



UGANDA

CENTRAL BANK TRANSPARENCY CODE REVIEW

February 2023

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January 30, 2023

DETAILED REVIEW REPORT

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**Monetary and Capital
Markets Department**

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Glossary

ACF	Agricultural Credit Facility
ACT	BOU Act of 1993
AGCB	Audit and Governance Committee of the Board
AIA	Access to Information Act 2005
AM	Administrative Manual
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
AREAER	IMF Annual Report on Exchange Arrangements and Exchange Restrictions
BOU	Bank of Uganda
CBR	Central Bank Rate
CBTC	IMF Central Bank Transparency Code
CLAP	COVID-19 Liquidity Assistance Program
CMA	Capital Markets Authority
CoC	Code of Conduct
DPF	Deposit Protection Fund
DRR	Detailed Review Report
DSIB	Domestic Systemically Important Banks
EAC	East African Community
ELA	Emergency Liquidity Assistance
EXCOM	Executive Committee
FATF	Financial Action Task Force
FCEM	Financial Consumer Empowerment Mechanism
FCPG	Financial Consumer Protection Guidelines
FEA	Foreign Exchange Act 2004
FIA	Financial Intelligence Authority
FERMC	Foreign Exchange and Reserve Management Committee
FMOS	Financial Market Operations Sub-Committee
FSAP	IMF Financial Sector Review Program
FSC	Financial Stability Committee
FSCB	Financial Stability Committee of the Board
FSI	Financial Soundness Indicators.
FSR	Financial Stability Report
FSRF	Financial Sector Regulators Forum
HCM	Human Capital Management
IFEM	Interbank Foreign Exchange Market
IFRS	International Financial Reporting Standards
IRAU	Insurance Regulatory Authority of Uganda
LOLR	Lender of Last Resort
LTV	Loan-to-Value
ML/TF	Money Laundering/Terrorist Financing
MMSP	Mobile Money Service Providers
MOFPED	Ministry of Finance, Planning and Economic Development
MOING	Ministry of Information and National Guidance
MOU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Report
MPS	Monetary Policy Statement

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NPSA	National Payment System Act
OMO	Open Market Operations
PSP	Payment Service Provider
QFSR	Quarterly Financial Stability Review
RSC	Regulation and Supervision Committee
SBRF	Small Business Recovery Fund
SDDS	IMF Special Data Dissemination Standard
SDR	Special Drawing Rights
SFCB	Strategy and Finance Committee of the Board
URBRA	Uganda Retirement Benefits Regulatory Authority
USH	Uganda Shilling

EXECUTIVE SUMMARY

The Bank of Uganda (BOU) is implementing transparency practices that are broadly aligned with the good practices for central banks. The BOU's initiatives on a comprehensive communication strategy and broad use of tools underpin the commitment to transparency and its accountability for the price stability mandate. The BOU seeks to improve public accountability and intends to use the results of the CBTC review to further improve its communications and transparency practices.

The overall legal framework and governance arrangements of the Bank of Uganda (BOU) are disclosed in a transparent manner but could be made more easily accessible. The Bank of Uganda (BOU) has embarked on a legal reform of the Bank of Uganda Act (the BOU Act)¹ which is intended to bring it into conformity with the Constitution and align the Act with good practices of other central banks. This would serve to further enhance transparency and to address weaknesses of the BOU's legal structure, mandate, autonomy, and governance arrangements.

The BOU continues to improve communication of its monetary policy framework in a transparent manner, but there is room to enhance transparency by disclosing policy deliberations. A detailed description of the monetary policy framework is publicly available on the website that is conveyed in an understandable manner. The BOU also explains the reaction function of monetary policy by regularly clarifying the relationship between objectives, instruments, and the macroeconomic conditions. To this end, particularly important is the role played by the Monetary Policy Statement (MPS) and the Monetary Policy Report (MPR), which are published regularly and in a timely manner. The decision-making processes and policy deliberations of the Monetary Policy Committee (MPC) represent areas where transparency could be enhanced, including through publication of the minutes of the MPC.

The BOU has improved macroprudential policies and the analytical framework aimed at mitigating systemic risks, but decisions leading to macroprudential actions are not explained. The BOU undertakes regular financial sector surveillance and conducts stress-tests to determine the resilience of the system to plausible shocks. However, the draft of the macroprudential policy framework has not been formally approved by the Board and, consequently, is not published. There is no process of post evaluation of the impact of policy decisions on the relevant macroprudential intermediate target. The BOU should consider enhancing transparency by disclosing the macroprudential policy framework, including the objectives that are mapped to the relevant policy instruments, and by publishing its policy decisions in a timely and uniform manner.

The role of the floating exchange rate regime is clearly disclosed. Several publications explain the objectives of the FX management framework. The BOU transparency practices in foreign exchange policies and operations would benefit from publishing the terms of reference of the committees and sub-committees involved. More specifically, the Financial Market Operations Sub-

¹ Bank of Uganda Act.

Committee (FMOS) in charge of FX intervention should be clear on the choice of instruments used in the foreign exchange market for implementing policy actions and provide more context for what is meant by excessive exchange rate volatility.

The new BOU ELA operational framework should be published on the BOU website. The transparency practices could be strengthened with the publication of the new Operational ELA framework (once approved) on the BOU website, as a comprehensive framework including all the rules and parameters expected in an ELA facility. However, the haircuts or other risk mitigation measures applied for the collateral should remain confidential to mitigate the risks of moral hazard.

The anti-corruption legal framework in Uganda applies to the BOU, however no details are disclosed in the public domain as to how it is applied and enforced with respect to the BOU. The anti-corruption legislation refers to the obligations and duties of the public bodies and their staff. The internal administrative rules within the BOU clarify that the legal framework applies to its decision-makers, staff, and agents. These internal rules provide for the expected standards of behavior, including with respect to conflicts of interests, and acceptance of gifts. The BOU also has an internal Code of Conduct applicable to the Board members, which is also not disclosed.

The external AML/CFT supervisory activities of the BOU and its internal AML/CFT controls are not disclosed to the public. The legal framework provides that the BOU is responsible for AML/CFT supervision of the banking sector and several nonbanking entities. The supervisory activities of the BOU traditionally prudential in nature and its AML/CFT capabilities are being overhauled. There is no information available in the public domain on its supervisory activities, policies, and processes in the context of AML/CFT. While certain AML/CFT supervisory activities had taken place in the past, a dedicated AML/CFT team has been only recently established. It is expected that Uganda will start providing more information on its AML/CFT approach once it fully crystalizes the pending implementation of reforms. Likewise, the BOU is undergoing a transition of its internal AML/CFT policies and process and currently no information is publicly available on this internal function.

The BOU has established a media center to enhance its communication and outreach. The BOU communications policy and strategy maps the position of stakeholders and sets forth initiatives to improve the overall communications to integrate into the broader BOU efforts to improve policy effectiveness. There was committed follow through on the elements of the 2017-22 strategy and the BOU endeavors to further strengthen public accountability. The BOU should release excerpts from its communications policy and strategy and the broader BOU strategic plan for public consumption to enhance transparency.

The BOU should consider compiling and developing a policy on confidentiality that includes the reasons underlying the choices it has made on disclosure or non-disclosure. The BOU could develop a confidentiality policy and provide the standard approach of a continuum of disclosure versus confidentiality that clearly states a bright line rule along the prescribed continuum.

The mission found that BOU's transparency practices largely conform to various dimensions of transparency as information is disseminated through several channels. The timeliness for

disclosures is consistent with the periodicity in the published communication standards. However, relative to the criteria outlined in the CBTC, there is room to enhance the quality of transparency in some important areas relevant to support institutional accountability (see Table 1 and Key Recommendations).

Pillar	Principle		Sub-Principle		Practices ¹		
					Core	Expanded	Comp.
I. Governance	1.1.	Legal Structure					
	1.2.	Mandate					
	1.3.	Autonomy	1.3.1.	Institutional/Operational			
			1.3.2.	Functional			
			1.3.3.	Personal			
			1.3.4.	Financial			
	1.4.	Decision-Making Arrangement					
	1.5.	Risk Management	1.5.1.	Risk Exposure			
			1.5.2.	Risk Framework			
	1.6.	Accountability Framework	1.6.	Accountability Framework			
			1.6.1.	Arrangements			
			1.6.2.	Tools			
			1.6.3.	Anti-Corruption/COC			
1.6.4.			Human Capital Management				
1.7.	Communication	1.7.1.	Arrangements				
		1.7.2.	Strategy/Tools				
1.8.	Confidentiality						
II. Policies	2.1.	Monetary Policy	2.1.1.	Objectives/Framework			
			2.1.2.	Policy Decisions			
			2.1.3.	Supporting Analysis			
	2.2.	FX Administration	2.2.1.	Objectives/Framework			
			2.2.2.	Policy Decisions			
			2.2.3.	Supporting Analysis			
	2.3.	FX Management	2.3.1.	Objectives/Framework			
			2.3.2.	Policy Decisions			
			2.3.3.	Supporting Analysis			
	2.4.	FX Reserve Management	2.4.1.	Objectives/Framework			
			2.4.2.	Policy Decisions			
			2.4.3.	Supporting Analysis			
	2.5.	Macroprudential	2.5.1.	Objectives/Framework			
			2.5.2.	Policy Decisions			
2.5.3.			Supporting Analysis				
2.6.	Micro-prudential Supervision						
2.7.	Emergency Liquidity Assistance (ELA)						
2.8.	Resolution						
2.9.	Financial Market Infrastructure (FMI)						
2.10.	Financial Integrity (Internal AML/CFT Control)						
2.11.	Consumer Protection						
III. Operations	3.1.	Monetary Policy	3.1.1.	Instruments			
			3.1.2.	Coverage			
			3.1.3.	Access			
	3.2.	FX Administration	3.2.1.	Instruments			
			3.2.2.	Coverage			
	3.3.	FX Management	3.3.1.	Instruments			
3.3.2.			Coverage				

¹ Practices are divided into three categories: "Core," Expanded," and "Comprehensive."

Table 1. Uganda: Central Bank Transparency Overview for Bank of Uganda (concluded)

Pillar	Principle	Sub-Principle	Practices		
			Core	Expanded	Comp.
	3.4.	FX Reserve Management	3.4.1. Instruments		
			3.4.2. Coverage		
			3.4.3. Review		
	3.5.	Stress Testing	3.5.1. FS Assessments		
			3.5.2. Stress Test Methods		
			3.5.3. Stress Test Coverage		
			3.5.4. Use of Stress Test Results		
	3.6.	Macroprudential	3.6.1. Instruments		
			3.6.2. Enforcement		
	3.7.	Micro-prudential Supervision			
	3.8.	Emergency Liquidity Assistance (ELA)			
	3.9.	Resolution			
	3.10.	Financial Market Infrastructure (FMI)			
	3.11.	Financial Integrity (Internal AML/CFT Control)			
	3.12.	Consumer Protection			
IV. Outcome	4.1.	Monetary Policy	4.1.1. Governance Actions		
			4.1.2. Policies		
			4.1.3. Operations		
	4.2.	FX Administration	4.2.1. Governance Actions		
			4.2.2. Policies		
			4.2.3. Implementation		
	4.3.	FX Management	4.3.1. Governance Actions		
			4.3.2. Policies		
			4.3.3. Operations		
	4.4.	FX Reserve Management	4.4.1. Governance Actions		
			4.4.2. Reporting on Implementation		
		4.4.3. Financial Results			
4.5.	Macroprudential	4.5.1. Governance Actions			
		4.5.2. Policies			
	4.6.	Micro-prudential Supervision			
	4.7.	Emergency Liquidity Assistance (ELA)			
	4.8.	Resolution			
	4.9.	Financial Market Infrastructure (FMI)			
	4.10.	Financial Integrity (Internal AML/CFT Control)			
	4.11.	Consumer Protection			
V. Official Relations	5.1.	Government	5.1.1. Institutional		
			5.1.2. Financial		
			5.1.3. Instruments		
			5.1.4. Outcome		
	5.2.	Domestic Agencies	5.2.1. Institutional		
			5.2.2. Instruments		
			5.2.3. Macroprudential		
			5.2.4. Financial Stability		
	5.3.	Foreign Agencies	5.3		
5.4.	Other Relations	5.4.1.			
	Denotes "Not Applicable"			Denotes "Not Implemented"	

KEY RECOMMENDATIONS

1. The general legal structure, mandate, autonomy, and decision-making arrangements of the BOU are disclosed, but it could be made more easily accessible.² The transparency can be further enhanced by assembling all relevant information on the BOU's legal framework, mandate, autonomy (including the rationale) and the roles and composition of its decision-making bodies on the website to make it easily accessible and understandable. The website could also explain any inconsistencies and disclose any other legislation which relates to the BOU.

2. Transparency on risk management would benefit from disclosure of: (i) a general risk statement that explains the BOU's attitude towards risks clearly mapped to its mandate; (ii) an overview of responsibilities of the risk management function and its role in pursuit of the BOU's objectives; and (iii) the overall risk strategy of the BOU.

3. Transparency could be enhanced with more clarity on accountability arrangements. While priority should be given to providing a high-level overview of the BOU's accountability framework on the website and/or in the annual report, the BOU should consider publishing the charters of the internal audit function and the Audit and Governance Committee of the Board (AGCB), and information on their main activities during the financial year.

4. The BOU could enhance transparency of its communications policy by disclosing the means, methods, and forms of disclosure to its stakeholders. The communications related policy and strategy and the broader BOU strategy are not released publicly on the website or by other means. However, the layout of the website and its tracking and consistent use of a broad range of channels and tools indicate that the BOU actively promotes the communication of its overall strategy. The BOU could make accessible the excerpts from its communications policy and the broader BOU strategic plan to further enhance transparency.

5. The BOU should consider compiling and developing a policy on confidentiality, including reasons for its decisions presented in a systematic manner. The BOU should consider developing a confidentiality policy based on the past history of requests and provide the standard approach of a range of disclosure versus confidentiality that clearly states a bright line rule along the prescribed continuum. The BOU could publish information about confidentiality policies to benefit stakeholders through improved clarity on what is confidential and the reasons for those conclusions.

6. The BOU communication would benefit with publishing MPC deliberations and characteristics of instruments. The BOU has a transparent framework for its monetary policy mandate, though communication could benefit from some adjustments. It would benefit if BOU communicates the composition and decision-making process of the MPC along with dissemination of MPC meeting minutes on the website. The website could report the detailed characteristics

² The key recommendations are intended to provide high-level focal point to enhance transparency practices, however, it is within the purview of the BOU to evaluate the sequence and map its transparency choices. Please refer to the Detailed Review Table in Table 3 for the complete overview of principle wise transparency recommendations.

