

BANK OF UGANDA

Office of
The Director
Commercial Banking



37/43 KAMPALA ROAD,
P. O. BOX 7120,
KAMPALA.

Tel: 258441
Direct Line: 257240
Fax: 258515
Cables: UGABANK

December 4, 2003

Our Ref: BS/B1/05

CIRCULAR TO ALL COMMERCIAL BANKS AND FINANCIAL INSTITUTIONS

Re: Financial Institutions Bill, 2003-Draft Implementing Regulations

On 12th November 2003, the Parliament of Uganda passed the Financial Institutions Bill 2003.

Bank of Uganda anticipates that the Bill shall be enacted into Law next year. In this connection, an initial set of core implementing regulations has been drafted as follows:

- 1 Licensing;
- 2 Capital Adequacy;
- 3 Credit Classification and Provisioning;
- 4 Credit Concentration and Large Exposures Limits;
- 5 Insider Loan Limits;
- 6 Liquidity;
- 7 Corporate Governance; and
- 8 Ownership and Control

The regulations are basically meant to expound on certain provisions of the Financial Institutions Law and to specify prudential and reporting requirements that shall be necessary to implement the provisions and monitor compliance with the said Law.

We are now forwarding to you the drafts of these 8 core regulations for your information and comments. All comments should be forwarded to the office of the Executive Director, Supervision not later than 31st January 2004.

J. Bagyenda (Mrs)
Director Commercial Banking

Copy : Governor
Ag. Deputy Governor
Executive Director Supervision - BOU
Director Non-Bank Financial Institutions - BOU
Secretary, UBA

Encs.

BANK OF UGANDA

OFFICE OF
THE EXECUTIVE DIRECTOR
SUPERVISION



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EDS.B.66

June 6, 2003

CIRCULAR TO ALL AUTHORISED DEALER BANKS

Amendment of Prudential Guidelines on Dealer Banks' Foreign Exchange Business

In October 2002, the Bank of Uganda issued a circular requiring all authorized dealer banks to calculate their net open position in foreign currencies using the "shorthand" method effective 1st November 2002. The "Daily Foreign Currency Exposure Monitoring Return" was likewise amended to effect the new method and to include other off-balance sheet items in calculating compliance with the 25% foreign exchange exposure limit.

Bank of Uganda's recent review of the Daily Forex Returns disclosed that all banks have satisfactorily implemented the shorthand method. However, some banks did not include in their calculations the following off-balance sheet items:

"Unfunded Commitments: letters of credit, acceptances, guarantees, performance bonds and similar commitments denominated in foreign currencies which are certain to be called upon and are not covered or funded by margin deposits in similar currencies."

"Other Off-Balance Sheet Items: items which involve foreign currency exposures which are not included elsewhere on the return, for example, unconditional commitments to lend in foreign currency, currency futures, currency options, etc."

The Uganda Bankers' Association (UBA) acknowledged that banks are experiencing some problems in computing the new foreign exchange exposure and requested exclusion of certain off-balance sheet items.

Following discussions with UBA, Bank of Uganda agreed to exclude from the calculation of net open position those off-balance sheet items that are funded and guaranteed by the World Bank and other multilateral lending organizations as long as the guarantee is unconditional and payable upon first demand.

In this connection, all authorized dealer banks are reminded to include all "Unfunded Commitments" and "Other Off-Balance Sheet Items" in calculating the net open position. However, those portions that are funded and guaranteed by the World Bank and other multilateral lending organizations as long as the guarantee is unconditional and payable upon first demand, may be deducted. The amount deducted and particulars of the guarantors must be disclosed by way of a footnote in the Daily Forex Returns.

All authorized dealer banks are urged to comply with this circular with effect from 13th June 2003.

A handwritten signature in black ink, appearing to read 'J. Bagyenda'.

