREMENTS

Non-performing credit facilities

6. (1) A credit facility is considered to be non-performing when—

(a) principal or interest on it is due and unpaid for thirty days or more; or

(b) interest payments equal to thirty days or more have been capitalized, refinanced, renegotiated, restructured or rolled over.

(2) The criteria for assessing non-performing credit facilities apply regardless of what security is held on the facility, but cash or savings and time deposit balance held as security may be deducted from the outstanding balance of the credit facility before determining specific provisions.

Reporting of non-performing credit facilities to the Central Bank

7. (1) Every institution shall report, on a monthly basis, to the Central Bank, its non-performing credit facilities in the forms set out in Schedules 1, 2 and 3 to these Regulations.

(2) An institution which fails to report non-performing credit facilities on a timely and accurate basis is liable to the penalties and administrative sanctions prescribed in Part IV of these Regulations.

Income Recognition

Non-recognition status

8. (1) All categories of non-performing credit facilities shall be placed on a non-accrual basis, in which interest due but uncollected should not be accrued to income but is instead shown as interest in suspense.

(2) All interest on non-performing credit facilities previously accrued into income but uncollected is to be reversed and credited into the interest in suspense account until paid in cash by the borrower.

(3) A non-performing credit facility shall be returned to an accrual basis only when all outstanding dues and unpaid obligations have been paid up to date.

Classification and Provisioning

Criteria for classification

9. (1) Credit facilities shall be classified in the following five categories—

(a) Normal Credit Risk (Pass);

(b) Watch (Special Mention);

(c) Substandard;

(d) Doubtful; and

(e) Loss.

(2) Non-performing credit facilities include the Substandard, Doubtful and Loss categories which shall be classified by institutions according to the following criteria—

(a) criteria for a Normal Credit Risk (Pass) is a credit facility, which is up-to-date in payments;

(b) criteria for Watch (Special Mention) is a credit facility in which the principal or interest is due and unpaid for eight days or more but less than thirty days;

(c) criteria for Substandard is

a credit facility in which the principal or interest is due and remains unpaid for thirty days or more but less than sixty days.

(d) criteria for Doubtful is

a credit facility in which the principal or interest is due and remains unpaid for sixty days or more but less than ninety days.

(e) criteria for Loss is

a credit facility in which the principal or interest is due and remains unpaid for ninety days or more.

Provision on classified credit facilities

10. (1) Every institution shall establish specific provisions for non-performing credit facilities and the provisions shall be reviewed at least quarterly and a report made to the Central Bank.

(2) General provisions shall be maintained at not less than 1% of the outstanding performing balance of the total credit facility.

(3) All credit facilities classified in the Substandard, Doubtful and Loss categories shall be subject to specific provisions as follows—

(a) 25% of the outstanding balance for a Substandard credit facility;

(b) 50% of the outstanding balance for a Doubtful credit facility; and

(c) 100% of the outstanding balance for a Loss credit facility, which shall be written off the books of the institution within six months of being identified as a loss.

(4) The outstanding balance shall consist of the principal, interest that has been capitalised, and all other charges, fees, and other amounts which have been capitalised to the outstanding balance; and interest in suspense may be deducted from the outstanding balance before determining the provisions.

Restructured credit facilities.

11. A restructured credit facility is subject to the following conditions—

(a) the existing financial position of the borrower can service the debt under the new condition;

(b) an account classified as a Doubtful or Loss credit facility shall not be restructured unless an upfront cash payment is made to cover, at the least, unpaid interest, or unless there is an improvement in the collateral taken which will render the restructured account, including unpaid interest, a well-secured account;

(c) a credit facility shall not be restructured more than twice over the life of the original facility;

(d) specific provisions for restructured loans shall be as follows—

(i) 8 days or more but less than 30 days … 5%;
(ii) 30 days or more but less than 60 days 50%;
(iii) 60 days or more but less than 90 days 75%; and
(iv) 90 days or more .... 100%.

Security with regard to classification and provisioning

12. (1) All institutions shall elevate the status of security on any credit facility once payment of the principal or interest falls into arrears or is irregular.

(2) An institution shall initiate procedures to realise security once a credit facility is in non-performing status.

Part III—Inspections by the Central Bank and External Audits.

Central Bank examination of quality of loans

13. (1) The Central Bank may, as authorised by section 56 of the Act, undertake inspections of institutions and the inspections may include reviews to determine if non-performing credit facilities have been accurately reported to the Central Bank and that interest accrual is in compliance with these Regulations.

(2) When reporting of non-performing facilities referred to in subsection (1) is determined to be inaccurate, the Central Bank may call for revisions, by the institution concerned, to such statutory returns to reflect an accurate position.

(3) The Central Bank may impose on an institution, any or all of the remedial measures or administrative sanctions in Part IV of these Regulations with regard to inaccurate or untimely reporting and non-compliance with these Regulations.

(4) The Central bank may request an external auditor to determine whether an institution is reporting accurately and is in compliance with these Regulations.

Determin-ation of classification and provisionsing

14. (1) Every institution shall establish an appropriate system for the appraisal of its loan portfolio and control of inherent risks in accordance with these Regulations.

(2) The loan portfolio appraisal system for each institution shall be based on an analysis of relevant and appropriate information in order to identify risks and possible losses.

(3) The chief executive officer and the other officers of the institution are personally responsible for ensuring compliance with these Regulations.

(4) Where, in the course of an inspection, the Central Bank determines that a non-performing credit facility has not been properly classified by the management of an institution, the Central Bank may call for a classification and subsequent provisioning, which, in the judgment of the Central Bank, is within the criteria of these Regulations.

PART IV—REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS

Remedial measures

15. (1) Where the Central Bank determines, through an inspection, that an institution is not in compliance with these Regulations, it may exercise any or all of its supervisory enforcement powers under section 56 of the Act.

(2) Where the Central Bank determines that an institution is not in compliance with these Regulations, it may call for adjustments to balance sheets, income statements and the capital adequacy computation returns with regard to non-accrual of interest and adequate provisions as it deems fit.

(3) Where the Central Bank determines, by applying the criteria prescribed by these Regulations, that the institution's condition is unsound, it may take appropriate action as prescribed by section 59 of the Act.