(maturity, interest rate, method, collateral, outstanding volume, etc.) of all instruments used in the toolkit and could reiterate that there is a band around the point inflation target.

7. It would be useful to clarify the role and choice of instruments and decision-making process that are consistent with exchange rate and monetary policy regime. It would benefit if BOU can improve transparency on the decision-making processes by publishing the terms of reference of the FMOS. A clearer communication on the rationale for FX interventions and the choice of instruments within the toolkit given the market context and regime would also be useful.

8. The BOU could disclose the broad context, governance, and oversight framework of its Foreign Exchange Reserves Management. Transparency can be enhanced if a dedicated section on the BOU website could disclose broader policy framework, including the decision-making and the oversight arrangements.

9. The FX Administration and Cross-border Flows transparency practices may benefit from more clarity in case of implementation of temporary measures. It may benefit stakeholders if BOU can disclose information about the overall policies and procedures in case of the adoption of temporary measures following severe deterioration of the BoP and by indicating that Uganda has no capital controls. Disclosure of the procedures to obtain a license for a bank, forex bureau, and money remittance, along with required forms for certain transactions in a more accessible way, could enhance transparency.

10. Following approval, the BOU ELA operational framework should be published on the BOU website, however haircuts for the collateral should not be published. Transparency practices would be enhanced by publishing the new Operational ELA framework on the BOU website as this corresponds to a comprehensive framework that includes all the rules and parameters expected in an ELA framework, in particular rules regarding supervision and disclosure policy. Providing greater clarity about the ELA framework should not be interpreted as suggesting that BOU should publish haircuts for specific types of collateral as this could indeed have problematic implications, including to give undue incentive for banks to optimize on this information.

11. Transparency on Macroprudential Policy would benefit from the disclosure of the macroprudential policy framework, and objectives mapped to the policy instruments. The BOU would also benefit from aggregating the relevant information under the macroprudential section of the website, including clarity on objectives mapped with relevant instruments.

12. The BOU should consider disclosure of its internal AML/CFT framework and internal controls with appropriate confidentiality and safeguards. The BOU can consider providing information on applicable anti-corruption legal instruments and clarify how these are applicable with the relevant teams and policies in the process of being set up. It can publish information regarding anti-corruption measures and expected standards of personal and professional behavior applicable to the BOU's decision-makers, staff, and agents, including the Code of Conduct and any further information regarding their application and review. A broad overview about the Bank's internal AML/CFT controls is critical and publication would be beneficial.

13. Disclosure of information about the AML/CFT supervisory processes, and related procedures of the BOU would be beneficial. This should also include publishing relevant legal instruments on the BOU's website and an overview of the activities in the annual reports and/or other publications to enhance transparency.

14. Following the consumer protection sub-principles, the BOU should disclose its policy, operations, and outcomes regarding consumer protection. The National Payment Systems Act 2020, which the BOU makes available on its website, provides an explicit basis under law to mandate that payment service providers comply with consumer protection standards. The BOU has also developed consumer protection guidelines and a framework for financial literacy and financial consumer protection. A complaint mechanism has also been developed for those consumers who want to file complaints regarding their treatment by financial institutions.

15. The Financial Sector Regulators Forum (FSRF) is an important collaborative forum and increased disclosure of its overall efforts is recommended. The disclosure of the MOU among the FSRF members,³ and periodic updates on the work of the FSRF through press releases or other updates, in the Supervision Report or Financial Stability Report, are warranted. The FSRF is the most prominent of the several coordination forums among domestic financial agencies.

SCOPE AND OBJECTIVE

16. In response to a request from the Bank of Uganda (BOU), the mission team conducted a Central Bank Transparency Code (CBTC) review. This mission was the fourth conducted under the pilot CBTC review program. The scope of the review covered all CBTC principles for areas that are defined mandates within the Bank of Uganda Act, excluding those related to functions that fall outside of the scope of the CBTC pilot reviews, such as those covered by established international standards (i.e., micro-prudential supervision and resolution, and financial market infrastructure), these are denoted as "Not Applicable." The detailed review should facilitate the BOU in its endeavors to strengthen public accountability and to use results of the review to further improve its communications.

17. The CBTC review intends to help the BOU evaluate its transparency practices, to identify strengths and areas of improvement, and as an input to its five-year strategic plan. The review maps the BOU's transparency choices compared to a range of best practices as detailed in the CBTC, covering transparency in: (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. The review should help the BOU develop action plans to further strengthen the dialogue with the stakeholders. The review provides an opportunity to categorize its current transparency practices across the range of responsibilities and identify strengths and areas for improvement. In particular, the review would be beneficial to BOU in its efforts to enhance communication and to advance policy effectiveness.

³ Bank of Uganda, the Capital Markets Authority, Insurance Regulatory Authority, and the Uganda Retirement Benefits Regulatory Authority.

APPROACH AND METHODOLOGY

18. The mission’s approach consisted of a desk review and in-depth discussions with the BOU and its key stakeholders. The CBTC workshop conducted for BOU between February 18-22, 2022, was beneficial to the authorities to understand: (i) the key considerations pertaining to the CBTC review; and (ii) the CBTC principles and range of practices. The mission team conducted a preliminary desk review based on the publicly available information and the self-review questionnaire provided by BOU prior to the mission. This desk review formed the basis for discussions with BOU (Board members, management, and staff) as well as meetings with key stakeholders’ representatives in the public and private sector, including academia, think tanks and journalists. The stakeholder meetings facilitated an understanding of and a collection of views on, and experiences with, the BOU on its transparency practices. The meetings with key stakeholders were coordinated by the BOU, though BOU staff did not attend such meetings.

19. The review was conducted principle-by-principle, taking into consideration the relevant dimensions of transparency practices. The review mapped the BOU’s transparency practices according to the CBT principles and range of practices. The considered other important dimensions of transparency, including: (i) means; (ii) timeliness; (iii) periodicity; and (iv) quality of disclosure. The latter is of particular relevance when reviewing accessibility and the ease of understanding of information, especially by the general public. The review also took into account the views expressed by the BOU key stakeholders.

BACKGROUND

20. The pandemic has exacerbated Uganda’s development challenges, but the authorities took actions to alleviate the economic impact. Economic activity came to a halt in FY2019-20 following a collapse in external demand and the stringent lockdown measures implemented to alleviate the impact of the pandemic. If left unaddressed, the impact of the pandemic could have significantly lowered potential growth. The authorities took actions that included increasing fiscal support (using concessional financing), easing the policy rate to 6.5 percent (the lowest since adopting inflation targeting), initiating extraordinary liquidity support and credit relief measures, and to support vulnerable populations.

21. The economy is gradually recovering, but the environment remains challenging. Economic activity is gradually recovering with growth in FY2021 at 3.4 percent, albeit about half of its pre-pandemic levels. After last year’s sharp contraction, external demand improved, though the current account deficit deteriorated to 10.2 percent of GDP driven by broad-based increases in imports and weak tourism. Off-shore investors’ holdings of government bonds indicated a strong appetite despite some outflows. The gross external reserves, including the SDR allocation, increased to \$4.4 billion (4.2 months of imports) in December 2021.

22. The Bank of Uganda (BOU) has embarked on legal reform to address weaknesses in the governance arrangements and the legal framework. The reform, which is expected to be

approved in 2022, is intended to bring the Bank of Uganda Act⁴ (the Act) into conformity with the Constitution, including provisions on the BOU's institutional autonomy, personal autonomy of executives and board members and composition of the Board.⁵ The latest amendments submitted to the Cabinet also align the Act with good practices on the BOU's mandate, including its lender of last resort role, financial autonomy, and governance, addressing several of the recommendations raised in the 2021 Safeguards Assessment.

23. The BOU adopted an inflation targeting monetary framework in 2011, and inflation has remained anchored close to its medium-term target. The objective of maintaining price stability is embodied in the BOU Act 2000 and the inflation targeting monetary policy framework⁶ was adopted in July 2011. Since then, core inflation has consistently remained close to the lower end of the 5 percent medium-term inflation target. Over the years, gradual progress has been made to develop the fundamental elements of inflation targeting, including macro-economic forecasts, communication, and a well-developed operational framework for monetary policy.

MAIN FINDINGS

A. Pillar I. Transparency in Governance

Legal Structure, Mandate, and Decision-Making

24. The mandate and overall legal structure of the BOU, including its legal framework and nature are disclosed, but information on the BOU's legal protection is not easily accessible.

Pending the enactment of the amendments to the BOU Act, transparency regarding the BOU's legal structure and mandate could be enhanced by explaining on its website: (i) the general legal framework of the BOU, which includes the Constitution and BOU Act; (ii) the legal nature and legal protection applicable to the BOU; and (iii) its present objectives and functions, including clarifying its mandate for ease of understanding, especially by the general public.

25. The BOU's institutional autonomy is enshrined in the Constitution, but transparency practices surrounding the autonomy of the BOU could be strengthened. A better sense of the BOU's institutional, functional, and personal autonomy of executives and board members would be achieved with the public disclosure of: (i) a clearer explanation of the supremacy of the Constitution; (ii) the role of the Minister under the BOU Act and the relationship between the BOU and the Minister/MOFPED; and (iii) the mechanisms ensuring security of tenure of the members of the BOU's decision-making bodies, and its rationale.

26. The BOU discloses its organizational structure and the functions of its Board. This is disclosed in the BOU Act, BOU website and Annual Report. However, neither the BOU Act nor the website provide details for the role of the Governor or of the Management Committees and their

⁴ [Bank of Uganda Act](#).

⁵ The BOU's Board has a majority of non-executive members, and comprises of the Governor (Chair), the Deputy-Governor, four independent members, and the Secretary to the Treasury.

⁶ Bank of Uganda | Monetary Policy Framework | Bank of Uganda | Monetary Policy Statements.

composition. The website discloses the composition of the Board Committees, but not their functions. Information on the organizational structure and allocation of responsibilities of the BOU's decision-making bodies could be included on a dedicated page on the website in a manner that is easily accessible for the public. The website could also be regularly updated with the most current Board members and executives.

Risk Management and Accountability Framework

27. Disclosures on risk management could be enhanced. The BOU's transparency on risk management consists of the disclosure of high-level overviews of key risks, main developments in these risks over the financial year, risk governance arrangements and the risk management process. However, the BOU's publications lack an institutional view on the bank's risk management framework (e.g., risk statement is mainly focused on foreign reserves management and risk strategy is disclosed only for credit risk). To improve transparency, the BOU could consider publishing: (i) a general risk statement containing a mapping of key risks to its mandate and the bank's tolerance for these risks; and (ii) the overall strategy to manage these risks. Furthermore, the disclosure of risk governance structure could be expanded to provide an overview of the role and key responsibilities of the risk management function.

28. Improving the transparency practices on oversight and internal audit arrangements would support the BOU's reputation as a well-managed, autonomous institution. The BOU legal framework does not provide for the AGCB acting as an independent oversight body in practice nor the internal audit function, which has been present in the BOU for many years. The ongoing central bank legal reform is expected to introduce these important accountability arrangements to the BOU Act. While the legal amendments are underway, the BOU could disclose on its website and/or in its annual report: (i) the AGCB's oversight role and responsibilities; and (ii) an overview of internal audit arrangements, including the role and reporting lines of the internal audit function and criteria for the appointment of its head. In addition, consideration could be given to publishing the charters of the AGCB and the internal audit function, and information on their main activities in a reporting period.

29. The BOU gives the public sufficient information on its financial activities and position in the annual financial statements. The BOU publishes a complete set of independently audited financial statements as a part of the annual report. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and accompanied by the Auditor General's report, which includes an external audit opinion referring to the International Standards on Auditing. The BOU Act currently does not provide for applicable accounting and auditing standards nor publication of the audited financial statements.

30. Consideration could be given to increasing transparency on the governance and management of human capital. The BOU publishes in the annual report generic information on staff composition, recruitment, and development. In addition, the BOU website describes the ongoing recruitment campaigns and internship program. However, there are no explicit references to diversity and inclusion or to leadership and succession planning. The BOU could improve disclosures

in these areas as well as communicate to the public applicable policies for attracting, promoting, and retaining employees.

31. The anti-corruption legal framework is applicable to the BOU decision-makers and staff, but no information is disclosed on whether and how this framework applies to the BOU.

The Anti-Corruption Act, the Leadership Act, along with the Inspectorate of Government Act and the Penal Code, provide for the AC legal framework in Uganda. These acts are available online, although not on the BOU website. The Anti-Corruption Act is a specialized anti-corruption law, which contains measures to prevent offenses for personal gain in the public sphere, including on matters such as conflicts of interests, and undue gifts and gratifications. The Anti-Corruption Act states that it is applicable to all public bodies and governmental agencies. It is further complemented by the Leadership Act that reinforces the various abuse under the public office offenses and specifically provides for an annual declaration of income, assets, and liabilities.⁷ The internal administrative manual of the BOU makes it clear that the anti-corruption legal framework does apply to the BOU decision-makers, staff, and its agents. Such references should be drawn to ensure visibility into all applicable legal provisions and to avoid any uncertainty as to their applicability and enforcement with respect to the BOU's decision-makers, staff, and agents.

32. The BOU does not disclose information on its expected standards of personal and professional behavior and the Code of Conduct (COC). The BOU has rules on the expected standards of behavior of its Board members, staff, and agents, but these are set out in internal documents which are not disclosed to the public. The Administrative Manual (AM), which is applicable to the BOU's decision-makers, staff, and agents, provides for rules and policies on matters such as dutiful fulfillment of functions, disclosure of personal interests, acceptance of gifts, prevention of fraud, whistleblowing, and an overall compliance framework. The investigations of offenses, as listed in the manual, are the responsibility of the Management Disciplinary Committee. The Board Charter, which is the second of the internal documents, contains the COC rules applicable to the Board members, similar to rules on the expected standards of behavior set out in the AM. The COC is specifically applicable in the context of the Board deliberations, and applies to the Board members, their alternates, and accompanying staff. The oversight of these rules is the responsibility of the Chairman of the Board and the Board Secretary. The BOU should consider disclosing relevant rules, and publishing of the COC, including information regarding any breaches of these rules and their outcomes.

⁷ Post the 2021 amendments, the Leadership Act applies not just to high-ranking officers and political leaders, but more broadly to any public officers defined as any persons holding or acting in a public service of the Government.

Communications and Confidentiality

33. The communication principle and the adjacent principle on confidentiality are complementary and mutually exclusive as information is either free to be disclosed or is considered confidential, which may require select redaction or complete refusal to disclose.

The BOU Act was last amended during the 1990s, so the disclosure and confidentiality provisions need reconsideration in light of the passage of the Access to Information Act (AIA), and for the evolution in central bank transparency and disclosure methods the past 25 years.

