

**STATUTORY INSTRUMENTS SUPPLEMENT**  
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**S T A T U T O R Y   I N S T R U M E N T S**

**2005 No. 41.**

**THE FINANCIAL INSTITUTIONS (LICENSING)  
REGULATIONS, 2005**

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# STATUTORY INSTRUMENTS

2005 No. 41.

## The Financial Institutions (Licensing) Regulations, 2005.

*(Under section 131 (1) (b) of the Financial Institutions Act,  
Act No. 2 of 2004)*

IN EXERCISE of the powers conferred on the Central Bank by section 131 (1) (b) of the Financial Institutions Act, 2004, these Regulations are made this 16th day of February, 2005.

### PART I—PRELIMINARY

1. These Regulations may be cited as the Financial Institutions (Licensing) Regulations, 2005. Title
2. These Regulations apply to all financial institutions in Uganda. Application
3. In these Regulations, unless the context otherwise requires— Inter-pretation

“Act” means the Financial Institutions Act, 2004.
4. The objectives of these Regulations are— Objectives
  - (a) to promote the development of a strong and viable financial sector in order to enhance economic growth in Uganda;
  - (b) to establish clear and objective criteria for reviewing applications to engage in financial institution business and to outline the procedures to be followed in the licensing process;
  - (c) to ensure that all financial institutions operating in the Uganda financial sector have adequate financial strength, management and the integrity required to operate a financial institution in a sound and prudent manner; and

(d) to put in place an effective method of reducing the risk of entry of unviable financial institutions into the Uganda financial sector.

## PART II—LICENSING REQUIREMENTS

Licensing  
criteria

5. In evaluating an application for a licence to conduct financial institution business in Uganda, the Central Bank shall follow the criteria prescribed in section 11 of the Act and these Regulations.

Capital  
adequacy

6. (1) The applicant's capital shall be adequate to support the projected volume and type of services planned in a highly competitive environment.

(2) An applicant proposing to transact financial institution business as a bank, shall have a minimum paid up cash capital of not less than Uganda shillings four billion.

(3) An applicant proposing to transact business as a non-bank financial institution, shall have a minimum paid up cash capital of not less than Uganda shillings one billion.

(4) An applicant for a licence under the Act shall demonstrate the ability to maintain its capital funds, unimpaired by losses at the prescribed minimum amount at all times and to comply with the ongoing capital adequacy ratio in accordance with sections 26 and 27 of the Act and the Financial Institutions (Capital Adequacy Requirements) Regulations, 2005.

Ownership  
structure

7. (1) There shall be sufficient transparency in the ownership structure of the proposed financial institution so as to enable the Central Bank to evaluate the institution's substantial, direct and indirect shareholders and its corporate affiliations in compliance with section 18 of the Act.

(2) The Central Bank shall review the substantial shareholders' past banking and non-banking business ventures and their integrity and standing in the business community, as well as the financial strength of all the substantial shareholders and their ability to provide further financial support, should it be needed.

(3) An application, in which one of the substantial shareholders does not satisfy the fit and proper person criteria as determined by the Central Bank under section 19 and the Third Schedule to the Act, shall be rejected.

(4) The source of the initial capital to be invested and that of any future funding shall be disclosed to the Central Bank, as well as the percentage shareholding of each shareholder.

8. (1) The applicant shall prove, to the satisfaction of the Central Bank, that the applicant's management satisfies the fit and proper criteria set out in the Third Schedule to the Act.

Directors  
and officers

(2) The directors and officers shall have qualifications at a level, which shall enable them to conduct business competently and competitively with existing financial institutions and in compliance with section 53 of the Act and should not possess any of the disqualifications under section 120 of the Act.

(3) The applicant shall prove, to the satisfaction of the Central Bank, that the financial institution's business is or shall be directed by at least two executive directors knowledgeable in the manner in which the institution's longer term strategy is pursued in practice, having the ability to influence the institution's policies and able to effectively direct the business of the institution.

9. (1) In addition to the considerations specified in regulations 5 to 8, the Central Bank shall further take into account the following—

Overall  
viability

(a) the intentions of the applicant with regard to its overall contributions to Uganda's economic development, including its plans to bring banking or financial services to rural areas where the services have been inadequate;

(b) the expected role for the proposed institution in meeting identified needs for a particular area or sector of the economy to be served by it through a carefully conceived strategy shall receive favourable consideration;

(c) the overall strategy of the applicant for succeeding in the market developed into a business plan sufficiently robust to support a comprehensive review and viability analysis.

(2) The business plan in sub-regulation (1) (c) shall—

(a) include detailed financial projections which demonstrate medium-term viability and sufficient information on the financial resources of the founders to support the institution;

(b) describe how the institution is to be organised and controlled internally and shall include a description of comprehensive risk management systems for credit, liquidity, foreign exchange, interest rate, operational and other risks; and

(c) disclose the applicant's current and contemplated future policy with regard to the payment of dividends.