Offences and penalties

16. An institution which fails to submit a report as required by regulation 7(1) commits an offence and is liable, on conviction to—

(a) a fine of two currency points for each of the first five days of delay; and

(b) a fine of four currency points for each day after the first five days of delay.

Administrative sanctions

17. The Central Bank may, in addition to the remedial action referred to in regulation 15(3), impose any or all of the following administrative sanctions on an institution that is not in compliance with these Regulations—

(a) prohibition from declaring and paying dividends;

(b) suspension of the establishment of new branches or expansion into new activities;

(c) suspension of acquisition of fixed assets;

(d) suspension of acceptance of new deposits; and

(e) suspension of lending facilities.

SCHEDULE 1

Regulation 7(1)

FORM MDI 150

BANK OF UGANDA

MONTHLY REPORT OF PORTFOLIO QUALITY RETURNS (PQR) NAME OF MICRO FINANCE DEPOSIT TAKING INSTITUTION:.....……………………………………………..

MONTH ENDING: ....……………………………….

	Current month	Previous month
CLIENT POPULATION		
1. Number of new borrowers		
2. Number of borrowers existing		
3. Total number of borrowers		
DEPOSITORS		
4. Savings		
5. Time		
Total		
PORTFOLIO STATUS		
6. No. Of loans disbursed		
7. Value of loans disbursed (Shs.'000)		
8. No. Of loans outstanding		
9. Value of outstanding loan portfolio (Shs.'000)		
10. Average loan amount		
11. Average loan term (in weeks)		

12. AGING REPORT							
Current loans	Number of loans in arrears	Outstanding balance	Minimum provision (%)	Provision amount (Shs.)	Compulsory savings/LIF	Required provision	Portfolio at risk **
8 days to below 30 days			Nil				
30 days to below 60 days			25%				
60 days to below 90 days			50%				
90 days and above			100%				
Rescheduled loans							
8 days to below 30 days			5%				
30 days to below 60 days			50%				
60 days to below 90 days			75%				
90 days and above			100%				
Total							

13. Amount of loans written off (Shs. '000) this month
14. Loans recovered this month
15. Loan Insurance Fund fortified this month

SCHEDULE 2

Regulation 7(1)

VIOLATION OF CREDIT LIMITS TO A SINGLE BORROWER OR GROUP OF BORROWERS
(All amounts in thousand Ug.shs.)

Largest individual loans
(exceeding 1% of core capital) Amount (Shs '000s)
percentage of Core Capital

Largest group loans
(Exceeding 5% of core capital) Amount (Shs '000s) percentage of Core Capital

TOTALS

Date:

Title:

Signature:

SCHEDULE 3

Regulation 7(1)

FORM MDI 120

BANK OF UGANDA

MONTHLY SCHEDULE OF PROVISION FOR BAD DEBTS

PART I—MONTHLY SCHEDULE OF PROVISION FOR BAD DEBTS

NAME OF MDI...

MONTH ENDING ....

Note: Complete either or both of the schedules below, depending on the type of provision(s) for bad debts used, as defined. Data in columns should be, from left to right, for the prior financial year; year-to-date in current financial year; and the month just ending (previous) Amounts should be in thousands of Uganda shillings.

PART I—GENERAL PROVISIONS:

A provision established against future and as yet unidentified, losses (Micro Deposit Institutions are encouraged to make at least 1.00% of the performing loans). When subsequently identified, such losses are charged off against the provisions, and any recoveries eventually made on the asset charged off are credited back to the provision.

	Prior	Year-to-date	Current month
Beginning balance			
Transfer to provisions			
Gross charge-offs(loan losses)			
Recoveries on prior charge-offs			
Other entries (describe)			
Ending balance (to agree with MDI 100)			

SPECIFIC PROVISIONS

A provision is established against a presently identified loan or probable loss. Should the loan improve in status, its provision may be eliminated or reduced. When all efforts or recovery have been exhausted, the balance of the loan should be written off against the specific provision.

	Prior	Year-to-date	Current month
Beginning balance			
Transfer to provisions			
Gross charge-offs(loan losses)			
Recoveries on prior charge-offs			
Other entries (describe)			
Ending balance (to agree with MDI 100)			

PART II - INTEREST IN SUSPENSE

	Prior	Year-to-date	Current month
End of period balance			

PART III - CHARGE OFFS AND RECOVERIES BY SECTOR

Show, in the schedule below, gross amounts charged off and gross recoveries on such charge-offs by sector, for the year-to-date in the current financial year. If general provisions are used, totals must agree to the gross charge-offs and recoveries on prior charge offs in the year-to-date column in the provision for bad debts in General Provisions in Part I of this Schedule. If specific provisions are used, the totals must agree to gross provisions established in the period and reductions due to improved status, again in the year-to-date column of the Specific Provisions in Part I of this Schedule.

Year-to-date for the current financial year (Shs '000's)

Sector	Charge-off	Recoveries
1. Agriculture		
2. Manufacturing		
3. Trade and Commerce		
4. Transport and utilities		
5. Building and construction		
6. Others		
7. Total		

N.B Totals must agree to applicable amount shown in the General Provisions and Specific Provisions as described in Part I of this Schedule.

PART IV: SUPPLEMENTARY DATA ON NON-PERFORMING ADVANCES (Shs'000)

Sector	Total outstanding	Non-performing as per definition
1. Agriculture		
2. Manufacturing		
3. Trade and Commerce		
4. Transport and utilities		
5. Building and construction		
6. Others		
7. Total		

N.B. Total must agree with Item No. 7 (Loans in MDI 100)

We have reviewed the above return Micro Deposit Institution120 and we certify that the figures stated therein are in accordance with the Micro Deposit Institutions books and records.

Date: ....

Signature: ....

E. TUMUSIIME-MUTEBILE
Governor, Bank of Uganda.

Enquiries on any aspect of these Regulations should be referred to—

The Executive Director
Supervision Function
Bank of Uganda
P.O. Box 7120
KAMPALA.

STATUTORY INSTRUMENTS SUPPLEMENT No. 34 **15th October, 2004**

STATUTORY INSTRUMENTS SUPPLEMENT

to The Uganda Gazette No. 53 Volume XCVII dated 15th October, 2004

Printed by UPPC, Entebbe, by Order of the Government.