34. The BOU has established a media center and taken several steps to enhance its communication and outreach. This was done in response to the need to communicate more openly and clearly to its stakeholders on policy issues to reduce uncertainty and improve policy effectiveness. The BOU has leveraged several channels of communications and technologies, including blogs, podcasts, social media, community events, to deliver messages more efficiently and create better understanding of monetary policy and the financial system. The BOU endeavors to further strengthen public accountability. In this context, the BOU has taken a keen interest in undertaking a CBTC pilot review recommendations that may facilitate implementing good practices.

Box 1. The BOU's Ongoing Enhancements to the Communications Strategy and Outreach

The genesis for the many of the initiatives in the area of communications was the BOU's 2017 to 2022 bank-wide strategy. The strategy made clear that it would "...communicate its conduct of monetary policy and other activities in a clear and comprehensible manner." The strategy further noted that one of the factors needed for the BOU to succeed in achieving its strategy would be to develop a "...diversity of communication channels...to reach out to a wider audience in a cost effective and timely manner."

The centerpiece of the communications effort is the Media Center, which houses links to the many platforms upon which the BOU presents information on the status of its operations with many options for the full range of expertise, from the most sophisticated market participant to members of the general public in need of a basic understanding of the BOU's operations.

The Media Center is the gateway on the BOU website to the following forms of communication aimed at public education and awareness:

- Public education videos: Available on a wide range of topics, including the release of the monetary policy statement and post monetary policy statement, speeches, and testimony before Parliament. The BOU YouTube channel currently has over 1,000 subscribers.
- Audio recordings: These are in a form similar to podcasts and explain issues such as the identification of genuine currency banknotes.
- Posters and brochures: Public awareness materials on topics such as electronic funds transfer, the real time gross settlement system, the deposit protection fund, the agricultural credit facility, credit reference services and financial stability.
- Headlines/news items: Current issues relevant to the operations of the BOU with contact information for the BOU's head of media relations and director of communications.
- List of partner agencies: Details on the counterpart central banks that the BOU coordinates with on a regional basis.

Box 1. The BOU's Ongoing Enhancements to the Communications Strategy and Outreach (concluded)

As a follow-up on the efforts to implement BOU's 2017 to 2022 bank-wide strategy as it winds down, the BOU has also developed an internal communications-specific strategy for the years 2020/2021 to 2024/2025.

Ongoing initiatives related to external communications include:

- Strengthen monetary policy communication and its broader impact on macroeconomic policy.
- Enhance financial stability communication.
- Strengthen financial sector developments communication.
- Enhance the BOU's communications capacity by conducting targeted capacity building for communications staff through specialized training and development programs.
- Improve the BOU's crisis communications management.
- Improve BOU's corporate image through branding.
- Strengthen BOU's relationship with the media.

35. The details on the communication organizational structure are disclosed, but the communications policy and strategy are not. An organization chart is available which makes clear the location of the director of communications within the governance and reporting structure of the BOU and the website has a prominent landing page that leads users to contact information for the communications director. The BOU communications policy and strategy map the position of stakeholders and set forth initiatives to improve BOU communications. The communication policy also takes steps to integrate with the overall BOU strategy integrating the role of communications into the broader BOU efforts. These documents are not provided publicly.

36. The BOU does not have a compiled policy on confidentiality, including the reasons for those policy conclusions. The principle on confidentiality requires clarity on what information is either free to be disclosed or is considered confidential, which may require select redaction or refusal. The BOU does not have such a policy but could develop one based on the past history of requests and provide the standard approach of a continuum of disclosure versus confidentiality that clearly states a bright line rule along the prescribed continuum. The BOU could then publish more information regarding confidentiality policies and this would be a good step toward improved clarity for stakeholders regarding what is disclosable and what is confidential.

B. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome

Monetary Policy

37. Overall, the BOU communicates its monetary policy framework in a transparent manner. The inflation targeting lite regime that was adopted in July 2011 is described in detail in several publicly available outlets. The BOU explains the reaction function of monetary policy by regularly clarifying the relationship between objectives, instruments, and macroeconomic conditions. To this end, particularly important is the role played by the Monetary Policy Statement (MPS) and the

Monetary Policy Report (MPR), which are published regularly and in a timely manner. These documents systematically provide an assessment of economic developments and outlook, discuss the balance of risks, report monetary decisions, and elaborate the rationale and expected effects of such decisions. The BOU discloses the analytical work supporting the conduct of monetary policy by publishing macroeconomic forecasts and scenario analysis, but the models used are not publicly available. The composition and decision-making process of the MPC is an area where transparency could be enhanced, as the structure of the MPC and its deliberations are not disclosed.

38. The central bank discloses its monetary policy decisions and indicates how the decisions foster the achievement of its policy objectives. The Monetary Policy Committee (MPC) meets every two months (six times a year), or more frequently should the need arise. The policy decisions are announced to the public after the respective meeting of the MPC through official statements posted on the website, as well as other media channels. The MPC's rationale for the policy decision is included in the statement, and subsequently a Monetary Policy Report is published on the BOU website two weeks after the release of the statement. The MPC decisions are taken on a consensus basis of all members of the committee, though minutes are not published.

39. The BOU discloses information on its monetary operational framework, identifying the operational target and the set of instruments included in the toolkit. The website lists the main tools and explains how the BOU intervenes in money markets to keep relevant interbank market rates aligned with the policy rate. The outcome of monetary policy operations is published daily together with data on liquidity conditions and market activity. The degree of transparency on the terms and conditions attached to each instrument varies significantly. For some tools, such as the Lombard and rediscount windows and term deposits, comprehensive prospectuses are available on the website. The mission could not locate on the website the same information for other tools that play a key role in the implementation of monetary policy, including repo and reverse repo contracts. Details about the reserve requirement are quite scant since its role and relative parameters are not disclosed in the context of monetary policy communication.

40. The assessment of monetary policy outcomes is transparent and performed regularly. To fulfill its legal obligations set by Article 49 in the BOU Act, the central bank discharges its accountability by sharing an Annual Report with the Government, which in turn forwards it to the Parliament. This report provides a description of all the key central bank activities, including a discussion of monetary policy decisions and outcomes, together with the financial statements. The BOU publishes multiple outlets assessing the progress towards maintaining price stability and the main risks to the economic outlook. These publications include the MPR, the MPS, and a simplified version of the MPS, which relies on non-technical language and infographics to reach out to a broader audience. Daily reports provide details of each monetary policy operation (amounts, rates, and the maturity profile); however, the outstanding aggregate volumes are not publicly available.

Foreign Exchange and Reserves Management

41. The role of the floating exchange rate regime in the prevailing monetary policy regime is clearly disclosed. Several publications and reports explain the objectives of the FX management

framework of the BOU. These reports clearly spell out that the BOU has a floating exchange regime compatible with the inflation-targeting regime. These reports explain the objective of the BOU FX interventions to reduce excessive volatility that could affect inflationary expectations through discretionary and targeted interventions, including that FX purchases may also be carried out to build reserves. It may though benefit if the context of excessive exchange rate volatility is defined by BOU.

42. The modus operandi as well as ex-post reports are clear. FX transactions are executed transparently with the relevant participants in the Interbank Foreign Exchange Market (IFEM) through the electronic platform Refinitiv. Different transparent modus operandi are used depending on the objective of the BOU interaction with the market. The BOU publishes aggregate data, motivations and outcomes for past interventions in the bi-monthly policy report. Data on reserve build up purchases are published. Counterparties must comply with the market code of conduct set by the BOU and the FX Global code.

43. The core elements for FX reserve management are disclosed, but some enhancements could be made. The BOU Act contains useful information on eligible asset classes and the Annual Report discloses information on risks considered. Frequent disclosures on reserves management are made through a quarterly report and the annual financial statements. A dedicated report on the Foreign Reserves could provide more disclosure on the practices and decisions made, as well as the supporting analysis for the decisions. More disclosure on the oversight reporting framework and ex-post analysis of impact of investment and risk assessment, including the reasons for the actions taken, could help improve transparency.

44. The responsibility concerning FX administration emanates from regulatory provisions approved in the Parliament and the BOU is not structured to oversee, regulate, or implement measures for managing cross-border financial flows. Uganda has had an open capital account and does not apply restrictions to current account transactions. Under the Foreign Exchange Act of 2004, there are no recent policy disclosures on regulations or imposition of exchange controls that may be relevant for the CBT concerning: (i) the regulation of cross border financial flows in foreign and domestic currencies (i.e., sale/purchase, transfer, transmission, and export/import of domestic and foreign currencies, etc.); (ii) the regulation of transactions in foreign currencies within the country; (iii) the regulation of transactions within the country in domestic currency between residents and non-residents, and between non-residents; and (iv) the rate at which the purchases and sales of foreign exchange may take place in the country. The disclosure of the allowable FX activities and the requirements for general licensing of entities authorized to execute FX are assessable via the BOU website.

Financial Stability and Macroprudential Policies

45. While the BOU does not have an explicit financial stability and macroprudential legal mandate, the BOU Act and the Financial Institutions Act empower the central bank with the power to regulate, supervise and discipline institutions and prescribe prudential norms. On this basis, the BOU undertakes adequate measures in supervising financial institutions and has introduced a wide range of macroprudential policy instruments applied to banks. The

communication process of macroprudential decision-making is carried out through circulars, publication of the relevant sublegal acts and the methodological framework on the website and the release of policy information through the Financial Stability Report and the quarterly Financial Stability Review.

46. The BOU discloses periodically its overview of the financial stability outlook. The annual Financial Stability Report and the quarterly Financial Stability Review release periodical information on the main developments of the financial system and exposure to imminent risks. The results of the stress tests are disclosed on an aggregate level but with no insight given to the use of the results for policy actions. Financial Soundness Indicators (FSI) are regularly published as part of these reports in a tabular format, rather than discussed to disseminate to stakeholders BOU views on financial developments. The Financial Stability Report discloses information on changes of policy regulations (sublegal acts) foreseen within the next period, however the drafts of the regulations are not published on the website for public consultation and input. BOU has active engagement with financial institutions, interested stakeholders and academia through direct, bilateral communication rather than a public approach. Given the active bilateral engagement, financial institutions are able to anticipate and apprehend policy changes. However, the awareness of the BOU policy framework continues to remain limited.

47. The Financial Stability Committee of the Board (FSCB) oversees the formulation and approval of macroprudential policies and frameworks. The FSCB oversees the formulation of macroprudential policies, regulation, and crisis resolution. A separate Financial Stability Committee (FSC) meets on a quarterly basis, is tasked with reviewing systemic risks, taking actions to reduce or manage such risks and implementing macroprudential policies. The BOU publishes on its website the quarterly Financial Stability Reviews, an annual Financial Stability Report, and an Annual Supervision Report that provide a review of financial sector risks. The Financial Sector Stability Forum (FSSF), chaired by the Minister of Finance, is a multilateral body that coordinates the actions of various institutions that have mandate over the regulation and supervision of the financial sector.

48. The BOU has worked to improve its macroprudential policies⁸ and analytical frameworks aimed at mitigating systemic risks. The BOU undertakes regular financial sector surveillance and conducts stress-tests to determine the resilience of the system to plausible shocks as part of its contribution to maintaining financial stability. To ensure a good level of preparedness to manage risks, the BOU has also developed a crisis preparedness and management framework

49. The decision-making process leading up to the macroprudential actions is not disclosed. The interim draft of the macroprudential policy framework is not formally approved at the Board level. Consequently, the policy framework is not released to the public; there is no process of post evaluation of the policy impact on the relevant macroprudential intermediate target; and no understanding by the financial market of the overall policy framework that guides BOU actions. The recent adoption of the sublegal regulation on capital buffers and leverage has introduced a

⁸ [Bank of Uganda | Financial Stability](#).

transparent communication tactic on the governance of policy decisions for macroprudential buffers and what can be expected in terms of policy evaluations. However, the BOU provides no explanation to the public on the benefits of having in place such a set of macroprudential policy instruments and how those policies fulfill the final objective of preserving financial stability.

50. The BOU need to provide more transparent information on financial stability issues.

The BOU has an extended history of engaging in macroprudential policies, however public confidence is not reflecting the pace of the policy developments. Given the recent resolution of a few local banks, cautious communication is needed to provide adequate information and build public trust in the central bank. At present, BOU communication remains focused on disclosing policy actions undertaken to preserve financial stability without providing insight into systemic risk and macroprudential policy.

Emergency Liquidity Assistance

51. The legal basis for ELA is laid out in the BOU Act, but the operationalization of the framework is absent.

In April 2021, the BOU Board of Directors ratified the Emergency Liquidity Assistance (ELA) Framework for Supervised Financial Institutions. The draft framework for operationalization of the ELA has, however, not yet been published. Once approved and published, the draft ELA operational framework will include all the comprehensive transparency practices for ELA, based on international practices, excluding the specific information on applicable haircuts.

52. In the meantime, the BOU has operated a facility akin to an ELA framework in response to the COVID-19 situation.

The COVID-19 Liquidity Assistance Program (CLAP) for liquidity provision to financial institutions discloses the different forms/operations in which liquidity support may be provided, thereby distinguishing between bilateral and market-wide liquidity support. It also provides clarity on institutional eligibility and the central bank's decision-making process. Data regarding its use are published in the quarterly financial stability review. This program will stay in place until a new one is approved and published. The CLAP does not foresee enhanced supervision power for the Central Bank or a recovery or funding plan.

Financial Integrity

53. As stipulated under the Financial Institutions Act and its ensuing regulations, the BOU is responsible to supervise Anti-Money Laundering and Countering of Financing of Terrorism (AML/CFT).

The BOU oversees AML/CFT supervision of commercial banks, credit institutions, microfinance deposit-taking institutions, forex bureaus and money remittances, payment service providers and payment system operators (including mobile money service providers). The remaining capital markets institutions are supervised by the Capital Markets Authority and the insurance sector is supervised by the Insurance Regulatory Authority. The AML/CFT regime was last assessed in 2016 through the Eastern and Southern Africa Anti-Money Laundering Group's mutual evaluation and was judged to have an overall low level of effectiveness. As part of a broader political commitment, the BOU is in the process of overhauling its AML/CFT supervisory approach, including an establishment of a dedicated AML/CFT Unit that is planned to be finalized in June 2022. The Fund is providing technical assistance to assist Uganda and the BOU in the pending reforms.