Supervision.

**10.** (1) The applicant shall ensure that there are no factors, such as unavailability or inadequacy of information and lack of transparency, which may hinder the conduct of investigations after the submission of its application or inhibit effective supervision after the issuance of a licence.

(2) With respect to foreign applicants, a level of co-operation between the Central Bank and the home country supervisor shall need to be established to permit the conduct of consolidated supervision.

### PART III—LICENSING PROCEDURES

Application  
for a  
licence

**11.** (1) An application for a licence shall be made in duplicate, in the form set out in Schedule I and shall be accompanied by the supporting documents specified in regulation 12.

(2) An application for a licence must specify the class of licence being applied for and other activities that may fall under other classes of licence, which the applicant intends to carry out.

(3) A non-refundable application fee of Uganda shillings one million for banks, and Uganda shillings five hundred thousand for non-bank financial institutions shall accompany each application for a licence.

12. (1) Each application for a licence shall be accompanied by the following supporting documents—

Information  
and  
supporting  
documents

- (a) an information sheet for the applicant and for each of its substantial shareholders (if corporate), subsidiaries or affiliates in the form set out in Schedule 2;
- (b) a personal declaration form for each of the proposed directors, officers and substantial shareholders (if natural persons) in the form set out in Schedule 3;
- (c) individual credit references for the applicant and each of the substantial shareholders, directors and officers from his or her bankers;
- (d) proposed capital structure of the financial institution;
- (e) a business plan and financial projections for at least three years (including the assumptions underlying the projections and a sensitivity analysis of the plan on varying assumptions);
- (f) the Certificate of Incorporation;
- (g) the Memorandum and Articles of Association;
- (h) with respect to foreign applicants, a statement from the supervisory authority of the home country declaring that it has given prior approval or a "No Objection" for the establishment of a subsidiary or any other office in Uganda, and that the applicant's chairperson, directors, managers and substantial shareholders as a whole, are fit and proper persons within the meaning of the Act;
- (i) existing financial institutions and companies which have been engaged in other businesses before applying to do financial institution business, should provide

certified copies of audited financial statements for the past three years prepared in accordance with generally accepted accounting principles;

- (j) if the most recent audited accounts are more than six months out of date, they should be accompanied by management accounts (which need not be audited) showing the current financial position and the current results of the institution;
- (k) a certified copy of the resolution of the Board of Directors, authorising the preparation and submission of the application;
- (l) any other information relating to the viability of the proposed institution or other matters which the applicant may consider relevant; and
- (m) any other information which the Central Bank may request the applicant to provide.

(2) The submission of any untrue or misleading information shall render the applicant a person not fit and proper and shall constitute sufficient grounds for rejection of the application or revocation of the licence, where a licence has been granted, in accordance with sections 10 (8) and 17 (h) of the Act.

Acknowledgement

**13.** (1) Upon receipt of an application form together with the requisite application fee and supporting documents in accordance with regulations 11 and 12, the Supervision Function of the Central Bank shall, within ten days, send the applicant a formal letter of acknowledgement or a letter of deficiency in accordance with subregulations (2) or (3), as the case may be.

(2) A letter of acknowledgement shall constitute official notice that the documents submitted were found to be complete and that the processing or evaluation may commence.

(3) A letter of deficiency shall outline deficiencies in the application, provide a deadline for rectification of the deficiencies and no further action shall be taken by the Central Bank unless the deficiencies are rectified within the period prescribed.



14. (1) The Central Bank shall, within six months after receipt of a complete application and in accordance with section 12 of the Act, investigate and prepare a detailed report in respect of each application.

(2) The report shall indicate the decision of the Central Bank to—

- (a) grant the licence if it is satisfied that the application satisfies the requirements of the Act and these Regulations;
- (b) grant the licence subject to the fulfillment of certain conditions that it may deem necessary;
- (c) grant the applicant a limited licence covering only part of the financial institution business for which it is satisfied that the applicant meets the requirements of this Act; or
- (d) refuse to grant the licence for reasons that shall be stated in the notice of decision or letter of refusal.

15. (1) The Central Bank shall inform the applicant, in writing, of its decision to grant or refuse to grant the licence.

Notice of  
decision

(2) A notice communicating the decision not to grant a licence shall state the grounds upon which it is based.

(3) Where the Central Bank decides to grant a licence, it shall, in the notice communicating the decision to grant a licence, require the applicant to submit, within a period of two weeks after the date of receipt of the notice, a certificate of deposit in the name of the applicant indicating that it has deposited or invested an amount not less than the required minimum paid-up capital in such accounts or assets approved by the Central Bank, before a licence can be issued.