STATUTORY INSTRUMENTS

2004 No. 65.

THE MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS (REPORTING) REGULATIONS, 2004

ARRANGEMENT OF REGULATIONS

PART I—PRELIMINARY.

Regulation

PART II—REGULATORY REQUIREMENTS.

PART III—REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS.

SCHEDULES

SCHEDULE 1—FORM MDI 110 A–WEEKLY STATEMENT OF LIQUIDITY

SCHEDULE 2—FORM MDI 100–MONTHLY STATEMENT OF ASSETS AND LIABILITIES.

SCHEDULE 3—FORM MDI 100A–MONTHLY COMPUTATION OF CAPITAL ADEQUACY.

SCHEDULE 4—FORM MDI 110–MONTHLY STATEMENT OF INCOME AND EXPENSE

SCHEDULE 5—FORM MDI 140–MONTHLY SCHEDULE OF LOANS EXTENDED TO INSIDERS.

SCHEDULE 6—FORM MDI 120–MONTHLY SCHEDULE OF PROVISIONS FOR BAD DEBTS

SCHEDULE 7—FORM MDI 150–MONTHLY REPORT OF PORTFOLIO QUALITY RETURNS (PQR)

STATUTORY INSTRUMENTS

2004 No. 65.

The Micro Finance Deposit-Taking Institutions (Reporting) Regulations, 2004

(Under section 89 (3)(h) of the Micro Finance Deposit-Taking Institutions Act 2003, Act No. 5 of 2003)

In exercise of the powers conferred on the Central Bank by section 89 (3)(h) of the Micro Finance Deposit-Taking Act, 2003, these Regulations are made this 12th day of May, 2004.

PART I—PRELIMINARY.

Citation

1. These Regulations may be cited as the Micro Finance Deposit-Taking Institutions (Reporting) Regulations, 2004.

Application

2. These Regulations apply to all micro finance deposit-taking institutions in Uganda.

Interpretation

3. In these Regulations, unless the context otherwise requires—

"Act" means the Micro Finance Deposit-Taking Institutions Act, 2003;

"external auditor" means the person appointed as such by an institution and approved by the Central Bank under section 30 of the Act;

"institution" or "MDI" means a micro finance deposit-taking institution;

"inspection" means an examination of an institution conducted by the Central Bank under sections 55 and 56 of the Act;

"return" means a periodic report of financial information submitted by a micro finance deposit-taking institution to the Central Bank as required by section 57 of the Act.

Purpose

4. The purpose of these Regulations is to emphasise to institutions that—

(a) the Central Bank can only execute its functions of ensuring monetary stability and overall soundness in the financial sector when accurate and comprehensive data on the operations and activities of institutions are reported on a regular basis; and

(b) prudential supervision requires that on-site inspections and external audit reports must be supplemented by a formalised system of comprehensive analysis of an institution's returns which will ensure that the supervisory authority has data to monitor on a regular basis, the soundness of the institutions it supervises.

Objectives

5. The objectives of these Regulations are—

(a) to enable the Central Bank to supervise institutions by means of accurate and timely financial data and other information from the institutions; and

(b) to enable the Central Bank gather a comprehensive and accurate database of the activities of institutions to be used for policy making in promoting economic growth and stability in Uganda.

PART II—REGULATORY REQUIREMENTS.

Submission of financial statements

6. (1) An institution shall, as required by section 49 (1) of the Act, submit to the Central Bank an audited balance sheet and income statement prepared by each institution and approved at the institution's annual general meeting together with the auditor's report and management letter.

(2) Before the audited balance sheet and income statement are finalised, the institution and its external auditor must ensure compliance with section 43 of the Act and the level of provisions for loan portfolio and a proper non - accrual policy must be enforced to satisfy the requirements of the Central Bank.

(3) As required by section 49(1) of the Act, the audited accounts must be submitted to the Central Bank within four months after the end of each financial year.

7. (1) Every institution shall submit to the Central Bank the following set of returns— Required returns

(a) on a weekly basis: Form MDI 110A Weekly Statement of liquidity for Micro-Finance Deposit-Taking Institutions specified in Schedule 1.

(b) on a monthly basis—

(i) FORM MDI 100–Monthly Statement of Assets and Liabilities specified in Schedule 2;

(ii) FORM MDI 100A–Monthly Computation of Capital Adequacy specified in Schedule 3;

(iii) FORM MDI 110–Monthly Statement of Income and Expense specified in Schedule 4;

(iv) FORM MDI 140–Monthly schedule for Loans extended to Insiders specified in Schedule 5;

(v) FORM MDI 120–Monthly Schedule of Provisions for Bad Debts; and

(vi) Form MDI 150–Monthly Report of Portfolio Quality Returns–Form PQR.

(2) A monthly return referred to in subsection (1) is to be submitted as printed reports, within ten days from the date of the return.

(3) A weekly return is to be submitted on Tuesday following the end of the week to which it refers.

(4) All returns are to be completed in compliance with special instructions prepared by the Central Bank.

8. (1) The Chief Executive Officer is personally responsible for ensuring compliance with these Regulations.

(2) The Chief Executive Officer of the institution is responsible for the accuracy of the returns.

Verification of accuracy of required returns

9. (1) The Central Bank may, in order to determine the accuracy of the data or information disclosed in a required return, inspect an institution in accordance with the Bank's powers under section 56 of the Act.

(2) An institution under inspection by the Central Bank shall produce all records, books, and documents used in the preparation of such returns, as authorised under section 56 of the Act.

Inspection by the Central Bank

10. (1) As required by section 35 of the Act, it is the duty of an external auditor to verify the accuracy of the returns submitted by an institution to the Central Bank on a quarterly basis.

(2) The external auditors and the Central Bank may, through consultation, determine the scope of review by external auditors to verify the accuracy of returns submitted by an institution to the Central Bank.

Part III—Remedial Measures and Administrative Sanctions.

Remedial measures

11. (1) Where the Central Bank ascertains that an institution is not in compliance with these Regulations, it may determine that the institution is liable to the fine specified in section 57 (3) of the Act.

(2) The Bank may, in addition to, or in place of a fine under section 57 (3) of the Act, impose corrective action prescribed by section 58 of the Act.