54. The BOU initiated a key role in safeguarding financial integrity, but information on its policies and processes related to AML/CFT supervision are not disclosed. The BOU is responsible for the supervision of the AML/CFT for the commercial banks, which by far form the largest part of the financial sector in Uganda, as well as for other financial and non-financial entities. Its powers to supervise these entities are set out in a number of acts and regulations, the most important being the Financial Institutions Act and the Anti-Money Laundering Act, as supplemented by their implementing regulations. While most of the relevant acts and regulations are available on the BOU website, this is not the case for the AML Regulations and the recently adopted Anti-Terrorism Act. As for the supervisory processes and actions, these are being overhauled in response to the action plan agreed to between the Government of Uganda and the Financial Action Task Force. The plan addresses the significant AML/CFT deficiencies identified in Uganda's mutual evaluation by the Eastern and Southern Africa Anti-Money Laundering Group. The BOU website does not disclose information about its supervisory policies, powers, resources, and outcomes. The BOU also does not disclose any information on its cooperation with the Financial Intelligence Authority, which may be confusing to the public and practitioners alike given the sometimes-overlapping responsibilities with them. Once the transition of the current AML/CFT practices of its supervisory framework is completed, the BOU should consider disclosing relevant information.

55. Transparency of the BOU's internal AML/CFT controls, including about its compliance function, has not been achieved. The BOU confirmed that its internal AML/CFT controls have been limited to date and are currently under review. A new policy has been drafted and is pending before the Board. The BOU does not currently disclose information on its internal compliance framework related to the activities and services that may give rise to AML/CFT risks. There is no disclosure on the internal control activities, their oversight and accountability within the organizational structure, and the human and technical resources allocated to perform the functions. As in the case of the external AML/CFT supervision of the BOU, transparency of its internal controls could be greatly enhanced with the disclosure of the internal AML/CFT framework and policies, relevant descriptions of internal AML/CFT controls, the control activities carried out for compliance with AML/CFT laws, and the measures of their overall effectiveness.

C. Pillar V. Transparency in Official Relations

56. BOU Act provisions detail the relationship between the Bank and the Ministry of Finance Planning and Economic Development (MOFPED). The Act, which is available on the BOU website, provides the basis for the interactions between the BOU and the MOFPED in the BOU's mandates in acting as financial advisor to the government on monetary policy, as banker to the Government and manager of public debt, among other duties.

57. The BOU disclosures regarding financial transactions and financial instruments are comprehensive and remaining disclosures meet core standards. Financial transactions between the BOU and MOFPED, such as the required profit distributions to the Government are disclosed in the BOU Act and recent transfers of securities by the MOFPED to address capital impairment are detailed in the audited financial statements. The provisions of the BOU Act and Annual Report provide sufficient details on the relationship with MOFPED.

58. The BOU coordinates with other domestic financial agencies such as the insurance regulatory authority, capital markets authority and deposit protection fund. The coordination between the BOU and the agencies is essential in collaborating on supervision, regulation, and development of the financial sector. The BOU periodically discloses its coordination with the other domestic financial agencies in the FSR and the BOU Annual Supervision Report. Disclosure of the MOU between the members of the FSRF would improve the present level of transparency.

59. The Bank of Uganda Act envisions interactions with international organizations, foreign governments, other central banks, and other foreign agencies. These relationships for the BOU include an on-the-ground presence and agreements with agents and correspondents outside of Uganda, maintenance of accounts with central and other banks and agreements to act as a correspondent, banker, or agent. Disclosure of these activities is prominent in the BOU Act and the Annual Report. Additionally, the BOU website discloses counterpart central banks.

60. East African Community (EAC) regional Initiatives and supervisory college participation is the subject of regular disclosure. One of the key initiatives within the EAC detailed in the BOU Annual Report is the transition to a single currency by 2024. The supervisory college meetings for regionally prominent banking groups, such as Absa Bank Group Limited, Standard Bank Limited, Ecobank Transnational Incorporated, and United Bank for Africa are disclosed in the BOU annual supervision report.

61. The BOU has additional interactions with private entities. Beyond the more formalized relationships the BOU has with the MOFPED, other agencies in the government and foreign agencies under law, it also has voluntary relationships with private entities. The BOU has agreed to a multi-lateral memorandum that includes a number of private entities as part of the Agricultural Credit Facility. The BOU is involved with a number of private parties in its corporate social responsibility endeavors. Both of these relationships are disclosed in the BOU Annual Report and on the website and the multi-lateral agreement is also available on the BOU website.

AUTHORITIES' RESPONSE TO DETAILED REVIEW REPORT

62. The Bank of Uganda (BOU) appreciates the International Monetary Fund (IMF) for implementing the Central Bank Transparency Code (CBTC) review. The BOU thanks the mission team, that engaged with the board, management, and staff of BOU, as well as the key external stakeholders between March–April 2022, and conducted the CBTC review under the ongoing pilot program. The review fulfilled a request from the BOU to evaluate the bank's transparency practices and identify both strengths and areas for improvement. In line with BOU's five-year strategic plan (2022-2027), the CBTC is aimed at improving the Bank's transparency and accountability framework; enhancing stakeholder confidence; and subsequently support policy effectiveness. We welcome the publication of the final review report by the IMF Mission Team and the associated recommendations.

63. The BOU welcomes the assessment that “BOU’s transparency practices largely conform to various dimensions of transparency.” However, relative to the criteria outlined in the CBTC, we understand that there is room to enhance the quality of transparency in some important areas. It pointed out that regarding governance, the mandate, overall legal and organizational structure of the BOU and information on its financial activities and position are disclosed.

64. Nevertheless, it is noted that transparency practices surrounding autonomy, risk management and confidentiality could be enhanced. In context of transparency in policies, operations and outcome, the mission stated that overall, the BOU communicates its monetary policy and foreign exchange frameworks in a transparent manner. However, there is need to provide more transparent information on financial stability issues, financial integrity, and consumer protection. In terms of the official relations, it was noted that BOU discloses its relationships with government, domestic financial agencies, foreign agencies, and additional interactions with private entities.

65. In addition, the Detailed Review Report and the fifteen Key Recommendations on areas relevant to support institutional accountability are welcomed. These recommendations were examined within the context of BOU’s legal framework, financial and technical capacity, professional judgement as well as the Strategic Plan 2022-2027. While some recommendations were implemented immediately, others are underway as part of a broader agenda. Accordingly, an action plan (see Table 2), for implementing each of the suggested recommendations has been adopted by the Board and Management of BOU. The BOU expects complete execution of these actions to be by December 2023 (see Table 2 on action plan).

IMF Mission Recommendations	Bank of Uganda’s Response	Lead Department and Implementation¹
<p>1. The general legal structure, mandate, autonomy, and decision-making arrangements of the BOU are disclosed, but it could be made more easily accessible. The transparency can be further enhanced by assembling all relevant information on the BOU’s legal framework, mandate, autonomy (including the rationale) and the roles and composition of its decision-making bodies on website to make it easily accessible and understandable. The website could also explain any inconsistencies and disclose any other legislation which relates to the BOU.</p>	<p>Amendment of the BOU Act underway.</p> <p>BOU website is to be updated in the interim explaining inconsistencies.</p>	<p>Legal Affairs; to be completed subject to approval process by Parliament.</p> <p>Bank Secretariat; February 2023.</p>
<p>¹ The Bank of Uganda initiated post review mission to address the recommended action to enhance transparency.</p>		

**Table 2. Uganda: The Bank of Uganda’s Proposed Action Plan
on CBTC Mission’s Recommendations (continued)**

<p>2. Transparency on risk management would benefit from disclosure of: (i) a general risk statement that explains the BOU’s attitude towards risks clearly mapped to its mandate; (ii) an overview of responsibilities of the risk management function and its role in pursuit of the BOU’s objectives; and (iii) the overall risk strategy of the BOU.</p>	<p>The BOU fully intends to provide appropriate risk disclosures. A risk appetite and tolerance statement was recently approved by the board, that provides to map risks to the BOU mandate. The Risk Department’s (RCD) input will further improve to cover overall risk strategy in the next annual report.</p>	<p>Risk & Compliance; to be effected in the Annual Report 2022/23.</p>
<p>3. Transparency could be enhanced with more clarity on accountability arrangements. While priority should be given to providing a high-level overview of the BOU’s accountability framework on the website and/or in the annual report. The BOU should consider publishing the charters of the internal audit function and the Audit and Governance Committee of the Board (AGCB), and information on their main activities during the financial year.</p>	<p>Accounts: Publication of audited financial statements and annual reports are on track.</p> <p>Internal Audit: The additional information on annual IA activities during financial year FY 2021/22 were provided in the annual report. The BOU will continue to provide information in subsequent reports. In context of publishing the Audit Charter on the website, the Audit & Governance Committee of the Board (AGCB) resolved more reflection is needed before consideration to publish the charter.</p>	<p>IA and Accounts; will continue to improve.</p> <p>Legal Affairs, Internal Audit, Accounts; subject to ongoing consultations.</p>
<p>4. The BOU could enhance transparency of its communications policy by disclosing the means, methods, and forms of disclosure to its stakeholders. The communications related policy and strategy and the broader BOU strategy are not released publicly on the website or by other means. However, the layout of the website and its tracking and consistent use of broad range of channels and tools indicate that the BOU</p>	<p>The process of aligning the BOU Communications strategy with the approved SP2022-27 has been initiated with approval of EXCOM.</p>	<p>Communications, completion expected by March 2023.</p>

**Table 2. Uganda: The Bank of Uganda's Proposed Action Plan
on CBTC Mission's Recommendations (continued)**

<p>actively promotes the communication of its overall strategy. The BOU could make accessible the excerpts from its communications policy and the broader BOU strategic plan to further enhance transparency.</p>	<p>The BOU website is currently being revamped for easier navigation and accessibility.</p>	<p>Completion expected by September 2023.</p>
<p>5. The BOU should consider compiling and developing a policy on confidentiality, including the reasons for its decisions in a systematic manner. The BOU should consider developing a confidentiality policy based on the past history of requests, contained in logs maintained by the BOU, and provide the standard approach of a range of disclosure versus confidentiality that clearly states a bright line rule along the prescribed continuum. The BOU could publish information about confidentiality policies, and this would benefit stakeholders through improved clarity on what is confidential and the reasons for those conclusions.</p>	<p>An Information security policy was approved by the Board.</p> <p>The BOU plans to develop a more specific data classification policy to be covered in the BOU information security regulations.</p>	<p>Legal & Board Affairs; Medium-term target.</p> <p>Expected completion by June 2024.</p>
<p>6. The BOU communication would benefit with publishing MPC deliberations and characteristics of instruments. The BOU has a transparent framework for its monetary policy mandate, though communication could benefit from some adjustments. It would benefit if BOU communicates the composition and decision-making process of the MPC along with dissemination of MPC meeting minutes on the website. The website could report the detailed characteristics (maturity, interest rate, method, collateral, outstanding volume, etc.) of all instruments used in the toolkit and could reiterate that there is a band around the point inflation target.</p>	<p>Press conferences are held in which the Governor clearly spells out the objective and rationale including the band, the market is aware of the band.</p> <p>BOU is working to gather and publish detailed characteristics of all instruments in the tool kit.</p>	<p>Deputy Governor, Research and Financial Markets; Implemented by end-October 2022.</p> <p>Financial Markets; to be completed by March 2023.</p>
<p>7. It would be useful to clarify the role and choice of instruments and decision-making process that consistent with exchange rate and monetary policy regime. It would benefit if BOU can improve transparency on the decision-making process by publishing the terms of reference of the FMOS. A clearer communication on the rationale for FX interventions and the choice of instruments within the toolkit given the market context and regime would also be useful.</p>	<p>The BOU agrees on the announcement of the Terms of Reference for FMOS is a welcome development and will adopt immediately upon approval from the senior management. The rationale for FX interventions is always communicated at the Treasurers' forums. The proposal to publish on the website shall be adopted after consultation with Senior management.</p>	<p>Research and Financial Markets; to be Implemented by April 2023.</p>

**Table 2. Uganda: The Bank of Uganda's Proposed Action Plan
on CBTC Mission's Recommendations (continued)**

<p>8. The BOU could disclose the broad context, governance, and oversight framework of its Foreign Exchange Reserves Management. Transparency can be enhanced if a dedicated section on the BOU website could disclose broader policy framework, including the decision-making and the oversight arrangements.</p>	<p>Financial Markets will liaise with COMs to publish the amended FX Reserves Management Policy following approval from the Board. The context shall include:</p> <ul style="list-style-type: none"> • The rationale for holding FX reserves • The BOU philosophy of management of FX reserves, and • The Governance framework. 	<p>Financial Markets, Risk & Compliance. Implementation by April 2023.</p>
<p>9. The FX Administration and Cross-border Flows transparency practices may benefit from more clarity in case of implementation of temporary measures. It may benefit stakeholders if BOU can disclose information about the overall policies and procedures in case of the adoption of temporary measures following severe deterioration of the BoP and by indicating that Uganda has no capital controls. Disclosure of the procedures to obtain a license for a bank, forex bureau, and money remittance, along with required forms for certain transactions in a more accessible way, could enhance transparency.</p>	<p>The disclosure of licensing requirements are public information and published (Forms, Laws, and Regulations) on the BOU's website. All changes to the licensing requirements including relevant forms will be published on the website in a timely manner.</p> <p>More information to be shared in reports indicating Uganda has no capital controls.</p>	<p>NBFI Department shall notify COMs of any changes to the licensing requirements to enable the timely update content on the website, as soon as approved.</p> <p>Research Dept; by February 2023.</p>
<p>10. Following approval, the BOU ELA operational framework should be published on the BOU website, however haircuts for the collateral should not be published. Transparency practices could be enhanced by publishing the new Operational ELA framework (once approved) on the BOU website as this corresponds to a comprehensive framework that includes all the rules and parameters expected in an ELA framework, in particular rules regarding supervision and disclosure policy. Providing greater clarity about the ELA framework should not be interpreted as suggesting that BOU should publish haircuts for specific collaterals, as this could indeed have problematic implications, including to give undue incentive for banks to optimize on this information.</p>	<p>The guidelines on accessing ELA were circulated to banks in May-2022, and are effective June-2022 and have since been published on the BOU website.</p>	<p>Completed.</p>

Table 2. Uganda: The Bank of Uganda’s Proposed Action Plan on CBTC Mission’s Recommendations (continued)

