

DEPUTY GOVERNOR'S ADDRESS AT THE UGANDA INSTITUTE OF BANKERS ANNUAL DINNER DANCE ON FRIDAY 28TH APRIL 2006 AT SPEKE RESORT MUNYONYO

**Your Excellencies, Ambassadors and High Commissioners
Representatives of all Strategic Partners of the Institute,
Council Members of the 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 Chief Guest at the 2006 Bankers' Annual Dinner. The Patron has not been able to make it back to Kampala in time for the function after attending the IMF/World Bank Spring Meetings. He however wishes you a pleasant evening.

This annual event provides bankers a forum for a healthy exchange of ideas and networking. It is therefore incumbent upon each and every one of you to take full advantage of the evening.

This occasion is also very special to my wife and I as it accords me the rare opportunity to say farewell to the Ugandan banking fraternity. This is my last official and public function as Deputy Governor of Bank of Uganda and Vice President of the Institute before I take up my new appointment of Chief Economist at the African Development Bank (ADB) in Tunis. It has been a

rewarding experience and pleasure working with you; I will miss you all but we will remain in touch.

Allow me to address you tonight on the theme “Professional Employees for a Stronger and Stable Financial Sector in Uganda”.

As you are all aware, the Uganda financial sector has been strengthened in many important respects over the last few years and is now stronger than ever before. The year 2004 and 2005 in particular witnessed major strides in the strengthening of the financial sector. This included the enactment of the Financial Institutions Act 2004, MDI Act and the Foreign Exchange Act 2004 together with their implementing regulations.

The banking industry, in particular has embraced a number of new products on the market namely, ATMs, electronic fund transfer, RTGS, electronic banking, debit and credit cards, bankom switch, derivatives/swaps in the foreign exchange market and international money transfer business. These products have been geared to promote financial deepening and financial system efficiency.

These developments however introduced increased complexity of risk profiles of the financial sector and called for the strengthening of risk management capabilities by the industry and greater attention of the regulatory authority.

I am pleased to note that the financial institutions have responded to the challenges and put in place measures and systems to comply with the requirements of the new laws and regulations. You have reinforced the Know Your Customer (KYC) requirements, computerization and networking of the branch network and compliance with capital adequacy, liquidity, asset quality etc and embracing corporate governance through selection and submitting for vetting of 'fit and proper' persons for the boards, senior management and committees; a lot however remains to be done.

The human resources risk however remains one area, which needs serious attention. An improper or inadequate human resources strategy in a bank can lead to loss of assets through theft and frauds, loss of competitive edge through provision of unsatisfactory customer services, and eventually to the weakening of the balance sheet of a bank, small or big, with a possibility of closure of an institution. This introduces the potential risk of a systemic problem for the wider banking sector, the economy and has political implications. The lessons of bank failures in the late 1990s remain a constant reminder.

It is therefore important to strengthen capacity in the supervised institutions and in the central bank as we move to international codes and standards. No doubt, success will be attained through joint application of our energies to develop a professional cadre to competently meet the complex new ways to operate, manage,

supervise and regulate all financial institutions in the financial sector

At the supervisory level, Bank of Uganda has increased its supervisory capacity through staff training and recruitment in risk based supervision. It recently conducted mandatory training for all new board members of the financial institutions in risk management and corporate governance. In future all new board members will undergo induction courses by the Supervisory Authority before taking on board responsibilities. Similar arrangements will be made for all directors of international money transfer business and forex bureau operators following their transfer to Supervision Function.

At the last Institute Annual General meeting held on 24th June 2004, I underscored the role of The Uganda Institute of Bankers (UIB) in capacity building and promoting professionalism.

I am obviously aware that there are many international institutions engaged in the professionalisation of our employees so that they can become professional bankers. While we applaud the role they have played and continue to play in this noble area, it is instructive for us to be guided by contingency theory, which states that the situation prevailing determines the technique to apply. It is in this context that the Uganda Institute of Bankers which is conversant with the situation prevailing in the region is, obviously, best placed in the provision of professional banking knowledge and skills

relevant to our peculiar financial environment. It, therefore, behoves each one of us to enable capacity utilisation of the Institute for the good of our institutions and the country.

I was pleased to read the Examinations External Moderation report 2005 from Sheffield Hallam University, UK which re-affirmed that the professional examinations being certified by the Uganda Institute of Bankers has maintained high standards comparable to those of other Institutes of Bankers elsewhere.

I am also happy to learn that the Distance Learning Program, which I launched on 8th July 2005, continues to be well received and supported by the strategic partners and students.

The UIB should of course continue to strive to introduce programs, which are relevant to the needs of member banks and other sponsors. In this regard, the UIB administration should work very closely with all stakeholders and also gain experience of from similar Institutes from India, UK and others.

I am pleased that the Chief Executives of banks have continued to support the institute in terms of sending their staff for the UIB programs and for financing its operations. In view of the urgent need to enhance capacity and professionalism, I call upon the member banks to increase this support and also to reward holders of professional banking qualifications in the recruitment and promotion of staff. I cannot over emphasize the need to work

together to remodel the Uganda Institute of Bankers to serve our joint needs.

In conclusion, I wish to reiterate the need to promote professionalism through capacity building at both the supervisory and supervised institutions levels. This is the only way we shall sustain the stability and further deepen the financial system in Uganda. I count on your continued support to the Institute.

Thank you for your attention. God Bless you all

Louis Austin Kasekende PhD

Deputy Governor and Vice President, Uganda Institute of Bankers