(3) Where the Central Bank determines that the institution's non compliance with these Regulations, through false or misleading reporting has resulted in such severe distortion of its financial condition that its true condition is unsound, or that the funds of its depositors are in jeopardy, it may exercise its powers under section 59 of the Act.

Offences

12. An institution which fails to submit a report as required by regulation 7 commits an offence and is liable, on conviction to—

(a) a fine of two currency points for each of the first five days of delay; and

(b) a fine of four currency points for each day after the first five days of delay.

Administrative sanctions

13. The Central Bank may impose any or all of the following administrative sanctions on an institution that has failed to comply with the reporting requirements of these Regulations—

(a) prohibition from declaring and paying dividends;

(b) suspension of establishment of new branches or expansion into new activities;

(c) suspension of acquisition of fixed assets;

(d) suspension of acceptance of new deposits; and

(e) suspension of lending facilities.

SCHEDULES.

SCHEDULE 1

Regulation 7 (1)(a)

BANK OF UGANDA FORM MDI 110A

WEEKLY STATEMENT OF LIQUIDITY FOR MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS (MDIs)

NAME OF MICRO FINANCE DEPOSIT-TAKING INSTITUTION ....

WEEKLY STATEMENT OF LIQUIDITY AS AT ....
(in thousands of shillings)

Amount ('000s)

1. Notes and coins
2. Demand balances and money at call from Banks
3. Balances with other financial institutions
4. Government of Uganda Treasury bills
5. Uganda Government stocks maturing in not more than 5 years.
6. Demand balances with Head Office and branches.
7. Demand balances with Head Office, branches and other money at call abroad in convertible currencies after off setting amount due to such institution
8. Commercial bills and promissory notes eligible for discount at Bank of Uganda.
9. Total liquid assets held

DEPOSIT LIABILITIES

10. Saving liabilities
11. Time deposits
12. Total deposit liabilities.

LIQUIDITY RATIO REQUIREMENTS

13. 15% of deposit liabilities.

14. Total liquid assets needed to comply with the statutory requirements (surplus compare item 9 with 12).

15. Total advances.

16. Ratio: Advances/Deposits.

We certify that to the best of our knowledge, the figures in this statement are those appearing in our books and records as at close of business.

Date: ....

Signature ....

SCHEDULE 2

Regulation 7 (1)(b)(i)

BANK OF UGANDA FORM MDI 100

MONTHLY STATEMENT OF ASSETS AND LIABILITES
FOR MICRO FINANCE DEPOSIT-TAKING INSTITUTIONS
(MDIs) IN UGANDA

NAME OF MDI ....

MONTH ENDING..

BRANCH NETWORK

Number of branches; ....

Number of agencies: ....

To be submitted not later than the 10th day of the month following that to which it refers.

To:

The Director,
Supervision Function,
Non-Banking Financial Institutions Department,
Bank of Uganda,
P.O. Box 7120,
Kampala.

And copies to:

The Director,
Research and Policy Function,
Research Department, Bank of Uganda,
P.O. BOX 7120,
Kampala.

FORM MDI 100

MONTHLY STATEMENT OF ASSETS AND LIABILITIES

NAME OF MICRO FINANCE DEPOSIT-TAKING INSTITUTION

....

MONTH ENDING...

ASSETS		Sub-Total Amount Shs. '000'
1 Notes and Coins		
2 Balance with financial institutions in Uganda		
3 Balance with financial institutions outside Uganda		
4 Investment in Securities (Line items 5 and 6)		
5. Treasury Bills		
6 Others e.g. Government Bonds, etc (specify)		
7 Loans (Line items 8, 9, and 10)		
8 Current		
9 Past Due		
10 Restructured		
11. Allowance for loan losses: general and specific		
12 Net loans outstanding (Line item 7 less 11)		
13 Inter Branch / Due from own offices		
14 Fixed Assets (Gross) (Line items 16 to 17)		
15 Land		
16 Buildings		
17 Equipment		
18 (Accumulated depreciation)		
19 Net Fixed Assets (Line items 14 less 18)		
20 Long term investments		
21 Other assets (specify)		
22 Total Assets (line items 1 and 4. 12 to 13 and 19, 20 to 21		

23 **LIABILITIES**		Sub-Total Amount Shs. '000'
24 deposits: (Line items 25, 26 and 27)		
25 Savings		
26 Time Deposits		
27 Accrued interest		
28 Loan insurance funds / compylsory savings		
29 Borrowings-short term (Market rate		
30 Other liabilities (specify)		
31 Borrowings-long term debt (concensional rate)		
32 Borrowing-long term debt (Market rate)		
33 Borrowings-long term debit (consensional rate)		
34 Grants/Deferred income		
35 Inter Branch		
36 Other long-term liabilities (specify)		
37 Total liabilities (Line items 24, 28 to 36)		
38 **EQUITY**		
39 Paid up capital		
40 Share Premium		
41 Retained Earnings prior years		
42 Current year Net Profit/loss (Line 43 less 44 should agree with line item 45 from the income statement)		
43 Revenue		
44 Expenditure		
45 Other Reserves (specify)		
46 Total equity (Line items 39 to 42 and 45)		
47 Subordinated debt		
48 TOTAL LIABILITIES AND EQUITY (LINE ITEMS, 37, 46 AND 47)		

ASSETS		Sub-Total Amount Shs. '000'
OFF BALANCE SHEET ITEMS		
49 Contigent claims secured by cash collateral		
50 Direct credit substitutes (guarantees and acceptance		
51 Transaction related (performance bonds)		
52 Total (Line assets 49 and 51)		

Date... Date ....

Title .... Title ....

Signature .... Signature ....

C. Other Assets

No.	*Item*	*Amount*
1		
2		
3		
4		
5		
	Total	

D. Other Assets

No.	*Item*	*Amount*
1		
2		
3		
4		
5		
	Total	

C. Minimum and Maximum Interest Rates on Savings and Time Deposits

	Minimum	*Maximum*
Savings		
Time		
	Total	

D. Lending Rates

Sector	3-6.9%	7-10.9%	11-14.9%	15-18.9%	19-29.9%	Over 30%
Agriculture						
Trade and Commerce						
Transport and communications						
Electricity and Water						
Building and Construction						
Other services						
Total						

Key: Interest rates should refer to the reporting period only.