<p>11. Transparency on Macroprudential Policy would benefit from the disclosure of the macroprudential policy framework, and objectives mapped to the policy instruments. The BOU would also benefit from aggregating the relevant information under the macroprudential section of the website, including clarity on objectives mapped with relevant instruments.</p>	<p>The BOU to update Financial Stability webpage to include:</p> <ul style="list-style-type: none"> • Refresh the outdated content and disclose information on Macroprudential Policy Framework, including the way policy is formulated, meeting calendar, and the list of policy measures in effect & links of circulars. • Publish various policy frameworks approved by Board, e.g., Countercyclical Capital Buffer. • Information on the Financial Sector Stability Forum with relevant documents and circulars. 	<p>Financial Stability and COMs departments have embarked to enhance the Financial Stability webpage, to be implemented by May 2023.</p>
<p>12. The BOU should consider disclosure of its internal AML/CFT framework and internal controls with appropriate confidentiality and safeguards. The BOU can consider providing information on applicable anti-corruption legal instruments and clarify how these are applicable with the relevant teams and policies in the process of being set up. It can publish information regarding anti-corruption measures and expected standards of personal and professional behavior applicable to the BOU’s decision-makers, staff, and agents, including the Code of Conduct and any further information regarding their application and review. A broad overview about the Bank’s internal AML/CFT controls is critical and publication would be beneficial.</p>	<p>Summary of the approved internal AML/CFT have been uploaded on website.</p>	<p>Legal Department Completed.</p>
<p>13. Disclosure of information about the AML/CFT supervisory processes, and procedures of the BOU would be beneficial. This should also include publishing relevant legal instruments on the BOU’s website and an overview of the activities in the annual reports and/or other publications to enhance transparency.</p>	<ul style="list-style-type: none"> • The inaugural report on BOU’s AML/CFT Unit and supervisory mandate prepared in 2021 Annual Supervision Report. • Update provided on inaugural Financial Stability Symposium, held on June 2022. 	<p>Commercial Banking (AML Div); completed in September 2022.</p>

Table 2. Uganda: The Bank of Uganda's Proposed Action Plan on CBTC Mission's Recommendations (concluded)

	<ul style="list-style-type: none"> • AML regulations 2015, the recently adopted Anti-Terrorism Act as amended 2022 have been uploaded on the BOU website. • Guidance notes concerning different aspects of AML/CFT will be published on the website as and when are available. 	Banking Dept; Completed by September 2022.
<p>14. Following the consumer protection sub-principles, the BOU should disclose its policy, operations, and outcomes regarding consumer protection. The National Payment Systems Act 2020, which the BOU makes available on its website, provides an explicit basis under law to mandate that payment service providers comply with consumer protection standards. The BOU has also developed consumer protection guidelines and a framework for financial literacy and financial consumer protection. A complaint mechanism has also been developed for those consumers who want to file complaints regarding their treatment by financial institutions.</p>	<p>Consumer protection guidelines have been published on the website.</p> <p>Plans are to upgrade the consumer protection guidelines into regulations are work in progress.</p>	Communications and NPSD; completed.
<p>15. The Financial Sector Regulators Forum (FSRF) is an important collaborative forum and increased disclosure of its overall efforts is recommended. The disclosure of the MOU among the FSRF members² and periodic updates on the work of the FSRF through press releases or other updates, in the Supervision Report or Financial Stability Report, are warranted. The FSRF is the most prominent of the several coordination forums among domestic financial agencies.</p>	<p>The bi-annual Financial Stability Reports and Financial Stability Symposium will continue to provide status on developments & policies that arise from the work of the FSSF. The MOU is not a public document albeit all signatories to the document retain copies of the MOU.</p>	<p>Supervision Directorate</p> <p>The FSSF will consider holding a joint Financial Sector Regulators symposium in the FY 2023.</p>

DETAILED REVIEW

66. The review is based on the current state of transparency practices at BOU. The mission took place during March 30–April 12, 2022, and initiatives implemented after the review date have

not been considered. In accordance with the CBTC, this review does not assign ratings to the BOU's adherence to the CBTC principles. The review maps the BOU's transparency practices across a range of best practices. Furthermore, the BOU transparency practices were reviewed in the context of the BOU's legal mandate and policy context, and prevailing general legal framework. See Table 3.

67. The team appreciated the very high quality of cooperation received from the BOU and relevant coordinators. The team extends its warm thanks to the staff of the BOU, who provided excellent cooperation, including provision of a self-review, along with supporting documentation, technical support, as well as facilitation of the mission meetings schedule.

Table 3. Uganda: CBT Review—Detailed Review Report for Bank of Uganda	
Central Bank Transparency Code—Detailed Review Table	
Bank of Uganda	
Pillar I—Central Bank Governance	
Principle 1.1.	Legal Structure: The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description	<p>Legal Framework: The Bank of Uganda (BOU) discloses its legal framework to the public. An updated version of the Bank of Uganda Act 2000 (BOU Act) is available on the BOU website. The BOU Act sets out the BOU's objectives, functions and powers, and the objectives ("mission") and functions ("core activities"/"mandate") are also described on the BOU website and in its annual report, including its source. The website also sets out other laws and regulations that are applicable to the BOU, including the legal framework which the BOU adopts with respect to financial institutions. The Constitution establishes: (i) the mandate of the BOU; (ii) the composition of its Board of Directors; (iii) the appointment procedure applicable to the Governor, Deputy Governors and other members of the Board; (iv) their dismissal criteria; and (v) the BOU's institutional autonomy. Although on the website there is specific mention of the Constitution in terms of clarifying that the authority of the BOU vests in a Board, there is no explicit link to the Constitution in relation to the BOU's mission or mandate. The Annual Report, however, clarifies that the BOU derives its mandate from the Constitution, which vests the authority of the BOU in the Board of Directors and spells out the BOU's functions.</p> <p>The BOU Act does not clarify which law prevails in the event that the provisions of the central bank law conflict with those of other laws, nor does it define any transitional arrangements which are limited in time. However, the BOU clarified that those provisions in the Constitution relating to the BOU would prevail over other laws in the event of a conflict.</p> <p>The BOU has a BOU (Amendment) Bill (BOU Bill) which has been discussed with the MOFPED,¹ and is due to be debated at Cabinet. Among the proposed amendments are the alignment of the BOU Act with the Constitution and Uganda's regional commitments. The current provisions of the BOU's Byelaws (which among others, set out the responsibilities of the Governor, procedures at meetings of the Board and</p>
¹ Ministry of Finance, Planning and Economic Development.	

	<p>indemnity of Directors and staff) are also expected to be incorporated into the Bill. The proposed amendments and review of the BOU Act are not yet publicly disclosed.</p> <p>Legal Nature: The BOU Act establishes the BOU's legal nature, its ownership, its general legal capacity to act, and its legal instruments. The BOU website clarifies that the BOU is 100 percent owned by the Government but is not a government department.</p> <p>Legal Protection: The extent of judicial review over the BOU's activities and its protection from pre-judgment attachments is not clarified in the BOU Act or disclosed in any manner by the BOU. The BOU clarified that as a body corporate, which may sue and be sued in its corporate name, the BOU's activities are subject to judicial review pursuant to the Judicature (Judicial Review) Rules 2009. There is no information with regard to protection from pre-judgment attachments, but the BOU clarified that it is not protected from attachments within Uganda.</p>
Review	<p>Core</p> <p>Legal Framework: The legal framework governing the central bank is well disclosed. The legal framework which the BOU adopts with respect to financial institutions is disclosed. The website also contains links to other legislation governing the BOU's mandate. Technical issues regarding the legal framework are not explained in the webpage. However, the information is placed in different materials that may not be accessed easily.</p> <p>Legal Nature: The legal nature of the BOU is clarified in the BOU Act and its ownership is also disclosed on the website. The website also contains links to the BOU's guidelines and regulations. However, although the BOU clarified that the provisions of the Byelaws will be incorporated into the Bill, they are currently not disclosed on the website and are not easily accessible.</p> <p>Legal Protection: The information regarding the BOU's legal protection is not disclosed by the BOU.</p>
Comments	<p>Transparency could be enhanced by explaining on the BOU website the legal framework, legal nature, and legal protection of the BOU in an understandable manner for the public.</p> <p>The information on the BOU website could be streamlined by including in one section: (i) the BOU's objectives (currently specified as its "mission") and main functions (specified as its "core activities") and powers; (ii) a description about the general framework that applies to the BOU, which should include the Constitution; (iii) whether the BOU Act prevails in the event of conflict with other laws; and (iv) the legal protection applicable to the BOU.</p>
Principle 1.2.	<p>Mandate: The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.</p>
Description	<p>Objectives: The BOU's mission of fostering price stability is clearly stated on the BOU website and its Annual Report. Under the Annual Report, financial system development and stability is one of the BOU's strategic focus areas. However, the focus under the</p>

	<p>Constitution is on the promotion of economic development through effective and efficient operation of a banking and credit system, while under the BOU Act (as well as the Constitution), the objective of the BOU is conflated with its functions, and is placed under the provision of functions, which includes the supervision and regulation of all financial institutions. The BOU clearly defines its quantified price stability objective with its inflation target on its website and its Annual Report.</p> <p>Functions: The BOU Act, Constitution, website, and Annual Report disclose the functions of the BOU. The BOU website states that the BOU conducts all its activities, which are carried out under the mandate of the BOU Act and other legislation, with the aim of fulfilling its mission. Various areas on the website provide that the BOU is responsible for regulating and supervising financial institutions in the country, and the macroprudential policy measures undertaken by the BOU are highlighted in the Annual Report. The Annual Report also sets out the BOU’s functions under “BOU Mandate” and this includes the additional functions of overseeing national payment and settlement systems. The Annual Report also discloses information on regulatory developments undertaken by the BOU regarding its functions.</p> <p>Powers: The BOU’s powers are set out throughout the BOU Act, which also has a general provision giving the BOU all necessary powers to achieve its functions. In addition, the BOU’s powers related to monetary policy and financial policy are disclosed in the Annual Report. The BOU Act also contains a clear list of the BOU’s prohibited activities.</p>
Review	<p>Expanded</p> <p>Objectives: The BOU’s objective is clearly specified on its website and in its Annual Report, together with its legal foundation. However, its financial system stability objective is not apparent under the Constitution and BOU Act, and the objective and functions of the BOU are conflated in the BOU Act and Constitution.</p> <p>Functions: The BOU Act and Constitution contain a clear list of the BOU’s functions, which are also disclosed on the website and Annual Report. However, there are inconsistencies between the functions disclosed via all the above means of disclosure.</p> <p>Powers: The BOU Act has a general provision on powers, together with specific powers set out throughout the BOU Act. The list of prohibited activities is disclosed in the BOU Act.</p>
Comments	<p>Pending the amendments to the BOU Act which are expected to clarify and update the BOU’s mandate, the objective and functions of the BOU on the website and Annual Report could be streamlined with the BOU Act and Constitution to enhance clarity and ease of understanding for the general public. The disclosure could also be enhanced by clarifying the BOU’s financial stability objective, and its functions and powers regarding macro-prudential policy. The website could set out a comprehensive list and description of all the BOU’s functions and clarify the additional functions which are not explicitly set out in the BOU Act and Constitution. In addition, the BOU could disclose on its website a list of its powers, with a brief description of how these powers help it carry out its functions.</p>
Principle 1.3.	<p>Autonomy: The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what</p>

	forms, and under which conditions—in a manner that is clear and easily accessible for the public.
Principle 1.3.1.	Institutional/Operational Autonomy: There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank’s autonomy varies for the various elements of its mandate is clearly disclosed. Where appropriate, a central bank’s governing Act clarifies whether it has goal or instrument autonomy concerning its various objectives.
Description	The institutional autonomy of the BOU is enshrined in the Constitution. Although not stipulated in the Constitution, the BOU Act provides that the Secretary to the Treasury is a Board member, who is not excluded from voting at meetings of the Board. The Board can also invite any person to attend its meetings as consultant or advisor. The BOU Act also specifies that the audit of the BOU is conducted by the Auditor General (or an auditor appointed on his behalf). The BOU clarified that the Auditor General is mandated by the Constitution to audit all public offices, corporations and bodies established by an Act of Parliament, and this fact is also disclosed in the Annual Report.
Review	Expanded The Constitution clearly stipulates that the BOU has institutional autonomy in the performance of its functions. It is not apparent from the website or Annual Report that one of the non-executive Directors is a government representative. The role of the Minister as per the BOU Act is also not disclosed although the website states that the BOU conducts all its activities in close association with the MOFPED.
Comments	Pending the amendments to the BOU Act, transparency could be enhanced by disclosing on the website the institutional autonomy of the BOU as enshrined in the Constitution. It would also be useful to elaborate on the interaction between the BOU and the Minister/MOFPED, including clarifying if the non-executive Directors include a government representative.
Principle 1.3.2.	Functional Autonomy: There is clarity on whether the central bank can perform its duties without prior approval from the government.
Description	The BOU Act vests the Board with the responsibility for policy formulation of the BOU, and this is also disclosed on the website and in the Annual Report. The website and Annual Report set out how the monetary policy goal is determined, and the instruments used by the BOU in exercising such goal. Under the BOU Act, the Minister’s approval is required before the BOU can issue byelaws regulating internal matters of the BOU, and regulations under the BOU Act are made by the Minister.
Review	Core Although the website and other BOU reports set out the BOU’s monetary policy role, the BOU’s functional autonomy is not explicitly disclosed. In addition, the fact that the BOU is required to obtain prior approval or consult the Minister in carrying out several powers under the BOU Act is not disclosed on the website.
Comments	Transparency can be enhanced by disclosing on the website and in the Annual Report and Monetary Policy Report that the BOU has functional autonomy in terms of

	monetary policy. Information on the role of the Minister with respect to other BOU decisions could also be disclosed on the website.
Principle 1.3.3.	Personal Autonomy: Whether there is security of tenure for the members of the central bank's decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank's decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.
Description	<p>The Constitution sets out the appointment procedure, term and dismissal criteria for the Governor, Deputy Governor, and non-executive Directors, while the BOU Act provides the procedures, term, eligibility, and incompatibility criteria for the appointment of the same. The authorities involved in the appointment and dismissal of the BOU's decision-making bodies are also provided in the BOU Act and Constitution. In addition, the BOU website and Annual Report disclose the appointment procedure and term of office for the BOU's decision-making bodies.</p> <p>The Constitution provides that the Governor and Deputy Governors are public officers, which affords them protection under the Constitution (see below). Nevertheless, the BOU clarified that they are not subject to laws applicable to other public officers specifically on their remuneration, which is determined by the Board and Minister and set out in their letters of appointment. The specific remuneration procedure for the Governor and Deputy Governor however is not explicitly provided in the BOU Act.</p> <p>The BOU Act provides for the remuneration procedure of the non-executive Directors, whereby remuneration is determined by the Board in consultation with the Minister but does not set out detailed arrangements. The Annual Report discloses the remuneration of the non-executive Directors for that financial year. The Board Charter contains detailed provisions on the remuneration (including retainer and allowances) for non-executive Directors but is not publicly available.</p> <p>The BOU Act also clarifies the extent to which employees of the BOU are liable for damages caused by their acts or omissions. As public officers, the Governor and Deputy Governors are protected under the Constitution against discrimination for having performed their duties in good faith, and unjust dismissal from office. The BOU Byelaws confirm that directors, officers, and employees will be indemnified by the BOU for anything done in good faith on behalf of the BOU. However, as stated earlier the Byelaws are not easily accessible by the public.</p>
Review	<p>Expanded</p> <p>Personal autonomy of the members of the BOU's decision-making bodies is clarified in the Constitution and BOU Act. Key elements are disclosed on the website. However, inconsistencies between the Constitution and BOU Act regarding appointment terms of the non-executive Directors and appointing authority for the Governor, Deputy Governor and other Board members are not clarified. It is also not clear if the incompatibility criteria for the non-executive Directors in the BOU Act are also applicable to the Governor and Deputy Governor, although the BOU confirmed that they are.</p>