(4) Notwithstanding the issuance of a licence, no financial institution shall open for business without prior clearance from the Central Bank which shall conduct a pre-opening inspection of the proposed premises to confirm the adequacy of the premises for the proposed business, strongroom and vault and the existence of a security system, electronic equipment and communication facilities suited to the type of financial institution concerned.

- (5) Successful applicants shall further be required to—
- (a) provide the Central Bank with complete operating manuals covering policies and procedures on loans, investments, deposits, foreign exchange and other major operations of the financial institution;
  - (b) provide information regarding risk management policies and procedures covering credit, liquidity, interest rate, foreign exchange and operational risks;
  - (c) provide information regarding management information systems, description of sample forms, reports and schedules;
  - (d) provide any other documents or information, which the Central Bank may require; and
  - (e) pay the licence fee prescribed by the Central Bank under section 13 of the Act within fourteen days of receipt of the notice of decision to licence the applicant.

(6) Any person aggrieved by a decision of the Central Bank refusing to grant him or her a licence may, in accordance with section 12(9) of the Act, appeal to the High Court against the decision within thirty days after being notified of the decision.

Changes

**16.** Any material changes, such as in the composition of directors or board members, directors, officers or shareholders, or in the capital structure while the application is being processed or after the granting of a licence but before commencement, shall be duly notified to the Central Bank as soon as possible, but in any event, not later than twenty one days after the day the changes come to the attention of the financial institution.

#### PART IV—LICENCE FEES AND OTHER REQUIREMENTS

Payment of  
licence fee

**17.** An initial licence fee prescribed by notice of the Central Bank shall become due and payable soon after notification of the decision to grant a licence and thereafter an annual fee prescribed from year to year by the Central Bank shall be payable on or before the 31st day of January each year in accordance with section 13 of the Act until the licence is revoked.

**18. (1)** A licence granted under the Act and these Regulations shall remain valid until revoked by the Central Bank.

Duration  
and display  
of licence

**(2)** A licence granted under section 12 of the Act and regulation 14 shall, at all times, be displayed in a conspicuous place at the head office of the concerned financial institution, and copies of it shall be similarly displayed in a conspicuous place at each of its branch offices.

**19. (1)** A financial institution shall not engage in any other business other than the business specified in its licence.

Restriction  
and  
amendment  
of licence

**(2)** The Central Bank may, after giving reasonable notice to a licensed financial institution, restrict or amend the terms and conditions of any licence issued under the Act.

**20.** Every financial institution shall submit to the Central Bank an updated Information Sheet as set out in Schedule 2, not later than the 31st day of January each year.

Update of  
information

**21. (1)** Every financial institution shall ensure that the Central Bank is notified of every proposed appointment of a director in accordance with section 53(1)(e) of the Act.

Notice of  
appointment

**(2)** Notification in sub-regulation (1) shall be accompanied by the chairperson's declaration as set out in Schedule 4.

**(3)** A person intending to become a director of a financial institution shall notify the Central Bank in writing of his or her proposed appointment by submitting a personal declaration form set out in Schedule 3.

**(4)** Every financial institution shall submit a personal declaration form as set out in Schedule 3 for each subsequent proposed director.

**(5)** A proposed director shall not assume any duties in a financial institution without approval of his or her appointment by the Central Bank.

**SCHEDULES**

**SCHEDULE 1**

**REGULATION 11**

**APPLICATION FOR A LICENCE TO ESTABLISH  
A FINANCIAL INSTITUTION**

*(To be submitted in duplicate)*

The Governor,  
Bank of Uganda  
P.O Box 7120,  
KAMPALA

1. I, the undersigned, acting as principal/promoter/in the capacity of duly authorised agent on behalf of ....., a Company incorporated under the Companies Act, CAP. 110 Laws of Uganda ("the principal"), hereby apply for a licence in terms of section 10 of the Financial Institutions Act, 2004 to establish a financial institution to carry on the business(es) specified in class(es)\*\*..... pursuant to section 10(3) and the Second Schedule to the Financial Institutions Act, 2004.
  
2. I submit the documentation specified in section 10 of the Act and regulation 12 of the Financial Institutions (Licensing) Regulations, 2005.

..... <i>Date</i>	..... <i>Applicant</i>
Applicant's address/ Tel. ..... ..... ..... .....	Principal's address/Tel. ..... ..... ..... .....

**Certification and Undertaking**

I, the undersigned, ..... hereby certify that all information contained in and accompanying this application is complete and accurate to the best of my knowledge and belief.

I undertake to forthwith notify the Bank of Uganda, of any material change in the particulars of this application.

Sworn at ..... this ..... day of ..... 200.....

\_\_\_\_\_  
*Signature of Deponent*

\_\_\_\_\_  
*Principal/ Promoter/Agent*

Deponent understands the contents of this declaration.

