



# BANK OF UGANDA



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Our Ref: BS/B1/01(A)

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All Chief Executives of  
Commercial Banks

Dear Sirs

## ***CALCULATION AND MONITORING OF THE CASH RESERVE POSITION***

As communicated to you in our circular dated April 18, 1996, the methodology of computing the minimum level of cash reserves was changed from a daily basis to a two weeks basis (not more than 10 working days). Under the two weeks average system, the daily balance should not fall below fifty percent of the required minimum reserve.

However, any bank whose average position consistently falls short of the minimum required reserves will be returned to the system of meeting its position on a daily basis.

The following points need to be noted by all Commercial banks regarding non-compliance with minimum cash reserve position:

- 1 A bank will be returned to the system of meeting its reserve position on a daily basis if it defaults on its average requirements for two consecutive maintenance periods.
- 2 The effective date of implementing the return to daily basis after two consecutive periods of

defaulting is August 1, 2000.

- 3 Any bank returned to a daily basis will be monitored for a minimum period of three months before it can be returned to the two weekly average basis. The daily monitoring will be extended if there is no improvement made during the three months period.
- 4 A bank whose cash reserve falls below 50% of the required minimum on any day will be penalised for that day on top of any penalty levied if it also fails to comply with the average minimum for the two weeks period in which the said default (below 50%) occurs. The penalty for the default by over 50% of the required minimum will be that provided for under section 39(4) of the BOU Statute 1993.

Banks are further reminded of the following:

- (a) The four weeks whose data is used to compute the average deposit liabilities are the four weeks ended one week before the effective date of the maintenance period and only the shilling deposits which should be shown in the first column of the weekly statistical report headed "Shillings (Million)" are used.
- (b) The daily reserve position consists of the balance on the clearing Account at BOU of a commercial bank at the close of business on the respective day, plus 30% of vault Uganda shillings cash held at the close of business of the previous Friday.

Yours faithfully

M Matovu (Mrs.)  
DIRECTOR COMMERCIAL BANKING