J Bagyenda (Mrs)
Ag. Executive Director, Supervision

BANK OF UGANDA

Office of
The Director
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Ref: BS/A2/01(A)

Date: March 7, 2003

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

BANK OF UGANDA

Office of
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Banking Department



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Ref: BS/A2/01(A)

Date: February 18, 2003

Chief Executives
All Commercial Banks

Quarterly Provision for Tax

Our recent review of the quarterly financial statements submitted by banks disclosed that some banks are not making quarterly provisions for taxation in their BS110 (Income Statement) on a consistent basis. Moreover, we also noted that some banks are not reporting any tax liabilities at all, may be due to some tax holidays or accumulated losses carried forward from previous years.

The above inconsistency and/or non-reporting of provision for taxation in the Income Statement overstate bank's profitability and capital adequacy calculations, thus rendering our analysis inaccurate.

In this connection, with effect from March 01, 2003, all banks are requested to make quarterly provision for tax to disclose their tax status if no such tax is applicable.

Apollo Obbo
Ag Director Commercial Banking

Copy: Governor
Ag Deputy Governor
Executive Director Supervision

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BS/B1/01(A)

January 30, 2003

All Chief Executives of
Commercial Banks

Revision of the Commercial Banks' Foreign Exchange Transactions and Inter-bank Transactions Reporting Forms

In view of the need for the improvement of Bank of Uganda's liquidity and exchange rate management, the Bank has revised the Daily Return on Commercial Banks Foreign Exchange Transactions and Inter-bank Transactions Report Form (attached). The forms have been expanded to cater for additional information required by BOU, as spelt out below:

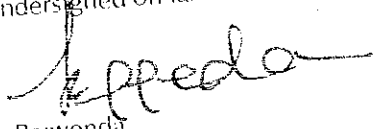
A. Daily Return on Commercial Banks Foreign Exchange Transactions

- (i) Foreign exchange purchases and sale in Uganda Shillings should correspond with the transactions stated in US Dollars (see sections A to F of the form). This information will enable Bank of Uganda to compute the weighted buy and sell rates based on actual transactions that occur in the inter-bank foreign exchange market.
- (ii) Breakdown of the total foreign exchange purchases and sales if they are in excess of US\$1 million on a single day and/or reporting of all transactions exceeding US\$200,000 (see Section H of the form). This will replace the current system where Bank of Uganda requests for this information on telephone, as and when the need arises.

B. Inter-Bank Transactions Reporting Form

This form has been converted from a weekly to a daily return. It has also been expanded to include commercial banks' transactions at Bank of Uganda's discount and rediscount windows.

We are forwarding the two said returns for your comments. Please forward your comments to the office of the undersigned on fax No. 232586 within two weeks from receipt of this circular.


J. Bagyenda
Director Commercial Banking

Copy: Governor
Ag Deputy Governor
Executive Director Operations
Executive Director Research
Executive Director Supervision

DAILY REPORT ON BANK'S FOREX TRANSACTIONS

NAME OF BANK: _____ DATE: _____

	US \$	US\$ Actual
A. OPENING POSITION		
B. SPOT PURCHASES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (B.1 to B.4)		
C. SPOT SALES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (C.1 to C.4)		
D. NET SPOT POSITION (B.5 less C.5)		
E. FORWARD PURCHASES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (E.1 to E.4)		
F. FORWARD SALES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (F.1 to F.4)		
G. NET FORWARD POSITION (E.5 less F.5)		
H. OTHER OFF-BALANCE SHEET ITEMS		
I. CLOSING POSITION (A plus D plus G plus H)		

J. Transaction Rates		
Lowest purchasing rate		
Highest purchasing rate		
Lowest selling rate		
Highest selling rate		

K. Details on a single transaction in values exceeding US\$ 0.2 million or if the total transactions purchases/sales) exceed US\$ 1.0 million)

Purchases

Amount (in US\$ million)	Customer Residency status	Type of customer	Type of transaction

Sales

Amount (in US\$ million)	Customer Residency status	Type of customer	Type of transaction

Signature/ Stamp:.....

Explanatory notes for transaction details

Amount: Please indicate the transaction amount in US\$ million

Customer Residency status: Please indicate

- R if the customer is a resident, or
- NR if the customer is a non-resident

Customer Type: Please indicate

- B if the customer is a banking institution
- O for any other customer

Type of transaction: For purchases of foreign exchange from your customer, please indicate the source of funds according to the classifications provided on the Form P, while for sales of foreign exchange to your customer please report the purpose of transaction according to the classifications provided on the Form R.

