

BANK OF UGANDA

Office of
The Director
Commercial Banking



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CIRCULAR TO ALL COMMERCIAL BANKS

RE: CRITERIA FOR PLACEMENTS OF FOREIGN CURRENCY DEPOSITS

Recent off-site reports disclosed that "Due From Commercial Banks Outside Uganda" has become either the second or the third largest asset item in the balance sheet of most banks. The aggregate outstanding amount of these deposits/placements abroad has increased steadily over the years and has consistently been over 200% of core capital.

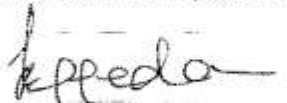
In this connection, banks are reminded to observe the criteria for placement of foreign currency deposits **under section 10** of the Prudential Guidelines on Authorised Dealer Banks' Foreign Exchange Business as follows:

10. Dealer banks may place or deposit at any time foreign exchange balances with a parent or related group banks or main correspondent banks which has a minimum long term rating, by internationally recognized rating agencies of AAA to AA-. These placements and/or deposit will be subject to a risk weighting of 20%. Any balance and/or deposit that is placed with a parent or related group banks or main correspondent bank that is rated A+ to A- will attract a risk weight of 50%.

10.1 Deposit placed with non-rated parent or related group bank or main correspondent bank will be subject to a risk weight of 100%. Such placements will be subject to a credit concentration limit of 25% of total capital.

10.2 A dealer bank shall establish no new correspondent relation with any bank or financial institution abroad without prior approval of the Central Bank.

All banks are required to comply with the above restrictions and to obtain on a regular basis updated ratings of their correspondent banks for purposes of calculating capital adequacy ratios accurately.


J. Bagyenda (Mrs)
Director Commercial Banking

c.c. Governor
Deputy Governor
EDs - BOU
Directors - BOU