

BANK OF UGANDA

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SUPERVISION



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Circular to all Chief Executives of Commercial Banks

Revision of the Timing of the Maintenance Period for the Cash Reserve Requirement

The current maintenance period for the Cash Reserve Requirement (CRR) commences on **Mondays** and runs for a period of two weeks concluding on **Sundays**.

In order to improve on the operations of the financial markets, Bank of Uganda has deemed it fit to review the timing of the maintenance period for the Cash Reserve Requirement. **Effective April 07, 2016** the maintenance period shall commence on **Thursdays** and run for a period of two weeks, concluding on **Wednesdays**.

Rationale

- The adjustment will reduce the volatility in the overnight interest rates. Currently, the last working day of the maintenance period is Friday and not Sunday which implies that any liquidity shock on Friday has an impact on the interest rates for three days i.e. (Friday, Saturday and Sunday).
- The new maintenance period will be synchronized with Open Market operations (e.g. issuance of Government securities), which will ensure smooth and predictable liquidity conditions during the maintenance period, reduce demand for liquidity and improve the functioning of the interbank market.

In order to accomplish this new arrangement, banks will be required to submit their Cash Reserve Requirement Returns by close of business on **Monday** every week. The first cycle under the new arrangement will run from **April 07 – April 20, 2016**.

Please take note of these developments and report accordingly.

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

J Bagyenda (Mrs)

Executive Director Supervision