Comments	Whilst the amendments to the BOU Act are expected to streamline the appointment process and terms, pending such amendments the BOU website under the section on “Management of BOU” could clarify the personal autonomy of the executives and board members of the BOU, including the Constitutional provisions relating to the appointment procedure, terms of office and removal criteria, as well as the grounds and procedures for dismissal. Transparency can also be enhanced if the other mechanisms ensuring security of tenure for its decision-making bodies (including the protection afforded under the Constitution to the Governor and Deputy Governor as public officers), and the rationale for the personal autonomy of the BOU’s executives and board members is communicated to the public.
Principle 1.3.4.	Financial Autonomy: The central bank’s financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank’s capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.
Description	The BOU Act and Annual Report clarify the general arrangements regarding the BOU’s capital, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards. These include clarification on regulations and decision-making procedures for provisions, accounting treatment of foreign exchange gains and losses, rules on distribution of dividends to the Government, and provisions for central bank recapitalization. Arrangements regarding the BOU’s budget are implied rather than explicitly set out, as there is no provision on budget autonomy, but the BOU Act provides that the Board is responsible for formulating the BOU’s policies and managing the affairs of the BOU. Provisions on monetary financing are set out in the BOU Act, with details of such financing set out in the Annual Report. Although the BOU Act is silent on the applicable accounting standards, this is disclosed in the Annual Report under the disclosure notes on the financial statements.
Review	Expanded The BOU’s arrangements on financial autonomy are well disclosed in the BOU Act and detailed in the disclosure notes on the financial statements. However, the rationale for financial autonomy is not communicated. In addition, clarity is lacking with regard to budget autonomy of the BOU. With regard to monetary financing, in addition to the BOU Act, the Annual Report also refers to the Public Finance Management Act 2015 but does not elaborate on the applicable provisions under this Act.
Comments	While financial autonomy of the BOU can be implied from the specific information in the BOU Act and the Annual Report, transparency can be enhanced if information relating to the financial resources of the BOU, as well as its rationale for such financial autonomy, is assembled in one section of the website. It may also be useful to provide clarity on the Public Finance Management Act 2015, in so far as it relates to the BOU.
Principle 1.4.	Decision-Making Arrangement: The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.
Description	Decision-Making Bodies: The Constitution vests the authority of the BOU in the Board of Directors. The BOU Act supports this by stipulating that the Board of Directors is the

	<p>governing body of the BOU responsible for, <i>inter alia</i>, the general management of the affairs and formulating the policies of the BOU. The role and functions of the Board are also disclosed in various areas of the website and in the “Corporate Governance” section of the Annual Report, which also includes functions relating to oversight. The BOU Act (in its Schedule) and Byelaws disclose additional details of how meetings of the Board operate, including the chairperson, frequency of meetings, quorum, voting arrangements and minutes. The BOU Act provides for a Governor and Deputy Governor of the BOU but does not explicitly allocate any responsibilities to them. The Byelaws however provide that the Governor (or in his absence the Deputy Governor), in consultation with the Board, is responsible for the consideration, formulation and execution of credit policy, as well as the organization and management of the BOU. In addition, the Annual Report discloses that the Governor and Deputy Governor are responsible for the routine operations of the BOU, and that committees of Management have been established to facilitate decision-making on policy, technical and administrative issues.</p> <p>Organizational Structure: The website has a brief overview of the management structure of the BOU, which states that the Board has vested the management and administration of the BOU in the current management structure, Board Committees, Management Committees and Directorates and Departments. The composition of the Board and Board Committees is disclosed on the website and Annual Report, while that of the management committees is disclosed in the Annual Report. The website contains a link to the BOU’s current macro-structure.</p> <p>Committees and Senior Management: Details on Board Committees and management committees are set out in the Annual Report. This includes: (i) the five committees of the Board which include the Audit and Governance Committee and Financial Stability Committee of the Board; (ii) Management Committees which are chaired by the Governor and include the Executive Committee, Monetary Policy Committee and Financial Stability Committee; and (iii) the Executive Management of the BOU and the areas for which they are responsible. Terms of Reference of the Board Committees and Management Committees are not disclosed. The composition of the Board Committees is disclosed on the website, with the Annual Report setting out the attendance at each Board and Board Committee meeting. With the exception of the Governor, who chairs the Management Committees, the composition of the Management Committees is not disclosed. Although the Board Charter elaborates on the purpose, composition and operation of the Board Committees and Executive Committee, it is classified for internal use only.</p> <p>The Monetary Policy Reports and Statements on the website refer to a Monetary Policy Committee (MPC), which makes decisions on monetary policy. The Annual Report discloses the MPC as a Management Committee chaired by the Governor. The Board Charter states that the decisions of the MPC require Board ratification or approval. However, the BOU clarified that although the MPC’s Terms of Reference are approved by the Board, its decisions are not.</p>
Review	<p>Expanded</p> <p>The organizational structure of the BOU is clarified by means of disclosure of the functions of its decision-making bodies, i.e., the Board, executive management, and committees of the Board on its website and in the Annual Report, including the composition of these bodies and the allocation of responsibilities across these different bodies. However, the following is observed: (i) the website does not contain</p>

	<p>information on the role of the Governor; (ii) there is not sufficient clarity on the Governor's credit policy formulation role as set out in the Byelaws and the requirement under the BOU Act to consult with the Minister before prescribing specific requirements relating to credit and interest rates for financial institutions; (iii) Terms of Reference of BOU's Board Committees and Management Committees are not disclosed; (iv) there are inconsistencies in the disclosure of the decision-making bodies responsible for monetary policy formulation which could lead to confusion as to which body is in fact responsible for it; and (v) the website does not appear to be updated with respect to the members of the BOU Board.²</p>
Comments	<p>Transparency could be enhanced by clarifying on the website the role of the Governor in day-to-day management, including the responsibility for formulation of credit policy and how this interacts with the requirement to obtain the Minister's approval in certain circumstances. The Terms of Reference, composition and roles of Board and Management Committees could be updated on the website. The Byelaws could also be made more easily accessible to the public by including it under the "Acts & Regulations" section of the website. Pending the amendments to the BOU Act to institutionalize the MPC as the decision-making body for monetary policy, it would also be useful to clarify the respective roles of the MPC and Board in terms of formulation of monetary policy.</p>
Principle 1.5.	<p>Risk Management: The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.</p>
Principle 1.5.1.	<p>Risk Exposure: The central bank discloses the principal risks that it needs to take to meet its objectives.</p>
Description	<p>The BOU Annual Report 2021 (chapter 12.18. Risk Management) provides an overview of key central bank risks, i.e., (i) financial; (ii) credit; (iii) market; (iv) liquidity; (v) operational; and (vi) compliance. Further, it discusses the main qualitative developments in these risks and risk management practices during the financial year, including the impact of the COVID-19 pandemic. Moreover, disclosures on operational risk cover developments in cyber security and business continuity management. More disclosures on operational and financial risks are provided in the FY 2021 Financial Statements (Note 4), which contain, <i>inter alia</i>, detailed information on the level of, and quantified development in, the BOU's exposures to the principal financial risks, i.e., credit, liquidity, interest rate and currency. These disclosures cover both foreign and domestic currency financial instruments.</p> <p>The BOU Annual Report 2021 (chapter 8.1. Foreign Exchange Reserves and investment management operations) includes information on the BOU's investment objectives, level of foreign reserves and return on foreign assets. It also indicates a risk statement in relation to foreign reserves management providing high-level information on: (i) minimum credit rating (i.e., A3) for eligible investments and counterparty limits for credit risk; (ii) adherence to strategic and tactical asset allocation for market risk; and (iii) commitment to a range of three to six months of import coverage for liquidity risk (see chapter 12.18. Risk Management). Further, risk statements in relation to credit, liquidity, and interest rate risks are detailed in the FY 2021 Financial Statements (Note 4).</p>
<p>² It is noted from the 2021 Annual Report that the term of the Secretary to the Treasury expired in July 2021.</p>	

Review	<p>Expanded</p> <p>The BOU's Annual Report 2021 and the FY 2021 Financial Statements contain a high-level overview of key risks, but risks are not mapped to the BOU's mandate, and the role of risk management in pursuit of its objective is not disclosed.</p> <p>Disclosures on the principal financial risks are comprehensive and include both qualitative and quantitative information on the level of the risk exposures and their developments during the financial year. However, disclosures on operational and compliance risks are limited to qualitative information. The disclosure of a risk statement is fragmented and limited to the principal financial risks and foreign reserves management.</p>
Comments	<p>Transparency on risk exposures could be enhanced by providing: (i) an explanation or mapping of key risks against the BOU's mandate; (ii) quantitative information on developments in operational and compliance risks; and (iii) a general risk statement that outlines the BOU's stance on risks, including operational and compliance risks, and the role of the risk management function in pursuit of the BOU's objective.</p>
Principle 1.5.2.	<p>Risk Framework: The central bank discloses the process for identifying financial and nonfinancial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.</p>
Description	<p>The BOU's risk governance and oversight arrangements are not defined in the BOU Act. However, the BOU's Annual Report 2021 provides an overview of the risk governance structure in place, which includes: (i) the Board of Directors collectively responsible for providing a prudent and effective risk management framework (chapter 12.3. The Board of Directors); (ii) the Audit and Governance Committee of the Board (AGCB) providing assurance on effective risk management (chapter 12.10. Board committees); and (iii) the Executive Committee (EXCOM), which has a sub-committee responsible for risk management (chapter 12.13.1. Apex committees of management). More disclosures on risk governance arrangements for financial risk management are provided in the FY 2021 Financial Statements (Note 4. Financial Risk Management), including roles of the Board of Directors, the Foreign Exchange Reserve Management Policy Committee and the AGCB. It also mentions a Risk Unit responsible for maintaining the financial risk management framework and a separate department of the BOU (Financial Services Group), which operates an independent risk reporting system. Further, the role of the Risk and Compliance Department is disclosed in the context of the credit risk management process.</p> <p>An overview of the BOU's risk management process is provided in the BOU's Annual Report 2021 (chapter 12.18. Risk Management) for compliance risk, and in FY 2021 Financial Statements (Note 4) for operational, credit, liquidity, interest rate and currency risks.</p> <p>The BOU discloses its risk strategy for credit risk of foreign and domestic currency assets in the FY 2021 Financial Statements (Note 4). The disclosure note provides references to applicable standards and frameworks, including a high-level description of methodologies for quantifying credit risk. The overall risk strategy of the BOU is not disclosed.</p>

Review	<p>Core</p> <p>The BOU's Annual Report 2021 and the FY 2021 Financial Statements contain an overview of risk governance arrangements and of the risk management process. However, the BOU legal framework is silent on the allocation of responsibility for risk oversight and risk management and given respective central bank's internal regulations are not published, disclosure of risk strategy is limited to the credit risk.</p>
Comments	<p>Transparency on the risk framework could be enhanced by providing: (i) an overview of responsibilities of the BOU's units involved in the risk management process; and (ii) risk strategies (risk avoidance, mitigation, and transfer) in key areas.</p> <p>The central bank legal reform initiated by the BOU provides an opportunity to introduce provisions on allocation of responsibility for risk oversight and risk management among the central bank's decision-making bodies. As a further step in enhancing transparency, the BOU could also disclose: (i) internal regulations pertaining to risk oversight and risk management; (ii) developments in the BOU's risk framework; and (iii) high-level overview of policies in times of crisis (e.g., to act as a lender of last resort in case of a systemic shock).</p>
Principle 1.6.	<p>Accountability Framework: The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.</p>
Principle 1.6.1.	<p>Arrangements: Accountability arrangements are clearly identified, including (i) internal and external audit arrangements and compliance; (ii) reporting to an audit committee or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.</p>
Description	<p>Independently Audited Financial Statements: Section 43 of the BOU Act requires the BOU accounts to be audited, at least once every financial year, by the Auditor General or an auditor appointed by him or her to act on his or her behalf.</p> <p>Section 23 of the National Audit Act specifies that the Auditor General may appoint private auditors registered and practicing as an accountant under the Accountants Act to assist him or her in the performance of his or her functions.</p> <p>Section 49 of the BOU Act states that the BOU shall, not later than three months after the end of each financial year, present to the Minister a report generally on the activities and operations of the bank during the preceding financial year and in particular: (a) with regard to the procedures and policy of the bank as the bank considers may properly be given without detriment to the interests of the activities of the bank; (b) a copy of the audited accounts. The Minister shall lay before Parliament the report within three months after the end of the financial year.</p> <p>While the BOU legal framework is silent on publication of audited financial statements, section 44 of the BOU Act requires the BOU to publish a quarterly return of its assets and liabilities in the Gazette as soon as may be practicable after the end of each quarter.</p> <p>Internal Audit: The BOU legal framework is silent on the establishment of the internal audit function, which has been present in the BOU for many years.</p>

	<p>Audit Committee: Although the BOU Act does not provide for an audit committee, the Board of Directors established the AGCB through its Manual (Charter) – an internal regulation that is not published.</p>
Review	<p>Not Implemented</p> <p>Independently Audited Financial Statements: The legal framework contains provisions for an external audit of the annual financial statements but does not specify that the audit should be in accordance with international standards. The BOU act requires the audited accounts to be within the annual report, but it does not contain provisions on the preparation of audited annual financial statements and the applicable accounting standards. Further, while the BOU Act contains provisions on presenting the annual report, including the audited financial statements, to the Minister, it is silent on the publication of the annual report.</p> <p>Internal Audit and Audit Committee: The BOU Act does not contain provisions on the internal audit nor the AGCB.</p>
Comments	<p>Independently Audited Financial Statements: The reformed BOU legal framework could: (i) provide for the publication of the audited annual financial statements and annual report, including a deadline for the publication; (ii) specify the applicable accounting standards for preparation of audited accounts; and (iii) require the external audit to be conducted in accordance with international standards.</p> <p>Internal Audit: Transparency on the internal audit function could be enhanced by publication of the Internal Audit Charter or its summary on the BOU’s website. It would benefit if it could include provisions on: (i) roles and duties of an internal audit function; (ii) reporting lines to senior management and the AGCB; and (iii) criteria for appointment and dismissal of the head of the internal audit function.</p> <p>Audit Committee: Transparency on the AGCB could be improved by: (i) explaining the terms of reference and role of the committee in the governance section of the BOU’s website (The Board and Its Committees); and (ii) publication of the Board of Directors Manual (Charter) or a summary of its chapter on the AGCB on the BOU’s website. The initiated legal reform institutionalizes the current practice of the BOU in relation to the establishment of committees of the Board. The amendments to the BOU Act could also: (i) explicitly assign responsibility to oversee matters on financial reporting, external and internal audit to the AGCB; and (ii) provide for mechanism for reporting by the AGCB.</p>
Principle 1.6.2.	<p>Tools:</p> <p>Independently Audited Financial Statements: The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank’s financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p>Internal Audit: The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <p>Audit Committee: It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.</p>

