

Financial Markets Department

- To implement monetary policy, develop financial markets, manage foreign exchange reserves and domestic debt in the most efficient and effective way, and promote market stability both in foreign exchange and domestic money market.

Objectives

- To have an organizational structure that facilitates the delegation of authority, generating efficiency, accountability and a system of checks and controls.
- Ensuring that staff performance is in line with job descriptions.
- Improve quality and timeliness of management information.
- Provide benchmarks for the conduct of primary market operations, professional practice in monitoring the forex market and Reserves management.

Major Functions of the Department

- Issuing government securities on behalf of the GOU. Legal framework provided under the Public Financed Accountability Act 2003, Treasury Bill Act 1969.
- Managing and providing oversight on operations of government securities.
- Manage the foreign exchange reserves in compliance with the Board's approved Reserves management policy in line with the three principles of safety, preservation of capital and liquidity.
- Promote stability in the foreign exchange and money markets.
- Market Research and Product Development.
- Formulate policy proposals, and Implement plans for deepening financial markets.
- Relate with external stakeholders, i.e., IMF, world Bank, Bank for international Settlements, etc
- Closely working links with other financial sector players, i.e., Capital Markets Authority, Uganda Securities Exchange, etc.

Organization Structure

The Activities of FM are closely linked and feed into decisions of the MCPC, FMOC, FERMPAC and Investment Committee and Board.

The departmental structure has a total of 28 staff:

- Director 1
- Assistant/Deputy Directors 3
- Officers 18
- Clerks 2
- Personal Secretaries 4

The Department is made up of three Divisions, each headed by a Deputy/ Assistant Director:

- **Front Office Operations Division** with the Sections listed below:

- Reserves Management Operations.
- Domestic Markets Operations.
- Foreign Exchange Markets Operations.

- **Middle Office, Risk, Research and Development Division** which has the following sections:

- Reserves Investment.
- Credit and Risk Analysis.
- International and Domestic Markets Research.

- **Financial Markets Development Secretariat.**

The Secretariat Division has two sections:

- Secretariat Administration.
- Monitoring and Evaluation.

- **The Department also has a Compliance Officer who reports directly to the DFM and EDO.**

Roles of Sections in the Front Office Division

- **Reserves Management Operations:**
 - Monitor international financial markets developments and recommend investment strategies to the Investment Committee.
 - Place investments on behalf of BOU.
 - Manage forex reserves according to policy and best practice.
- **Forex Market Operations:**
 - Monitor the local interbank forex market and recommend intervention actions if needed to stabilize the market.
 - Report on daily forex rate movements and forex market activity to management.
 - Carry out intervention and sterilization.
- **Domestic money operations:**
 - Run government securities auctions and repo operations.
 - Carry out operations related to securities rediscounting and Commercial banks' borrowings from BOU.
 - Monitor and report on domestic money market developments.
 - Recommend monetary policy actions to FMOC

Roles of Sections in the Middle Office

- **Reserves and Investment Analysis:**

- Prepare and present investment reports to Investment Committee (IC).
- Provide market research and analytical support to IC in decision making.
- Monitor and evaluate External Managers' operations and performance.
- Maintain and update benchmarks.
 - **Domestic Markets Research and Development:**
- Preparation of comprehensive daily reports to FMOC.
- Preparation of FMOC minutes.
- Regular updates of Department's databases.
- Preparation of weekly MCPC market developments report.
- Preparing Research papers for MCPC on various topical issues.

Financial Markets Development Committee Secretariat (FMDCS)

Set up under the MAC of EAC to facilitate and coordinate the activities of FMDCs.

Terms of reference:

- Act as Secretariat for FMDCs and its subordinates.
- Coordinate all FMDC activities and programmes related to financial markets developments.
- Implement, monitor, evaluate and report on the progress of specific activities in 5 yr Financial Markets Development plan to BOU management and the subcommittee of MAC.
- Liaise with the Secretariats of other EAC member central banks on matters related to financial markets developments.
- Carry out research on specific areas of interest to financial markets developments.
- Set up and manage Financial Markets Resource Centre where all information relating to financial markets development shall be kept and disseminated.
- Carry out any other tasks that may be assigned to the Secretariat from time to time.

Key Department Deliverables and Work Plan Coverage

- Effective September 2009, the department took over from the Research department the daily liquidity management.
- From September 2008, the department assumed the role of Financial Markets Development Secretariat to oversee the implementation of the 5-year Financial Markets Development Strategy.
- New Primary Dealer regulatory framework.
- Managing and coordinating Uganda's annual Sovereign rating process.
- Effectively monitoring and analyzing both international and domestic markets in order to advise and guide policy.
- Strengthening of Interbank market.
- Product Development and Research.
- Carry out annual customer satisfaction surveys and take appropriate actions.

- Undertake regular monitoring and evaluation of 5-year Financial Markets Development Strategy.
- Enforce Dealers' association code of conduct.
- Automate all key departmental processes.
- Enhance public awareness through sensitization programs and carry out financial literacy programs.
- Complete department operations manual & ensure compliance to the manual incorporating new areas.
- Continuous review of investment policy.
- Implement fixed income trading and diversify investment portfolio.
- Implement business continuity plans.
- Ensure achievement of the balanced scorecard for both the dept and staff.

Administrative Aids, Information gathering Systems

- Recent Developments in Information gathering
 - Bloomberg
 - Reuters for information and dealing in the Inter Bank Foreign Exchange Market (IFEM)
 - Voice Data for recording dealer conversation
 - Dedicated lines
 - Newspapers, Internet and subscribed journals and bulletins
 - Foreign Exchange Reserves Management System (FERMS) fully operational

Conclusion

- Financial Markets is a dynamic department with an ever changing role, whose tasks are both operational and technical. As new staff of the Bank of Uganda fraternity, it is imperative that you learn about the on goings in the department, and to the very least the dynamics of the foreign exchange market, Treasury bills and bonds, among others.