BANK OF UGANDA

Office of
The Director
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Banking Department



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Ref: BS/B1/01(A)

Date: March 11, 2003

All Chief Executives of
Commercial Banks

Revision of the Commercial Banks' Foreign Exchange Transactions and Inter-bank Transactions Reporting Forms

Further to our earlier circular of even reference dated January 30, 2003 on the above subject, all commercial banks are hereby informed that effective from 11/3/03, the attached format becomes the Bank of Uganda approved return for reporting the daily Foreign Exchange Transactions and Inter-Bank Transactions.

All commercial banks are therefore required to comply with the new reporting format and ensure that the specified data is accurately compiled and promptly submitted to Bank of Uganda.

You are further advised to forward both returns to the office of Director Commercial Banking either through Fax No: 232586 or by hand not later than 6.00pm on the day to which the returns relate.

J. Bagyenda (Mrs)
Director Commercial Banking

Copy: Governor
Deputy Governor
Executive Director Research
Executive Director Operations
Executive Director Supervision

Attach
/kg

DAILY REPORT ON BANK'S FOREX TRANSACTIONS

NAME OF BANK: _____

DATE: _____

	US \$	UShs Actual
A. OPENING POSITION		
B. SPOT PURCHASES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (B.1 to B.4)		
C. SPOT SALES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (C.1 to C.4)		
D. NET SPOT POSITION (B.5 less C.5)		
E. FORWARD PURCHASES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (E.1 to E.4)		
F. FORWARD SALES		
1. Resident Banks		
2. Non-Resident Banks		
3. BOU		
4. Other Customers		
5. Total (F.1 to F.4)		
G. NET FORWARD POSITION (E.5 less F.5)		
H. OTHER OFF-BALANCE SHEET ITEMS		
I. CLOSING POSITION (A plus D plus G plus H)		

J. Transaction Rates		
Lowest purchasing rate		
Highest purchasing rate		
Lowest selling rate		
Highest selling rate		

K. Details on a single transaction in values exceeding US\$ 0.2 million or if the total transactions purchases/sales) exceed US\$ 1.0 million)

Purchases

Amount (in US\$ million)	Customer Residency status	Type of customer	Type of transaction

Sales

Amount (in US\$ million)	Customer Residency status	Type of customer	Type of transaction

Signature/Stamp:.....

Explanatory notes for transaction details

Amount: Please indicate the transaction amount in US\$ million

Customer Residency status: Please indicate

R if the customer is a resident, or

NR if the customer is a non-resident

Customer Type: Please indicate

B if the customer is a banking institution

O for any other customer

Type of transaction: For purchases of foreign exchange from your customer, please indicate the source of funds according to the classifications provided on the Form P, while for sales of foreign exchange to your customer please report the purpose of transaction according to the classifications provided on the Form R.

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March 19, 2003

Our Ref: EDS.B.66

All Chief Executives
Commercial Banks

SECTION 18 (1) (d) OF THE FINANCIAL INSTITUTIONS STATUTE 1993 – SINGLE BORROWER'S LIMIT

Our recent review of BS 130 Report on Large Exposure and Credit Concentration shows that exposures to large borrowers of some financial institutions have increased substantially. We have also noted, of late, an increase in the number of requests for exemption from the single borrower's limit.

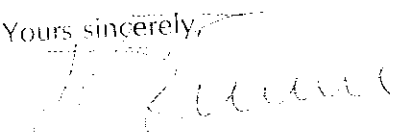
As you are aware, when credit risk is concentrated in a single borrower or group of related borrowers, default by such large borrowers could impair the viability of the financial institutions. For this reason, Bank of Uganda requires strict compliance with credit concentration or single borrower's limits provided for under section 18 (1) (d) of the Financial Institutions Statute 1993 (FIS) and the Regulation: Limitations on Advances and Credit Facilities to a Single Borrower issued in 1994.