BANK OF UGANDA

INSTRUCTIONS FOR FILLING FORM MDI 100

BANK OF UGANDA REPORT FORM MDI 100:MONTHLY STATEMENT OF ASSETS AND LIABILITIES FOR MDIs

INTRODUCTION

The Form MDI 100 is one of the statutory returns designed under the supervision function of the Bank of Uganda for MDIs in Uganda. In this return, institutions reveal the volume of business and financial position as at the last day of each month. The form is composed of three major sections namely; Assets, Liabilities and Equity.

The format is also expected to capture subsequent changes in the sector as they unfold, while maintaining emphasis on having the reports manageable for the compilers and consistency across micro finance deposit-taking institutions.

INSTRUCTIONS FOR COMPLETING THE MONTHLY STATEMENT OF ASSETS AND LIABILITIES

The instructions and definitions to guide in the compiling of Form MDI 100 are divided into two areas; General and Specific Instructions. The general instructions refer to the regularity of reporting and the format of the return. The specific instructions on the other hand relate to the particular items in the statement of assets and liabilities and the schedules, and the relevant definitions.

1. GENERAL INSTRUCTIONS
   (i) This report must be submitted ten days following the end of the month to which the data relates;

   (ii) The report should cover all of the transactions of the micro finance deposit-taking institutions for the reporting period;

(iii) Balances in currencies other than the Uganda shillings should be converted at the mid-exchange rate ruling at the reporting date. The total in the statement of assets and liabilities is in local currency.

SECTION 1 BRANCH NET WORK:

Branch:

This is a full office carrying on all or most activities of the MDI. It keeps separate accounts and has accounts with the head office. A full time manager is in charge. It is independent of the other branches and reports to the head office.

Agency:

This is a part time office. It is located in a place which supports a fully-fledged branch. The agency offers a limited range of facilities, (e.g. receiving cash and payments of depositors) on selected days and hours of the week. The agency maintains a ledger at the controlling branch office.

ASSETS

1. Notes and coins - The amount held in cash by the MDI.

2. Balances with financial institutions in Uganda
   Balance on deposit accounts in commercial banks, credit institutions or in all regulated institutions if applicable and, the Central Bank, if prescribed, in Uganda.

3. Balances with financial institutions outside Uganda
   Balance on deposit accounts in commercial banks, credit institutions or in all regulated institutions outside Uganda. These balances are available to the MDI on a demand basis.

4. Investment in securities
   Investments that earn interest income for the MDI, e.g. treasury bills and government securities.

5. Treasury Bills

Report the cost value of Treasury Bills issued by Bank of Uganda. Interest accrued on Treasury bills at the date of reporting should be reported under other assets as accrued interest receivable (Line item 21).

6. Government Bonds, etc

Enter the cost of the bonds held in the appropriate line. Any premium or discount resulting from the acquisition of the bonds should be recorded as a separate entry (at the date of acquisition) and amortized over the remaining life of the bonds. Income earned on bonds but not yet received and taken into income should be entered in accrued interest receivable (Line item 21).

7. Loans (Gross Loan Portfolio)

The total sum of all the outstanding principal balance of the MDI's loans including current (Line item 8), past due (delinquent) (Line item 9) and restructured loans (Line item 10), but not loans that have been written off.

The gross loan portfolio is frequently referred to as the loan portfolio loans outstanding.

Note: These terms should not be used to refer to the Net loan portfolio described below. The Gross loan portfolio should not be confused with the volume of the loans disbursed.

11. Allowance for Loan Losses -

The portion of the Gross loan portfolio that has been expensed (provisioned for) in anticipation of losses due to default. The item represents the cumulative value of the Loan loss provision expenses (from the Income Statement) less the cumulative value of loans written off.

The allowance for loan losses is recorded as a negative asset on the balance sheet.

It should be noted that the allowance for loan loss is not a cash reserve, but rather an accounting entry to adjust for anticipated loan losses. The allowance accumulates from provision expenses related to the portfolio at risk or in some cases, general provision expenses against the entire gross loan portfolio. The value of the allowance Loan losses should not be less than the value of loans anticipated to be written off.

12. Net Loans Outstanding

The Gross loan portfolio less the allowance for loan losses.

13. Inter Branch (Net due from own offices)

Report the net amount receivable from the branches. However, amounts due and uncleared, which are 30 days and more, will be considered as other assets subject to classification. Examples of items that would normally be found under this item in the balance sheet are—

(a) head office and branch clearing accounts representing nominal value of cheques deposited, transfer of funds, etc between branches or temporarily in suspense;

(b) uncleared remittance accounts;

(c) other similar accounts dealing with items in the course of settlement or in transit.

14. Fixed Assets (Gross)

Includes land (Line item 15), buildings (Line item 16), vehicles, office equipment (Line item 17), etc. recorded at their initial cost at time of acquisition.

18. Accumulated Depreciation

Represents the sum of depreciation expenses recorded in the current and previous financial periods. It represents a decrease in the book value of fixed assets. (See depreciation on the income statement).

19. Net Fixed Assets

The difference between the book value of fixed assets and accumulated depreciation.

20. Long-Term Investments

The amount held in long-term investments. These are investments not intended as a ready source of cash and include stocks, bonds and promissory notes that will be held for more than one year.

21. Other Assets
Other assets not listed above that will be used or that will change form within the next 12 months, such as prepaid expenses like rent and insurance, accrued interest, accounts/fees received, etc.

22. Total Assets
The summation of assets.

23. Liabilities

24. Deposits
Savings and Time deposits, and Accrued Interest on customary deposits.

25. Savings
Savings, that are not an obligatory part of accessing credit services. Voluntary savings' services are provided to both borrowers and non-borrowers who can deposit and withdraw according to their needs.

26. Time Deposits
Deposits repayable after a fixed period or after notice.

27. Accrued Interest
Interest payable on deposit accounts.

28. Loan Insurance Funds/Compulsory Savings
Also referred to as compulsory savings, forced savings, Loan Insurance Funds (LIF), or compensating balances. These represent funds that must be contributed by borrowers as a condition to receiving a loan, sometimes as a percentage of the loan, and sometimes as a nominal amount. Compulsory savings are considered part of the loan product rather than savings product since they are tied to receipt of loans.

