

# BANK OF UGANDA

Office of  
The Director  
Commercial Banking Department



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## CIRCULAR TO ALL COMMERCIAL BANKS


### CALCULATION AND MONITORING OF CASH RESERVE REQUIREMENT

In order to streamline the Cash Reserve Requirement as an instrument of monetary policy management, the following changes will be made effective 1<sup>st</sup> July 2004.

- i) The cash reserve ratio on all deposits will be a uniform rate of 9.5%.
- ii) The reservable base will be computed on the basis of daily positions averaged over a two-week period.
- iii) The daily reserve position will be the balance on the clearing account at Bank of Uganda plus the eligible proportion of vault cash at the close of business on the respective day.
- iv) The eligible proportion of vault cash is maintained at 50% for commercial banks with 10 or more branches outside Kampala and 30% for commercial banks with less than 10 branches outside Kampala.
- v) Commercial Banks are further reminded of the following:-
  - a) The reserve maintenance period remains two weeks. Commercial banks on a daily basis operate up to 50% below the reserve requirement as long as they meet the required amount over the maintenance period.
  - b) A commercial bank whose cash reserves fall below 50% of the required minimum on any day will be penalized for that day, over and above any penalty levied if it also fails to comply with the average minimum for the two week period as provided for under section 39(4) of the BOU Statute 1993.
- vi) No figures shall be reported on Saturdays, Sundays and public holidays. The figures shall be for the main office and all other branches/offices in Uganda.

Weekly Cash Reserves Report should be submitted to Bank of Uganda, Commercial Banking department and Research department by Tuesday following the end of week to which the return refers.

Attache please find the format of the Cash Reserves Report to be submitted to Bank of Uganda



J. Bagyenda (Mrs)  
**Director Commercial Banking**

Copy: Governor  
Ag. Deputy Governor  
Executive Director Supervision