While the FIS 1993 allows exemption from the said limits with the prior approval of the Bank of Uganda, the intention is to exercise this authority only sparingly.

In this connection, all financial institutions are reminded to put in place adequate risk monitoring systems to ensure compliance with the single borrower's limit at all times. Requests for exemption from the limit shall be done on exceptional basis and only upon submission of the Application Form (BS 130A), copy attached.

Any breach in the limit shall render the concerned financial institution liable to the appropriate sanctions and/or penalties under the FIS 1993 and the regulation.

Yours sincerely,


Ruth Emunu (Mrs)
Executive Director Supervision

Copy: Governor
Deputy Governor

BANK OF UGANDA SUPERVISION FUNCTION

APPLICATION TO EXTEND CREDIT FACILITIES REPRESENTING MORE THAN 25% CORE CAPITAL TO A SINGLE BORROWER

1 Name of Financial Institution:

2 Core Capital Per Latest BS 100A:

Paid Up Capital

Prior Years' Retained Profits

Year-to-date Net Profits After Tax (50%)

Others

Total

Less: Current Year's Losses (100%)

 Investment in Subsidiaries

 Goodwill

 Other Deductions

 Core Capital

 25% of Core Capital

3 Name of Borrower:

Borrower's Group:

4 **Application/Renewal Nature of Facility Outstanding Facility Now Required**

.....

.....

.....

.....

(Note: List all outstanding credits (on/off balance sheet) to the borrower and its subsidiaries, affiliates and other related persons as at request date)

5 Nature of Business:

6 Address:

7 Names of Directors/Partners:

8 Purposes:

9 Security: (Present an assessment of the quality of the security pledged or to be pledged)
.....
.....

10 Has borrower met previous engagements with perfect regularity?

11 Summarized Balance Sheet As at:

A	Assets	Amount (Shs '000)
(i)	Fixed Assets	.....
(ii)	Current Assets	.....
	Stock	.....
	Debtors	.....
	Cash	.....
(iii)	Others Assets	.....
	Total Assets	.....
B	Liabilities	
(i)	Long term borrowing	.....
(ii)	Current Liabilities	.....
	Short term borrowing	.....
	Creditors	.....
	Others	.....
(iii)	Other Liabilities	.....
	Total Liabilities	.....
C	Net Worth	.....

12 Profitability: (Previous 3 years)

200.....
200.....
200.....

13 Reasons Why the Bank should Extend this Facility:

(Present an assessment of the credit worthiness of the borrower showing that its credit standing is of the highest quality and that its borrowings shall serve the national economic interest)

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

14 Programme to ensure compliance:

(Present a plan showing how the proposed and/or existing facilities shall be monitored brought in compliance with the single borrower's limit)

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

15 Other Relevant Information:

(Information on the borrower's outstanding facilities with other financial institutions in Uganda)

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

16 Submit an updated BS 130 Report (Large Exposure and Credit Concentration) as at request date.

Signature:

Name

Title

Date

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EDS.B.66

April 30, 2003

To: All Financial Institutions

PUBLICATION OF QUARTERLY FINANCIAL STATEMENTS

In line with Bank of Uganda's aim to bolster market discipline through enhanced disclosure by financial institutions, all banks and credit institutions will be required to publish in a newspaper circulating in the whole of Uganda, a copy of their unaudited financial statements for the quarter ending March, June and September every year in the format prescribed in Annex A, within one month after the end of each respective quarters.

In this connection, we are forwarding to you a proposed reporting format for disclosure of the required information for your comments.

We expect all banks and credit institutions to submit their comments to the office of the undersigned by 15th May, 2003.