29. Borrowings-short-term debt (Market Rate)
The amount outstanding on all short-term borrowings (those that mature in less than 12 months) on which a concessional (or below market) rate of interest is charged.

30. Borrowings-Short-Term Debt (Concessional Rate)
The amount outstanding on all short-term borrowings (those that mature in less than 12 months) on which a concessional (or below market) rate of interest is charged.

31. Other Liabilities (Specify)
Any other liabilities due within 12 months such as interest payable on savings accounts or taxes due that are not listed above.

32. Borrowing Long-Term Debt (Market Rate)
The amount outstanding on all long-term borrowings (those that mature in 12 months or more) on which a market rate of interest is paid.

33. Borrowing Long-Term Debt (Concessional Rate)
The amount outstanding on all long term borrowing (those that mature in 12 months or more) on which a concessional (or below market) rate of interest is paid.

34. Deferred Income or Grants
Donations provided to the MDI that are restricted in some way to a particular purpose or time frame. Theoretically, if the MDI failed in its performance, the donor could recall these funds. As the MDI provides the services agreed on and incurs expenses, the deferred revenue is reflected as grant revenue and used to cover these expenses.

35. Inter Branch
Balance due to Head Office or branches.

36. Other Long-Term Liabilities
Other long term liabilities that do not meet the criteria of deferred income or do not qualify as restricted funds.

37. Total Liabilities
Summation of liabilities.

38. Equity
Summation of equity items

39. Paid Up Capital
Amount of paid up share capital from shareholders.

40. Share premium
The excess (premium) of the amount received for preferred and common shares over their respective par values (net of the cost of issuing shares).

41. Retained Earnings (Loss) Prior Years
The cumulative surplus or deficit from MFI operations that has been retained in prior years.

42. Current Year Net Profit (Loss)
The surplus or deficit from MDI operations in the current financial year includes Net Income from Operations (After Tax) and Net Income from non-financial services.

43. Revenue
Income for the current period.

44. Expenditure
Expenses for the current period.

45. Other Reserves
Other forms of equity other than paid up share capital or retained earnings. They may arise from a surplus on asset revaluation or capital contributions not financially registered as paid up share capital. They could also be created out of retained profits for special purposes.

46. Total Equity
Summation of equity items .

47. Subordinated debt
A debt that is junior in claim on assets to other debts, repayable only after other debts with a higher claim have been satisfied.

48. Total Liabilities and Equity
Summation of liabilities and equity (This amount equals Total Assets).

INSTRUCTIONS FOR COMPLETING THE MONTHLY STATEMENT OF INCOME AND EXPENSE

BANK OF UGANDA FORM MDI 110

INCOME

1. Credit Income

   This is the sum of interest income, loan, fees, service charges and late fees on loans.

2. Interest Income from Loans

   Interest received on loans granted. Some MDI's recovered interest income on an accrual basis while others record interest income only when received (cash-basis). This should be described in the notes to the financial statements. However, for uniform reporting, interest income should be reported on accrual basis. If the loan becomes non-performing, interest should be suspended and placed in a suspense- account.

3.4,5 Fee Income from Loans

   Fees, service charges and commissions, including penalty fees (if applicable) received on loans.

6. Total Other Income

   This is the sum of income from investments and other financial services.

7. Income from Investments

   Revenue from interest, dividends or other payments generated by financial assets other than the loan portfolio, such as interest-bearing deposits, certificates of deposits and treasury obligations. This includes not only interest received in cash, but also interest accrued but not yet received.

8. Income from other financial services

   Revenue generated from other financial services, such as fees and commissions for non-credit financial services. This item may include revenues linked with lending such financial services such as payment services or insurance, membership fees.

9. Gross Financial Income
Total Operating Income during the month or year-to-date.

10. Financial Expenses of Lending Funds
Total financial expenses during the period or year-to-date.

11. Interest and fees expense on Debt (borrowing)
Total amount of interest and fees paid during the period on funds borrowed at a commercial (or market) interest rate.

12. Interest expense on Deposits
Total amount of interest and fees paid during the period on voluntary and compulsory savings or LIF.

13. Provision for Bad Debts
A non-cash expense that creates or increases the Loan loss reserve on the balance sheet. This expense may be composed of general and specific provisions. The general provision is calculated as a percentage of the value of the gross loan portfolio that is at risk of default based on aging analysis. Specific provisions are made for identified loans. It is common to use the term "loan loss provision" and "loan loss reserve" interchangeably. To avoid confusion between this expense and the loan loss reserve, analysts prefer to use the term "reserve" for the balance sheet account, and the term "provision" for the expense account. It is helpful to include the word "expense" when referring to this latter account.

The provision for loan loss expense should always be separated from other operating costs. The provision for loan loss expense increases the Loan loss reserve on the balance sheet.

14. Net Financial income
Represents the difference between the income generated from the portfolio and other investments , and the costs directly associated with those investments during the period (Financing expenses and Provision for loan losses). This

represents the amount of income available to cover operating expenses for the month or year-to-date.

15. Operating Expenses Financial Services

Includes staff salaries, bonuses and benefits and other operational expenses during the period. It includes expenses like administrative expenses, rent and utilities, travel and transport, depreciation and other operating expenses.

16. Salaries and benefits

Includes staff salaries, bonuses, and benefits, as well as employment taxes paid by the MDI. It is also referred to as "salaries and benefits" or "staff expense". It may also include costs of recruitment and initial orientation. It does not include on-going or specialized training costs, which are considered as other operating expenses.

17. Administrative Expenses

Expenses incurred for stationery, office supplies, postage, insurance, legal fees, etc.

18. Rent and Utilities

Expenses incurred for lease of land and/or buildings during the period and utilities such as electricity, water and telephone bills.

19. Travel and Transport

Expenses incurred for transportation (vehicle maintenance, fuel, etc), allowances or *per diem*, etc. of staff members while on official duties for the MDI.

20. Depreciation

A non-cash expense that is determined by estimating the useful life of each asset and expensing a portion of the useful life for the period. Depreciation represents a decrease in the value of property/assets and accounts for the portion of useful lifetime that is expensed during each accounting period. (see accumulated depreciation on the balance sheet).

21. Other Operating expenses

Other operating expenses (non-financial) directly related to the provision of financial services or other services that form an integral part of the financial services not included above.