<p>Description</p>	<p>Independently Audited Financial Statements: The BOU prepares financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the BOU Act. The BOU's Annual Report 2021 includes a complete set of independently audited financial statements and a comprehensive discussion on the activities of the central bank. Given the unusual circumstances caused by the COVID-19 pandemic, the FY 2021 Financial Statements also include substantive disclosures on the impact of COVID-19 on the BOU's operations (see Note 4.8). FY 2021 Financial Statements are accompanied by the Auditor General's report, which includes an external audit opinion. The external audit opinion refers to the International Standards on Auditing and includes key audit matters. Publication of the annual financial statements is within the statutory deadline for presenting them to the Minister, i.e., three months after the end of the financial year.</p> <p>Internal Audit: The BOU Annual Report 2021 (chapter 12.19. Internal audit operations) contains a basic description of the internal audit function's role – to provide assurance to the Board and Management through risk-based reviews in line with the Annual Work plan approved by the AGCB. It also states that the AGCB approved the Audit Charter and Internal Audit manual to guide the activities of the Internal Audit Directorate and that the Directorate carried out an internal quality self-review to ascertain the level of compliance to the International Professional Practices Framework. However, the description does not contain either the conformance of Internal Audit Directorate activities with its charter, or does it clarify the rules governing the independence of the internal audit function and reporting structure, and its conformance with international standards. Further, there is not a high-level description of the function's activities during the period, e.g., the number of revisions performed, the areas covered by reviews, the level of recommendations issued, and how much of these recommendations have been fulfilled.</p> <p>Audit Committee: The BOU Annual Report 2021 (chapters 12.7. Board of Directors, 12.9. Meetings of the Board and 12.10. Board Committees) lists members of the Board and its committees, provides information on number and attendees of meetings of the Board and its committees, including the AGCB. Further, it specifies that the AGCB has all five non-executive directors and the Chief Internal Auditor in attendance. The Deputy Governor is not a member of the AGCB but attends meetings only on invitation. The AGCB's composition is also disclosed on the BOU's website (Audit and Governance Committee of the Board).</p> <p>Disclosures on the Board committees also state that the AGCB provides assurance to the Board on the effective utilization of resources, internal controls, and risk management. However, there are no disclosures on the AGCB's responsibilities as set out in its charter, nor descriptions of the AGCB's key activities during the financial year.</p>
<p>Review</p>	<p>Core</p> <p>Independently Audited Financial Statements: The FY 2020 Financial Statements are IFRS-compliant and comprehensive.</p> <p>Internal Audit: Disclosures on the internal audit function and its activities in the annual report are very basic; a high-level description of the function's activities during the period, descriptions of the rules governing the internal audit function and reporting structure, statements of conformance with international standards and basis for the function's audit methodology are missing.</p>

	<p>Audit Committee: The ACGB's composition and number of meetings conducted during the period are published in the annual report. However, information on the ACGB's responsibilities is very generalized and its key activities vis-à-vis the financial statements, internal and external audits are not described.</p>
Comments	<p>Internal Audit: Transparency on the internal audit function could be enhanced by including in the annual report and/or publication on the BOU's website: (i) a section on responsibilities of the internal audit function and a high-level description of its activities during the previous financial year; (ii) rules governing its independence and reporting lines (including to the AGCB); and (iii) a basis for the audit methodology and function's conformance with its charter and the international standards. The overall opinion of periodic external quality Reviews could also be disclosed.</p> <p>Audit Committee: Transparency on the AGCB role could be enhanced by including in the annual report and/or publication on the BOU's website an overview of: (i) the AGCB's responsibilities as set out in its terms of reference/charter; and (ii) its key activities related to the internal and external audit mechanism, internal controls, and the financial statements during the previous financial year.</p> <p>As a further step in enhancing transparency, the AGCB could also prepare and publish an annual activity report, either separately or within the annual report.</p>
Principle 1.6.3.	<p>Anti-Corruption Measures and Internal Code of Conduct: It is clear whether domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>Legal Framework: The 2009 Anti-Corruption Act (as amended in 2015 and 2018) is a specialized anti-corruption law. It provides for measures to prevent a range of offences for personal gain, such as those arising out of corruption (section 2), undue gifts and gratifications (section 3), conflicts of interest (section 9), abuse of office (section 11) and embezzlement (section 19) in the public sphere. The act is applicable to public bodies defined under section 1 as "the Government, any department, services or undertaking of the Government" as well as public officials, which is an undefined term. It is understood that the act is applicable to the public officials employed at the BOU, as it is confirmed in the internal Administrative Manual of the BOU. The Inspector General of Government or the Director of Public Prosecutions were assigned key investigatory and evidence-gathering powers. The provisions of the act envisage various sanctions, including seizure and confiscation, which resulted in corresponding changes to the Penal Code.</p> <p>Penal Code: The Anti-Corruption Act and the Penal Code are both accessible through the Act Reporting Unit of the Uganda Judiciary webpage (Anti-Corruption Act and Penal Code Act).</p> <p>The Leadership Code Act 2002 (as amended in 2017 and 2021) provides for an expected standard of behavior and conduct for leaders and public officers and requires them to declare their incomes, assets, and liabilities. The standards of behavior cover matters such as acceptance of gifts and influence peddling (section 10), conflicts of interest (section 12A), abuse of public property (section 12B) and abuse of public office more generally (section 15). The act also specifically provides for a requirement to declare income, assets, and liabilities (section 4, including section 4A that applies to</p>

	<p>public officers). The 2021 amendments extended the application of the act beyond leaders to all “public officers”. The term “public officer” is defined in section 2 to mean any person holding or acting in a public service capacity of the Government. This extends to decision-makers and staff of the BOU, as confirmed during the mission. The act provides for various verification mechanisms and sanctions, and it is the Inspectorate of the Government office that is responsible for enforcement of the act. The act and its amendments are available at the Inspectorate of Government website.</p> <p>The Inspectorate of Government Act 2002 operationalizes the powers conferred upon the Inspectorate of Government as an independent institution charged with the responsibility of eliminating corruption, abuse of authority and of public office. The act is available at the Inspectorate of Government website (Inspectorate of Government Act 2002).</p> <p>Code of Conduct: The BOU has a comprehensive Administrative Manual that is available only internally. The manual provides for policies on the expected conduct of the staff including on matters such as dutiful fulfillment of functions (chapter 4.6), disclosure of personal interests (chapter 4.13), gift policy (chapter 4.23), anti-fraud policy (chapter 23), whistleblowing policy (chapter 24) and an overall compliance management framework (chapter 25). Chapter 25.2, specially notes that the BOU “shall fully comply with all applicable legislation, acts, instruments, regulatory obligations, guidelines, legally binding directives, protocols, standards, ethical codes and the Bank’s core values.” In this regard, chapter 25.3 further clarifies that this compliance commitment applies to the “Board of Directors, Governor, Deputy Governor, Executive Directors and Directors and all other employees and agents of the Bank.” This effectively ensures the applicability of the above noted Anti-Corruption and Leadership Acts to all of decision-makers, staff, and agents of the BOU.</p> <p>Chapter 5.3 of the Administrative Manual lists possible offences in relation to the provisions of the code and chapter 5.4.6 provides for possible remedies and penalties. Chapter 5.4.3 further establishes the Management Disciplinary Committee for handling staff grievances and disciplinary cases.</p> <p>Moreover, the BOU issued the BOU Board Charter that includes the Code of Conduct in its chapter 18. As is the case with the Administrative Manual, the Board Charter is not publicly available, and the existence of the Code of Conduct is also not disclosed. Rule 18.2(a) of the Code of Conduct states that, “The Board of Directors of Bank of Uganda has approved the Code of Conduct [the Code] to provide guidance on matters of professional and personal behavior. The code, therefore, applies to the Directors, alternates, and any accompanying person[s] participating in the meetings of the Board and Board Committees to provide guidance on matters of professional and personal behavior.” Therefore, the Code of Conduct does not extend to the BOU staff and agents.</p> <p>The Code of Conduct includes provisions on avoiding conflicts of interests (chapter 18.5) and acceptance of gifts and any other advantages (chapter 18.7). The BOU Board Charter also sets out an overview of the Board room best practices and expected standards of behavior (chapter 13). The application of the Board Charter and its Code of Conduct is supervised by the Chairman of the Board and the Board Secretary.</p>
Review	Not Implemented

	<p>Uganda's anti-corruption legal framework applies to the BOU's staff and decision-makers. The relevant legislation is available online. The BOU further has an internal Administrative Manual and a Board Charter that includes a Code of Conduct (the Code of Conduct is applicable only to the Board members and their alternates). Together, these internal documents provide for specific requirements on expected behavior of staff and Board members to prevent corruption and conflicts of interest. They also broadly specify key objectives and expected behaviors, the application to all employees/Board members, and the coverage of relevant and important issues or risk areas. However, these are not disclosed.</p>
Comments	<p>The BOU should consider providing information on its website regarding the applicable anti-corruption legal instruments and clarify how these are applicable to the decision-makers, staff, and agents of the BOU.</p> <p>The BOU should consider disclosing the existence of internal rules regarding the applicable conduct of its staff and Board members. An overview of the expected behaviors and conduct, as well as rules on preventing corruption and conflicts of interest should be also available on the BOU website, including possible publication of the Code of Conduct.</p> <p>The BOU should consider disclosing information on any breaches of its internal rules regarding the expected conduct.</p>
Principle 1.6.4.	Human Capital Management: The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	<p>The BOU Annual Report 2021 (chapter 11.1. Managing the Bank) states that successful management of the central bank depends on its ability to attract, motivate, develop, and retain engaged diverse talent. It also contains brief information on internal promotion and internal recruitment, and the number of the BOU's employees and composition of staff by role and gender. Further, the BOU Annual Report 2021 (chapter 11.3. Investing in resilience) discloses the BOU's initiatives for capacity building, including training in strategic priority areas. It also discusses changes in the BOU's employee performance and reward management policy.</p> <p>The BOU's website (Careers- Bank of Uganda) provides information on employment, including vacant positions, and the internship program at the BOU.</p> <p>Moreover, given significant changes in work approaches due to restrictions posed by the COVID-19 pandemic, the BOU Annual Report 2021 (chapter 11.2. Work approaches during the pandemic) provides an overview of actions taken by the central bank to ensure business continuity and achievement of its strategic objectives and mandate during this challenging period.</p>
Review	<p>Core</p> <p>Disclosures in the annual report and on the BOU's website provide information on staff composition, recruitment, and development. However, there are no explicit references to diversity and inclusion. While information on staff turnover could be deduced, no explicit references are provided on leadership and succession planning or programs. In addition, the BOU does not publicly disclose the applicable policies for attracting, promoting, and retaining employees. These policies are consolidated on the central</p>

	bank's intranet and in the Administration Manual—an internal regulation that is not published.
Comments	Transparency on human capital management could be improved by including details in the annual report and/or through publication on the BOU's website: (i) further information on diversity and inclusion; (ii) information on the BOU's leadership and succession plan; and (iii) high-level rules/statement on policies for attracting, promoting, and retaining employees.
Principle 1.7.	Communication: The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
Principle 1.7.1.	Arrangement: The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<p>BOU Powers and Mandate for Disclosure and Transparency: The BOU is directed to disclose and operate in a transparent manner or otherwise has the power to disclose, as codified in its enabling legislation, the Bank of Uganda Act (published on the BOU website):</p> <ul style="list-style-type: none"> • Section 34: Report on Advances to the Government and local governments; • Section 40: BOU may publish financial institution information; • Section 44: BOU returns must be published and powers to submit information to the Minister; and • Section 49: BOU must provide to the Minister an annual report. <p>The BOU is also subject to the AIA, but that Act is not published on the BOU website. It is, however, easily located online through a number of independent sources that have posted it. Uganda was among the first of African countries to enact a right of information law and regulations were issued in 2011 by the Ministry of Information and National Guidance (MOING) to further detail the Act's protocols. The Act applies to all information and records of Government ministries, departments, local governments, statutory corporations and bodies, commissions and other Government organs and agencies, unless exempted (Section 2, Application).</p> <p>The purpose of the Act is to promote an efficient, effective, transparent, and accountable Government and to give effect to Article 41 of the Constitution (Right of Access to Information). Additionally, the Act is targeted toward promoting transparency and accountability in all organs of the State by providing the public with timely, accessible, and accurate information and to empower the public to effectively scrutinize and participate in Government decisions that affect them (Section 3, Purpose of the Act). There is no procedure on the BOU website that facilitates requests as detailed in the AIA. The MOING regulations provide required Forms set forth in Schedule 2 that must be used for information requests and agency responses.</p> <p>Organizational Structure: The BOU publishes a summary of its organizational structure, that was approved in 2017, on its website. The specific structure with regard to communications has not been altered of late, as the Director of Communications leads an office under the Bank Secretary that reports to the Deputy Governor and ultimately the Governor. On the main BOU page there is a Frequently Asked Questions (FAQ) tab, which brings a user to the main FAQ landing page and the Director of</p>

