

DEPUTY GOVERNOR'S REMARKS AT THE 2004 ANNUAL
GENERAL MEETING OF THE UGANDA INSTITUTE OF BANKERS
HELD ON 24TH JUNE 2005 AT THE BANK OF UGANDA
WESTERN GARDENS

The President, Uganda Institute of Bankers,

The Council Members, Uganda Institute of Bankers,

Ordinary and Student members,

Invited Guests,

Executive Director and Staff, Uganda Institute of Bankers,

Ladies and Gentlemen

On behalf of the Governor who is also the Patron of the Uganda Institute of Bankers, I am privileged to be the Guest of Honour at the Institute's Annual General meeting for the year 2004.

According to the latest Financial Sector Adjustment Programme report as at 3rd May 2005, it was reported that Uganda has made considerable progress in strengthening the banking system. However, the banking system continues to play a sub-optimal role in supporting economic growth. Financial intermediation continues to be low, offering a limited array of products most of which are limited to the short end of the maturity curve.

The challenge to the financial sector therefore is to introduce products that will promote financial deepening and financial system efficiency. This however, is not without challenges.

A few days ago, the Governor launched the Bankom switch which is a credit and debit processing facility that connects subscribing banks. Clients of these banks are able to access services from their banks without necessarily using their banks' facilities. It is envisaged that the switch will support our efforts to shift from cash to near cash and electronic instruments. The use of the switch will also lead to improved security of cash, as less cash will be carried for transactions.

Related to this, is the increased automation of service provision by financial institutions. Clients are able to settle utility bills, pay school fees and top up their airtime using ATMs, and also pay for services and goods using debit cards.

The challenge herein is the need for competent oversight of the controls within the automated systems by both the providers and the regulators. The financial institutions and providers of the automated systems must ensure that they are efficient and can deliver the services promised.

Any failure of these systems will lead to reputational risk and loss of public confidence in the financial institutions, with serious implications to our efforts to promote efficiency in the sector. Furthermore, the installation of these systems is an additional cost, which the financial institutions must carefully budget for to avoid impairing their capital base.

Another challenge that our financial sector faces is globalisation. We are all well aware that we are part of the global village and with enhanced technology, the global financial architecture supports millions of transactions across different jurisdictions. To promote international comparability in financial reporting, codes and standards have been designed. Accounting, auditing and disclosure requirements play a crucial role in providing necessary information for effective regulation and in guiding investors and clientele in making investment decisions. From this perspective, there is a linkage between accountancy development and the upgrade of regulatory/supervisory instruments. Our own efforts to comply with international standards and codes will in part be dictated by realities in the country. Of great importance is the need to strengthen the capacity in the supervised institutions and in the Central bank as we move to international codes and standards.

Of recent, there have been reports of fraudulent activities in the financial sector perpetuated by both staff and clients of financial institutions. This is a development of great concern to all of us in the financial sector. We need to strengthen our collaborative efforts to fight these activities. Sharing of information amongst financial institutions on fraudsters is a step in the right direction. I call upon the banking sector and UIB to form a strong lobby group to petition for a stronger judiciary system to bring fraudsters to book. On our part, we shall engage officials of the Ministries of Finance and Justice to prioritise the further strengthening of prosecution of fraudsters and close loopholes of quick access to bail in such cases. On the efforts to set up a credit reference bureau, I am happy to report that the enabling regulations will be gazetted next Friday July 1, 2005. We are making efforts to fast-track the licensing of a credit bureau so that financial institutions can exchange information on credit worthiness of potential borrowers, better evaluate credit risk of a borrower and make informed decisions on allocation of credit. However, I need to underscore the fact that the onus to make a comprehensive due diligence of potential borrowers remains with lending institutions.

What then should be the role of Uganda Institute of Bankers in this changing environment in the financial sector. Uganda Institute of Bankers can play a critical role in capacity building and promoting

professionalism in the sector. The various courses offered by the UIB assist staff of financial institutions to improve their skills. Financial institutions are therefore urged to take advantage of the courses offered by the Uganda Institute of Bankers. The Executive Director has informed us that the Institute has been accepted by Makerere University for affiliation in the delivery of a Masters Degree programme in Financial Services. This is in addition to the Certificate and Diploma in Banking, the Diploma in Microfinance and other short term client-tailored and scheduled courses. UIB has also embarked on the printing of the Distance Learning workbooks. This will facilitate the expansion of the institute's studies to up country centres.

I am glad to note that some member banks have started to pass all their newly recruited staff through the training institute. I understand that in some countries like Singapore, Malaysia and India, a staff member is not promoted unless he has undergone a specific level of training at the Bankers training institute. On our part, the BOU facilitates staff to pursue studies at the Institute and recognise professional qualifications as an added advantage in recruitment and promotional interviews. We must jointly promote professionalism in the banking sector and at the same time lend support to UIB. However, the challenge for UIB is to introduce courses that are relevant given the changing face of the

financial sector. UIB should therefore, work together with the stakeholders in the financial sector to determine the relevant training programmes for the staff and endeavour to respond to the changing training needs of the industry.

Finally, Bank of Uganda is committed to working with all stakeholders to enhance efficiency in the financial sector.

I thank you all for your attention.