These could include advertising and consulting fees, training expenses, legal fees, insurance, etc. or direct expenses associated with accessing donor funding. Does not include taxes on employees, revenues, or profits, but may include taxes on transactions and purchase, such as value-added taxes if not included above.

22. Net Income (Loss) from Operations
(Total operating income) - (Total operating expenses).

23. Grant Income for Financial Services
This is the summation of all grant income to support the delivery of financial services.

24. Grant Income for Loan Fund
Funds donated to the MDI to capitalise the loan fund, that is, which are restricted to use as lending funds and cannot be used for operating expenses.

25. Grant Income for Fixed Assets
Funds donated to the MDI to purchase fixed assets (depreciable), which are restricted to fixed asset purchases and cannot be used for operating expenses.

26. Grant Income for Operations
Funds donated to the MDI to cover operating expenses and supplement earned income.

27. Unrestricted Grant Income
Unrestricted funds donated to the MDI to cover operating expenses and supplement earned income.

28. Grant Income for Non Financial Services
This is the summation of all grant income to support the delivery of non-financial services.

29. Grant Income for Fixed Assets
Funds donated to the MDI to purchase fixed assets (depreciable), which are restricted to fixed asset purchase and cannot be used for operating expenses.

30. Grant Income for Operations
Funds donated to the MDI to cover operating expenses and supplement earned income.

31. Unrestricted Grant Income
Unrestricted funds donated to MDI to cover any need, including purchase of fixed assets or operating shortfalls for non-financial services.

32. Income from Non-Financial Services
Income received from non-financial services, which are not an integral part of the financial services.

33. Operating Expenses from Non-Financial Services
Expenses that an institution incurs for providing non-financial services. Include salaries and benefits, administrative expenses, rent and utilities, travel and transport, etc.

40. Net Operating Profit (Loss) from Non-Financial Services
Represents the contribution to net profit from non-financial services.

42. Provision for Corporation Tax
Includes all taxes paid on net income or other measure of profits as defined by tax authorities. This item may also include any revenue tax. It includes taxes related to employment of personnel, financial transactions, fixed-assets purchase or other value-added taxes (which should be included in operating expenses).

43. Net Profit (Loss) after Tax
Profit/loss from operations less taxes.

44. Dividends
Payment by the MDI to shareholders.

45. Retained Earnings
Accounting net profits kept to accumulate in MDI after dividends are paid.

SCHEDULE 3

Regulation 7 (1) (b) (ii)

BANK OF UGANDA FORM MDI 100A

MONTHLY COMPUTATION OF CAPITAL ADEQUACY
(To be submitted with Form MDI. 100 as at same reporting date)

NAME OF MDI..

MONTH ENDING...

1.0 CORE CAPITAL (Tier 1)

		Ushs	
1.1	Paid-up share capital	....	
1.2	+ Share premium	....	
1.3	+ Retained earnings	....	
1.4	+ Net after-tax, current year-to-date (50% only)/(Loss 100%)	....	
1.5	(-) Less, investment in financial companies, not consolidated	....	
1.6	(-) Less, accumulated losses	....	
1.7	Core Capital	___________	(A)

2.0 SUPPLEMENTARY CAPITAL (Tier 2)

2.1 General provisions up to 1.0 per cent of loan portfolio ....
(Limited to a maximum of 1.25% of gross risk-weighted assets).

2.2	Subordinated debt (Not to exceed 50% of core capital, subject to discount factor).	....
2.3	Other reserves	....
2.4	Total supplementary capital (Not to exceed 100% of tier 1 capital)	___________(B)
3.0	TOTAL CAPITAL (Core + Supplementary)	========= (C)

CAPITAL REQUIREMENT BASIS

(Amounts to agree to MDI 100)	Amount	Risk Weighting	Capital Requirement
1. Notes and coins	....	0%	Nil
2. Balance with banks in Uganda	....	20%	
3. Balance with banks outside Uganda	....	20%	
4. Balance with other financial institutions in Uganda		20%	
5. Balance with other financial institutions outside Uganda		20%	
6. Investments in Government Securities	....	0%	Nil
7. Loans net of provisions	....	100%	
8. Long term investments	....	100%	
9. Premises and other fixed assets	....	100%	
10. Inter branch/due from own office (own offices)	....	100%	
11. Other assets	....	100%	
Total Risk weighted Assets*	____________________		
	===============		

* Amount column for sum of items 1 through 11 must equal to the amount of total assets of the balance sheet.

CONTINGENT CLAIMS: ** (If applicable)

12. Contingent claims secured by cash collateral	....	0%	Nil
13. Direct credit substitutes (guarantees and acceptances)	...	100%	
14. Transaction related (performance bonds)	....	50%	

** Amount column for sum of items 12 through 14 must equal to: off-balance sheet items shown on MDI 100

CAPITAL REQUIREMENT BASIS
(Risk weighted sum of items 1 through 14) ========== (D)

Core capital required: 15 % of (D) ____________ (E)

Total capital required: 20% of (D) ____________ (F)

CAPITAL REQUIREMENT CALCULATIONS:

Minimum capital requirement
(Section 15 Micro Finance Deposit-Taking Institutions Act No5, 2003).U Shs 500 million)

Paid Up Share Capital = line 1.1 (page 1) ==========

Core capital requirement
(Section 16(2))a minimum ratio of 15% =
line 1.7/Risk Weighted Assets _________%

Surplus or (deficiency) of Core capital =========

Total capital requirement
(Section 16(3)) (Minimum ratio of 20%) = line 3.0 /Risk Weighted Assets _________%

Surplus or (deficiency) of Total Capital =========

The amounts shown on this form have been verified to be accurate as at the reporting date.

____
CHIEF EXECUTIVE OFFICER

Date: ________________________

SCHEDULE 4

Regulation 7 (1) (b) (iii)

BANK OF UGANDA FORM MDI 110

MONTHLY STATEMENT OF INCOME AND EXPENSE

NAME OF MICRO FINANCE DEPOSIT-TAKING INSTITUTION:…………………………………………………....

MONTH ENDING ....