Yours sincerely

J Bagyenda (Mrs)
Ag. Executive Director Supervision

Copy: Governor
Deputy Governor

NEWSPAPER FORMAT FOR PUBLICATION OF FINANCIAL STATEMENTS

Name of Financial Institution

Date: _____

I	BALANCE SHEET (SHS '000)	Current	Previous
	<u>Assets</u>		
	Cash and Balances with BOU	XXX	XXX
	Balances with Banking Institutions	XXX	XXX
	Due from Parent/Group Companies	XXX	XXX
	Marketable (Trading) Securities	XXX	XXX
	Loans and Advances (Net)	XXX	XXX
	Investment Securities	XXX	XXX
	Interest Receivable and Other Assets	XXX	XXX
	Property and Equipment	XXX	XXX
	Tax Recoverable	XXX	XXX
	Deferred Tax Asset	XXX	XXX
	Total Assets	<u>XXX</u>	<u>XXX</u>
	<u>Liabilities and Shareholders' Equity</u>		
	Customers' Deposits	XXX	XXX
	Balances Due to Banking Institutions	XXX	XXX
	Due to Parent/Group Companies	XXX	XXX
	Interest Payable and Other Liabilities	XXX	XXX
	Tax Payable	XXX	XXX
	Dividends Payable	XXX	XXX
	Deferred Tax Liability	XXX	XXX
	Subordinated Debt	XXX	XXX
	Total Liabilities	<u>XXX</u>	<u>XXX</u>
	Share Capital	XXX	XXX
	Retained Earnings	XXX	XXX
	Reserves	XXX	XXX
	Total Shareholders' Equity	<u>XXX</u>	<u>XXX</u>
	Total Liabilities and Shareholders' Equity	<u>XXX</u>	<u>XXX</u>

II INCOME STATEMENT (SHS '000)	Current	Previous
Income		
Interest on Deposits and Placements	XXX	XXX
Interest on Loans and Advances	XXX	XXX
Interest on Marketable/Trading Securities	XXX	XXX
Interest on Investment Securities	XXX	XXX
Other Interest Income	XXX	XXX
Foreign Exchange Income	XXX	XXX
Fees and Commissions Income	XXX	XXX
Other Income	XXX	XXX
Total Income	<u>XXX</u>	<u>XXX</u>
Expenditure		
Interest Expense on Deposits	XXX	XXX
Interest Expense on Borrowings	XXX	XXX
Interest Expense on Trading Securities	XXX	XXX
Other Interest Expense	XXX	XXX
Provisions for Bad and Doubtful Debts	XXX	XXX
Management Fees	XXX	XXX
Operating Expenses	XXX	XXX
Other Expenses	XXX	XXX
Total Expenditure :	<u>XXX</u>	<u>XXX</u>
Extraordinary Charges/Credits	<u>XXX</u>	<u>XXX</u>
Net Profits Before Tax	XXX	XXX
Taxation	XXX	XXX
Net Profits After Tax	<u>XXX</u>	<u>XXX</u>

III OTHER DISCLOSURES (SHS '000)	Current	Previous
Contingent Liabilities		
Letters of Credit	XXX	XXX
Guarantees and Performance Bonds	XXX	XXX
Other Contingent Liabilities	XXX	XXX
Total	<u>XXX</u>	<u>XXX</u>
Commitments		
Undrawn stand-by facilities	XXX	XXX
Undrawn credit lines	XXX	XXX
Other commitments to lend	XXX	XXX
Total	<u>XXX</u>	<u>XXX</u>
Non-Performing Loans and Other Assets	<u>XXX</u>	<u>XXX</u>
Interest in Suspense	<u>XXX</u>	<u>XXX</u>
Bad debts written off	<u>XXX</u>	<u>XXX</u>
Large Loan Exposures	<u>XXX</u>	<u>XXX</u>
Insider Loan Exposures	<u>XXX</u>	<u>XXX</u>
Capital Position:		
Core Capital	XXX	XXX
Supplementary Capital	XXX	XXX
Total Qualifying Capital	<u>XXX</u>	<u>XXX</u>
Total Risk Weighted Assets (RWA)	<u>XXX</u>	<u>XXX</u>
Core Capital to RWA	<u>XX%</u>	<u>XX%</u>
Total Qualifying Capital to RWA	<u>XX%</u>	<u>XX%</u>

IV **MESSAGE FROM DIRECTORS** (for audited annual accounts)

The above balance sheet and income statement were audited by _____ and received a _____ opinion. The financial statements were approved by the Board of Directors on _____ and discussed with the Bank of Uganda on _____.