Before me,

\_\_\_\_\_  
**COMMISSIONER FOR OATHS**

Note: **\*\*List all the types of business activities in which you propose to engage.**

SCHEDULE 2

REGULATIONS 12 (1) (a) AND 20

INFORMATION SHEET

1. Name: .....  
.....  
.....
2. Former name(s)(if any) by which the applicant has been known:  
.....  
.....  
.....
3. Any name the applicant proposes to use for purposes of or in connection with any business carried on by it, including any name the applicant is or will be obliged to disclose in connection with any business carried on by it by virtue of the Business Names Registration Act (Cap.109 Laws of Uganda).....  
.....  
.....
4. Principal business activities:.....  
.....
5. Head/main office: .....  
.....
  - (a) Address: .....  
.....
  - (b) Telephone No: .....  
.....
  - (c) Telefax No: .....  
.....

6. **Branches:**

*address:*

*Date approved and  
date opened*

.....  
.....  
.....

**Subsidiaries & Affiliates:**

*Name and type of  
business*

*Amount of shares  
held*

*% of shares held  
to total*

.....  
.....  
.....

7. **Management:**

**(1) Board of Directors;**

*Name:*

*Designation*

*Present term*

*No. of years as  
board member*

.....  
.....  
.....  
.....

**Board Committees**

*Name and purpose of committee(s):*

*Name of members:*

.....  
.....  
.....

**(2) Officers:**

*Name:*

*Position:*

*No. of years as officer*

.....  
.....  
.....  
.....

8. **Ownership Profile:**

<i>Name</i>	<i>Country of citizenship</i>	<i>Residence</i>	<i>Paid up capital</i>	<i>%</i>
1. ....	.....	.....	.....	.....
2. ....	.....	.....	.....	.....
3. ....	.....	.....	.....	.....
4. ....	.....	.....	.....	.....
other shareholders owing less than 5% (Number.....)				
<b>TOTAL</b>			.....	.....

9. **Organisation Profile:**

- (1) Organisation chart— attach one indicating major departments or divisions with names, positions and titles of officers heading each department or division.
- (2) Functions— attach a list of functions or responsibilities for each Department or division listed in the organisation chart indicating the number of personnel or staff for each.
- (3) Qualifications of substantial shareholders, directors and officers.
- (4) Annex Personal Declaration Form of each substantial shareholder, director and officer and an Information Sheet for each substantial corporate shareholder.
- (5) Powers and purposes—attach the latest copies of the Memorandum and Articles of Association if not previously submitted to the Central Bank.

10. **Shareholding in any other Financial Institution:**

<i>Name of financial institution</i>	<i>shares amount</i>	<i>owned number</i>	<i>% of capital</i>
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....



**QUESTIONNAIRE ( FOR APPLICANTS ONLY)**

11. Name(s) and address(es) of the applicant's bankers within the last ten years.(Please also indicate the applicant's principal bankers).....

.....  
.....  
.....

12. Name and address of the applicant's external auditors. Please give particulars of any body you may have given authority to carry on any business activity in Uganda or elsewhere. If any, give particulars. If any such authority has been revoked, give particulars, including the name and professional qualification of the partner's who will be responsible for the assignment.....

.....  
.....  
.....

13. Does the applicant hold, or has it ever held, any authority from a supervisory body to carry on any business activity in Uganda or elsewhere ? If so, give particulars. If any such authority has been revoked, give particulars.....

.....  
.....  
.....

14. Has the applicant ever applied for any authority from a supervisory body to carry on any business in Uganda or elsewhere other than the authority mentioned in answer to Question 13 ? If so, give particulars. If any such application was for any reason refused or withdrawn after it was made, give particulars.....

.....  
.....  
.....

15. Has the applicant or any company in the same group within the last ten years failed to satisfy a judgement debt under a court in Uganda or elsewhere within a year of the making of the Order? If so, give particulars.....  
.....  
.....
16. Has the applicant or any company in the same group made any compromise or arrangement with its creditors within the last ten years or otherwise failed to satisfy its creditors in full? If so, give particulars.....  
.....  
.....
17. Has a receiver or an administrative receiver of any property of the applicant or any company in the same group been appointed in Uganda, or has a substantial equivalent of any such person been appointed in any other jurisdiction, in the last ten years? If so, give particulars, including whether the receiver is still acting under the appointment.....  
.....  
.....
18. Has a petition been served in Uganda for an administrative order in relation to the applicant or company in the same group, or has the substantial equivalent of such a petition been served in any other jurisdiction, in the last ten years? If so, give particulars.....  
.....  
.....
19. Has a notice of resolution for the voluntary liquidation of the applicant or any company in the same group been given in Uganda, or has the substantial equivalent of such a petition been served in any other jurisdiction, in the last ten years? If so, give particulars.....  
.....  
.....