		Amount (‘000s)	
		Current month	Financial year to-date
1	Credit income (Line 2, 3, 4 and 5		
2	Interest Income from loans		
3	Loan fees		
4	Service charges		
5	Late fees on loans		
6	Total other income (Line items 7 and 8)		
7	Income from investments		
8	Income from other financial services		
9	Gross Financial income (Add Line items 1 and 6)		
10	Financial Expenses of lending funds (Line items 11 and 12)		
11	Interest and fees expense on debt (borrowing)		
12	Interest expense on deposits		
13	Provision for bad debts		
14	Net Financial Income (Line item 9 Less line items 10 and 13)		

		Amount (‘000s)	
		Current month	Financial Year to-date
15	Operating Expenses Financial Services (Line items 16 to 21)		
16	Salaries and benefits		
17	Administrative Expenses		
18	Rent and Utilities		
19	Travel and Transport		
20	Depreciation		
21	Other operating Expenses		
22	Net Income (Loss) from operating (Line item 14 less line item 15)		
23	Grant Income for Financial services (Line items 24 to 27)		
24	Grant Income for the loan fund		
25	Grant income for fixed assets		
26	Grant income for operations		
27	Unrestricted grant income		
28	Grant Income for Non-Financial services (Line items 29 to 31)		
29	Grant income for fixed assets		
30	Grant income for operations		
31	Unrestricted grant income		
32	Income from non-financial services		
33	Operating Expenses from non-financial services (Line items 34 to 39)		
34	Salaries and benefits		
35	Administrative Expenses		

		Amount (‘000s)	
		Current month	Financial Year to-date
36	Rent and Utilities		
37	Travel and Transport		
38	Depreciation		
39	Other		
40	Net Operating Profit/Loss from Non-financial services (Line item 32 Less 33)		
41	Net Profit/Loss for the period (Line items 22, 23, 28 and 40)		
42	Corporation tax		
43	Dividends		
45	Retained Earnings (Subract line item 44 from line item 43)		

We have received the above return and certify that the figures stated therein are in accordance with the MDI records.

Date: ....

Signature: ....

SCHEDULE 5

Regulation 7 (1) (b) (iv)

BANK OF UGANDA FORM MDI 140

MONTHLY SCHEDULE FOR LOANS EXTENDED
TO INSIDERS

NAME OF MICRO FINANCE DEPOSIT-TAKING INSTITUTION ....……

MONTH ENDING...

(All amounts in thousand Ug Shs.)

Name	Amount (Shs’000)	% of Core Capital
Total		

SCHEDULE 6

Regulation 7(1) (b) (v)

BANK OF UGANDA FORM MDI 120

MONTHLY SCHEDULE OF PROVISIONS
FOR BAD DEBTS

NAME OF MDI: ....

MONTH ENDING ……………………………………………………………

Note: Complete either or both of the schedules below, depending on the type of provision(s) for bad debts used, as defined. Data in columns should be, from left to right: for the prior financial year; year-to-date in current financial year; and the month just ending (previous month). Amounts should be in thousands of Uganda shillings.

PART I—GENERAL PROVISIONS
A provision established against future and as yet unidentified losses (MDIs are encouraged to make at least 1.00% of the performing loans). When subsequently identified, such losses are charged off against the provisions, and any recoveries eventually made on the asset charged off are credited back to the provision.

Beginning balance
SPECIFIC PROVISIONS:

	Prior	Year-to-date	Current month
Transfer to provisions			
Gross charge-offs(loan losses)			
Recoveries on prior charge-offs			
Other entries (describe)			
Ending balance (to agree with MDI 100)			

A provision established against a presently identified loan or probable loss. Should the loan improve in status, its provision may be eliminated or reduced. When all efforts of recovery have been exhausted, the balance of the loan should be written off against the specific provision.

	Prior	Year-to-date	Current month
Beginning balance			
Transfer to provisions			
Gross charge-offs(loan losses)			
Recoveries on prior charge-offs			
Other entries (describe)			
Ending balance (to agree with MDI 100)			

PART II - INTEREST IN SUSPENSE

	Prior	Year-to-date	Current month
End of period balance			

PART II - INTEREST IN SUSPENSE

PART III - CHARGE OFFS AND RECOVERIES BY SECTOR

Show in the schedule below gross amounts charged off and gross recoveries on such charge-offs by sector, for the year-to-date in the current financial year. If general provisions are used, totals must agree to the gross charge-offs and recoveries on prior charge off in the year-to-date column in the provision for bad debts schedule. If specific provisions are used, the totals must agree to gross provisions established in the period and reductions due to improved status, again in the year-to-date column.

Year-to-date for the current financial year (Shs. "000s)

Sector	Charge-off	Recoveries
1. Agriculture		
2. Manufacturing		
3. Trade and Commerce		
4. Transport and utilities		
5. Building and construction		
6. Others		
7. Total		

N.B Totals must agree to applicable amount shown in the General Provisions and Specific Provisions as described in Part I of this Schedule.

PART IV: SUPPLEMENTARY DATA ON NON-PERFORMING ADVANCES (Shs'000)

Sector	Total outstanding	Non-performing as per definition
1. Agriculture		
2. Manufacturing		
3. Trade and Commerce		
4. Transport and utilities		
5. Building and construction		
6. Others		
7. Total		

N.B. Total must agree with Item No. 7 (Loans in MDI 100)

We have reviewed the above return Micro Deposit Institution120 and we certify that the figures stated therein are in accordance with the Micro Deposit Institutions books and records.

Date: ....

Signature: ....

12. AGING REPORT							
Current loans	Number of loans in arrears	Outstanding balance	Minimum provision (%)	Provision amount (Shs.)	Compulsory savings/LIF	Required provision	Portfolio at risk **
8 days to below 30 days			Nil				
30 days to below 60 days			25%				
60 days to below 90 days			50%				
90 days and above			100%				
Rescheduled loans							
8 days to below 30 days			5%				
30 days to below 60 days			50%				
60 days to below 90 days			75%				
90 days and above			100%				
Total							

13. Amount of loans written off (Shs. '000) this month
14. Loans recovered this month
15. Loan Insurance Fund fortified this month

E. TUMUSIME-MUTEBILE
Governor, Bank Of Uganda

Enquiries on any aspect of these Regulations should be referred to—

The Executive Director
Supervision Function
Bank of Uganda
P.o Box 7120
KAMPALA.