

# BANK OF UGANDA

OFFICE OF  
THE EXECUTIVE DIRECTOR  
SUPERVISIONS



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Circular

To: All Chief Executives of Commercial Banks

## Commercial Bank Lending in Foreign Currency

We hereby forward to you the attached clarifications regarding Commercial Bank's lending in foreign currency as presented in the UBA meeting of October 23, 2002.

J. Bagyenda  
Ag. Executive Director Bank Supervision

Copy: Governor  
Ag. Deputy Governor

### Commercial Banks' Lending in Foreign Currency

- Banks are authorized to lend in foreign currency against foreign currency deposits held by them.
- Lending in foreign currency shall not exceed 80% of a bank's total foreign currency deposits at all times.
- Lending in foreign currency will be on a short-term basis (up to one year).
- Any customer of the bank can borrow in foreign currency up to one year, he/she should have a defined income stream in the currency being borrowed.
- However, if a customer wishes to borrow in forex beyond one year with or without a defined income stream in the currency being borrowed.
- Banks have to ascertain that the borrower have a defined income stream before they lend for a period beyond one year.
- Defined income stream is not restricted to exports only.
- Lending to a single borrower or inside shall be limited to 25% of the core capital of the bank and must be in accordance with prudential guidelines on concentration of credit and other exposure limits.
- A dealer bank shall not extend new foreign exchange loans or conduct any new foreign exchange business if it is significantly under capitalized.