.....
Signed (Chairman)

.....
Signed (Managing Director)

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June 6, 2003

CIRCULAR TO ALL AUTHORISED DEALER BANKS

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The Uganda Bankers' Association (UBA) acknowledged that banks are experiencing some problems in computing the new foreign exchange exposure and requested exclusion of certain off-balance sheet items.

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In this connection, all authorized dealer banks are reminded to include all "Unfunded Commitments" and "Other Off-Balance Sheet Items" in calculating the net open position. However, those portions that are funded and guaranteed by the World Bank and other multilateral lending organizations as long as the guarantee is unconditional and payable upon first demand, may be deducted. The amount deducted and particulars of the guarantors must be disclosed by way of a footnote in the Daily Forex Returns.

All authorized dealer banks are urged to comply with this circular with effect from 13th June 2003.

A handwritten signature in black ink, appearing to read 'J. Bagyenda'.

J Bagyenda (Mrs)
Ag. Executive Director, Supervision

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J Bagyenda (Mrs)
Ag. Executive Director, Supervision

BANK OF UGANDA

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EDS.B.66

December 30, 2003

To: Chief Executives of Commercial Banks

Modalities for Convertibility of the Kenya and Tanzania Shillings

The Monetary Affairs Committee constituted by the East African Central Bank Governors resolved that the three national currencies should be freely convertible. The implementation of full currency convertibility took effect from July 01, 1996. Consequently, all commercial banks are now advised to fully implement the measures required to comply with the East African Community Agreement on the Modalities for Convertibility of the three national currencies.

The details of the modalities for convertibility are indicated on page 5 & 6 of the attached guide.

Ruth Egunu (Mrs)
Executive Director Supervision

CONVERTIBILITY OF EAST AFRICAN REGIONAL CURRENCIES

BACKGROUND

Full convertibility of Kenya, Uganda and Tanzania currencies against one another is one of the most important instruments being used to facilitate trade and investment within East Africa under the auspices of the newly established East African Cooperation. This aspect of monetary co-operation allows residents of the three countries to freely transact business in any of the currencies. The regional currencies are effectively treated in the same way as such currencies as the US dollar, the pound sterling and the yen.

The arrangement that became operational with effect from 1st July 1996, is however, not compulsory but one to be gradually adopted as confidence increases in the use of the regional currencies. Border towns and the three regional capitals are the most important centres where the use of the three currencies will be in greater demand. The bulk of the regional trade is however expected to continue to be settled through letters of credit.

BENEFITS OF CONVERTIBILITY

Convertibility of the three East African currencies underscores the commitment of the three countries to cement the existing harmonious ties and co-operation among

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the people of the region. It enhances the economic benefits of the co-operation in a number of ways including:

1. Easing the flow of trade and other transactions
2. Allowing increased trade among the three East African countries
3. Simplifying requirements for travellers and tourists within the region will be simplified

RISKS OF CONVERTIBILITY

Convertibility calls for all those handling the three currencies to carefully guard against increased risks of counterfeiting and losses arising from exchange rate fluctuations. Such risks are, however, inherent in all dealings involving convertible international currencies.

MODALITIES OF CONVERTIBILITY

The following procedures are recommended for adoption by all authorised dealers to facilitate convertibility of the three currencies:

1. All dealers to quote on a daily basis the currencies of Kenya, Uganda and Tanzania alongside other foreign currencies.
2. Kenya, Uganda and Tanzania currencies to be competitively traded like any other foreign currencies by the authorised dealers.

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3. Commercial banks to open and maintain in their books Kenya, Uganda and Tanzania shillings accounts for their own accounts and on behalf of their customers.
4. Commercial banks should establish correspondent relationships with banks in Kenya, Uganda and Tanzania.
5. Commercial banks will be responsible for the repatriation of surplus Kenya, Uganda and Tanzania shillings to their correspondent banks in the respective countries for credit of their accounts.
5. In cases where commercial banks have no correspondents, their surplus holdings of the three currencies will be appropriately repatriated on a collection basis by the relevant Central Bank for a fee.