

# BANK OF UGANDA

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## *Circular to Chief Executives of Commercial Banks, Credit Institutions and Microfinance Institutions*

### Disclosure Requirements for Interest Rates on Loans and Advances

Following the introduction of the Central Bank Rate (CBR) as the main policy tool in the implementation of monetary policy, Bank of Uganda has noted the need to enlighten the public in general, and borrowers in particular, on how interest rates are set by financial institutions.

In this regard Supervised Financial Institutions (SFIs) are required to disclose to their borrowers the index to which the interest rates are pegged to.

In addition, all SFIs are **directed** to ensure strict compliance with the disclosure requirements set out in Paragraph 8 (4) of the Consumer Protection Guidelines 2011. To enhance transparency, SFIs must ensure that all loan contracts/agreements/letters of offer clearly indicate whether the interest rate is fixed or variable; and where the interest rate is variable, the index/indicators to which it is pegged must be stated. SFIs must ensure that the borrowers clearly understand why and how interest rates on their credit facilities may increase or decrease in line with the index.

These important disclosures should preferably be shown on the first page of the credit contract/agreement/offer letter.

Bank of Uganda will monitor compliance with these directives as part of the on-site examination and off-site surveillance of the SFIs.

Charles A. Abuka

Ag. Executive Director Supervision