	<p>Communications is noted as the main public contact. This page allows a user to choose desired topics, which include general information on the BOU, supervision, financial markets, monetary policy, and currency.</p> <p>Although the organizational approach has not changed recently, the implementing tools have changed, including most recently the implementation of a broader mandate with regard to monetary policy issues. The daily operation of communication and disclosure is a cross-cutting departmental effort involving the Governor’s Office, the Banking Secretary, the Office of the Director of Communications, and, if needed, any relevant technical department and the legal department, if an interpretation of the BOU Act or other legislation is needed.</p> <p>Responsibilities and Processes for Communication: The BOU has developed a Communications Policy 2020 and a Communications Strategy FY 2020-21 to FY 2024-25. However, these key documents along with the BOU’s Strategic Plan 2017-22 are not disclosed, as all are considered ‘internal documents’ developed for the purpose of internal performance measures.</p> <p>The Communications Policy delineates the roles and responsibilities for BOU Communication for senior executives. The Governor is the chief spokesperson, the Deputy Governor is the deputy chief spokesperson, and the Director of Communications is the official spokesperson. For an incoming inquiry, the Director of Communications is responsible for determining the individual responsible for communicating a timely response. The BOU-wide Strategic Plan 2017-22 identifies diversity of communication channels as a strength and internal communication as a challenge. Strategic initiatives noted include the need to review, update and implement the communication strategy and a need to rebuild the bank’s credibility and reputation, including a crisis communication management strategy.</p> <p>The BOU has an FAQ and Media Center tab on the main webpage. The FAQ tab has been discussed previously and the Media Center houses speeches, press releases, an events calendar, lectures, public education documents and YouTube videos. However, the site does not have any type of institutional repository or a portal for collecting and disseminating digital output.</p>
Review	<p>Core</p> <p>The BOU has the noted provisions under the BOU Act regarding transparency and disclosure that it must adhere to, a communications policy and strategy and is subject to the AIA. The legal framework is clear, the BOU Act with regard to BOU-specific disclosure and the broader AIA and its detailed regulations, which the BOU must also adhere to.</p> <p>The Ministry of Finance, Planning and Economic Development has developed the Principles Amending the Bank of Uganda Act (2000), which is a not a publicly released document. The principles consider the lengthy time since the Act was amended and note the evolution of the role of the Bank of Uganda since the last amendment. However, the transparency and disclosure provisions of the BOU Act are not a material focus of these principles, with the exception of a newly required report on financial stability and monetary policy provided to the Minister.</p>

Comments	In order to improve the responsibilities and processes, the BOU should address the outdated legal infrastructure; the lack of disclosure of the communications policy and strategy; post the AIA to its website; and facilitate requests under that Act.
Principle 1.7.2.	Strategy/Tools: The central bank discloses the objectives, target audiences, channels, and tools of communication policy.
Description	<p>Communications Objective, Strategy and Central Bank Strategy: The BOU has a strategy for 2020-21 to 2024-25 specific to communications which states that its objective is to support the attainment of the corporate strategic plan and provide a comprehensive framework for communicating within and outside the Bank to support the accomplishment of the Bank’s mission and vision. The strategy initially lays out the challenges that multiple crises caused the BOU to lose the trust, and high esteem that it once held. The strategy appropriately maps the position of stakeholders as measured by their level of interest and level of influence. The strategy further details nine initiatives to improve BOU’s communications.</p> <p>The overall BOU strategy for 2017-22 also makes references to the role of communications in the broader BOU strategic positioning. It details how the BOU should continue with its diversity of channels and also with its practice of communicating the conduct of monetary policy and other activities in a clear and comprehensible manner. As for strategic initiatives, the strategy sought to review, update, and implement the communication strategy, which has been accomplished and rebuild the bank’s credibility and reputation, including a crisis communications and management strategy, which is being addressed in the ongoing finalization of the BOU crisis management plan during 2022.</p> <p>Target Audience: The Communications Strategy makes a few references to target audiences in the context of getting traction, and it assesses the various BOU stakeholders and how to engage with and consult them. Some additional target audiences can be inferred based on the context, for example references are made to depositors and the safety of their funds throughout the strategy as part of the core messaging themes.</p> <p>Channels and Tools for Information: Channels and tools of communication relied upon by the BOU are enumerated in the communications strategy, including under the categories face-to-face, mass media, digital and community-based channels, with many examples given under each category. As noted previously, the broader BOU strategy details how the BOU should continue with its diversity of channels, what it calls “a multi-channel approach” (currently over 30 such channels as presented in the strategy). The most prominent channels with regard to monetary policy are the Monetary Policy Statement (MPS) issued after each monetary policy committee meeting and the companion press conference (see Principle 2.1); and financial stability are the annual Financial Stability Report (FSR) and quarterly Financial Stability Review, with the Annual Report covering both of these core functions.</p> <p>For the general user of the BOU website, as opposed to categorized users, there is an FAQ tab, which transports a stakeholder to the main FAQ landing page and the Director of Communications is noted as the main public contact. This page allows a user to choose desired topics, which include general information on the Bank, supervision, financial markets, monetary policy, and currency.</p>

	<p>Publications: BOU publications are released on the social media platforms, as well as traditional methods and are of varying periodicities and topics. The website has a dedicated centralized method for accessing the full range of regular and special publications.</p>
Review	<p>Core</p> <p>The communications related policy and strategy and the broader BOU strategy are not released publicly on the website or by other means as these are considered internal documents. However, the layout of the website and its tracking and consistent use of this broad range of channels and tools indicate that the BOU actively promotes the communication of its overall strategy. There was clearly demonstrated follow through regarding the elements of the 2017-22 strategy, as it applies to communication.</p>
Comments	<p>The BOU has taken several steps to improve communications and established a media center. The BOU should release excerpts from its communications policy and strategy and the broader BOU strategic plan for public consumption. It is a common practice for central banks to release their broader strategic plan and the details of the communications policy and strategy, that do not contain sensitive information that would prevent its public release.</p> <p>In some cases, the information on the website was out of date and this is an issue that should be emphasized more in future iterations of the strategy. For example, on the page for macroprudential policy, the information about financial stability governance was out of date and needed revision and updating.</p>
Principle 1.8.	<p>Confidentiality: The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.</p>
Description	<p>The principle of 1.7 of communication is in contrast to principle 1.8, which addresses those items which cannot be disclosed due to confidentiality. The two principles are complementary and mutually exclusive as information is either free to be disclosed or is considered confidential, which may require select redaction or complete refusal to disclose. Members of the Board, officers and employees of BOU are directed to not disclose to any person any material information acquired in the performance of their functions (with noted exceptions), as codified in Section 45 (declaration of secrecy) of the BOU's enabling legislation, the Bank of Uganda Act (published on the BOU website). Written permission of the BOU is required if there is a need to disclose such information, with an exception to provide evidence in court. There is also a stated legal remedy in Section 45 if the bank unreasonably withholds permission and any person who contravenes these proscriptions on disclosure commits an offence and risks imprisonment or a fine.</p> <p>The confidentiality of information is broader than this narrow case of a former board member, officer, or employee as there is also the possibility that a stakeholder, such as a member of the public or other interested party, would request confidential information. In either case, when such a request comes to the BOU, the BOU has stated that it responds and if it determines that the information is confidential, explains why the information cannot be shared.</p>

	<p>The MOING regulations to the AIA address the protection of confidential information and the need to refuse a request for access (section 28). In cases where a request for access is refused, the regulations require a public body’s information officer to issue a notice containing reasons for the refusal and provisions of the Act relied upon for refusal (the form is in Schedule 2 of the regulations). Based on requests for documents and discussions during the mission, it appears the BOU does not consistently provide to the requester the reasons for the refusal and the provisions of the Act relied upon.</p> <p>The BOU is also subject to the Data Protection and Privacy Act, 2019, which protects privacy of the individual and of personal data by regulating the collection and processing of personal information. It also provides for the rights of persons whose data is collected and the obligations of data collectors, processors, and data controllers. Finally, the Act regulates the use or disclosure of personal information. The Act applies to a person, institution or public body that collects, processes, holds or uses personal data within Uganda.</p> <p>Currently, the decision on whether the information is confidential is based on the BOU Board Charter and Code of Conduct. The primary provision in the board charter and code of conduct regarding confidentiality is paragraph 18.6, which restates the provisions of Section 45 regarding the obligation of members of the board to not divulge confidential information or data gained in the performance of duties. It further states that members of the board shall protect the integrity of the bank’s decision-making process, which obligation continues after termination of their mandate. The Charter and Code of Conduct then details the cases where a member of the board has direct or indirect access to inside information. The Board Charter and Code of Conduct are not made available on the BOU website.</p> <p>There is a difficulty under law to determine confidentiality from the standpoint of an outside requester of information, as it is not addressed in the BOU Act. Other than the narrowly tailored Charter and Code of Conduct, there is no general policy on confidentiality. There is no available continuum for classifying information; for example, public, restricted, or confidential.</p> <p>The BOU provided a draft set of principles for reform of the BOU Act and a draft bill, but no material changes were proposed regarding the secrecy provision under the current Act (Section 45 in the current Act and Section 59 in the draft reforms).</p>
<p>Review</p>	<p>Not Implemented</p> <p>The secrecy and confidentiality policy are codified in the BOU Act and provided on the website. The definition of secrecy as it applies to the case of a board member, officer or staff member is broad-based as it covers any ‘material information’. The Board Charter and Code of Conduct, which are relied upon to determine confidentiality in the narrow case of a board member, officer, or staff member, are not provided on the website or otherwise publicly available.</p> <p>The current policy approach does not contemplate the case of an outside stakeholder requesting information based on the AIA or on some other basis. As a result, it is difficult to distinguish the dividing line in such cases between what can be disclosed and what is confidential or secret.</p> <p>Additionally, the BOU has not compiled a policy on confidentiality that includes the reasons underlying the choices it has made on disclosure or non-disclosure as required</p>

	by the principle. It appears that the BOU does not consistently provide the reasons for refusal and the provisions of the Act relied upon in responding to information requests.
Comments	<p>The BOU noted that they could publish more information regarding confidentiality policies and this would be a good step toward improved clarity regarding what is disclosable and what is confidential.</p> <p>The BOU could develop a policy based on the past history of requests, which is contained in logs maintained by the BOU, and provide the standard approach of a continuum of disclosure versus confidentiality/secretcy that clearly states a bright line rule along the prescribed continuum.</p>
Pillar II—Central Bank Policies	
Principle 2.1.	Monetary Policy: <i>The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.</i>
Principle 2.1.1.	Objectives and Framework: The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	<p>The functions and objective of the BOU are set forth in Article 4 of the BOU Act (BOU Act 2000), which establishes the mandate to “formulate and implement monetary policy directed to economic objectives of achieving and maintaining economic stability.” Without prejudice to this primary objective, the BOU shall also maintain monetary stability. Parts V-VII of the Act spell out the set of instruments available to the bank to conduct monetary policy, including open market and credit operations, security purchases and sales, and reserve requirements.</p> <p>The BOU pursues its mandate through an inflation targeting lite regime, which was adopted in July 2011. In detail, the primary policy objective of monetary policy is to maintain annual core inflation at 5 percent over the medium run. A secondary policy objective of monetary policy is to ensure that real output is as close as possible to the economy’s potential level. To achieve price stability, the BOU sets its key policy interest rate, called the Central Bank Rate (CBR) to influence the marginal funding cost of banks. The BOU regularly intervenes in money markets to ensure that the 7-day interbank rate remains within a band of ± 2 percentage points around the CBR. All this information about the monetary policy framework and its implementation is available on the website (The Monetary Policy Overview).</p> <p>Monetary policy decisions are communicated and explained using different outlets. A Monetary Policy Statement (MPS) is released following each Monetary Policy Committee (MPC) meeting and a Monetary Policy Report (MPR) is published every two months. Both publications provide a rationale for monetary policy decisions and elaborate on the reaction function of the central bank. The Annual Report discusses monetary policy as well.</p> <p>The IMF AREAER Chapter for Uganda confirms that BOU’s monetary policy framework is based on inflation targeting and a free-floating exchange rate regime, although the <i>de facto</i> exchange rate is floating. The objective is set at 5 percent over the medium term, with a tolerance band of ± 3 percentage points).</p>

Review	<p>Comprehensive</p> <p>The BOU discloses its monetary policy framework and strategy for achieving its objectives using several outlets that are publicly available on the website, including the MPR and the MPS. These outlets also provide a regular description of the central bank reaction function by explaining the relationships between objectives and operational target in the context of policy decisions.</p>
Comments	<p>Amendments to the BOU Act that aim to establish price stability as the primary objective and outline monetary operations have already been proposed. If approved, the amendments will further clarify the monetary policy framework.</p> <p>Communications could reiterate that the inflation targeting lite regime involves a ± 3 percentage points band around the point target.</p>
Principle 2.1.2.	<p>Policy Decisions: The central bank discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.</p>
Description	<p>The BOU communicates its monetary policy decisions in a timely manner by publishing the MPS immediately after each MPC meeting. The MPS is posted on the website and various social media. In terms of contents, the MPS describes recent economic developments, discusses inflation and growth outlooks and the related risks, and reports the monetary policy stance and its expected effects (Monetary policy Statements). Importantly, the BOU also publishes a simplified version of the MPS, called the “MPS at a glance,” which aims to reach a broader audience using visual and layered communication.</p> <p>The MPS is not the only tool used to disseminate monetary policy decisions. Right after each meeting, the MPC holds a press conference, which is open to the media and allows journalists to ask questions. Since the beginning of the COVID-19 pandemic, the press conference has been replaced by a virtual meeting. About 2 weeks after each MPC meeting, the BOU publishes its MPR, where decisions and the considerations behind them are further discussed.</p> <p>The MPC is described as the decision-making body, but its structure and functions are not established in the BOU Act. Information on the composition of the MPC does not seem to be publicly available anywhere, although the AREAER mentions that decisions are made by consensus. The MPC is scheduled to meet every other month (6 times a year) and additional meetings can take place if the need arises. Currently, the date of the next meeting is announced in advance (Bank of Uganda MPC Meeting Calendar).</p>
Review	<p>Core</p> <p>The BOU discloses a comprehensive explanation of monetary policy decisions in a timely manner. However, information on the composition and structure of the MPC, which is the monetary policy decision-making body, is not publicly available.</p>
Comments	<p>Proposed amendments to the BOU Act are supposed to legally establish and formalize the MPC. However, there is no need to wait for the amendments to be approved to provide information on the composition and voting procedure of the MPC. The BOU</p>

	could provide this information on its website, greatly enhancing transparency about the monetary policy decision-making body. The publication of the scheduled MPC meetings for the entire calendar year would enhance transparency. It would be helpful to clarify arrangements for monetary policy decisions in periods of extreme or irregular circumstances.
Principle 2.1.3.	Supporting Analysis: The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.
Description	<p>The MPS provides an overview of key economic developments, the macroeconomic outlook, and balance of risks. The MPS clearly explains how these elements inform the conduct of monetary policy and underpinned the recent decisions.</p> <p>The BOU further elaborates on the analysis supporting its monetary policy decisions by presenting and discussing macroeconomic forecasts in several publications. The MPR reports inflation forecasts over the medium run using fan charts, which contribute to communicate the uncertainty surrounding such forecasts (https://www.bou.or.ug/bou/bouwebsite/MonetaryPolicy/mpreports.html). In addition, the MPR regularly presents alternative scenario analysis, showing how the inflation outlook would respond to changes in underlying assumptions on domestic and external variables, such as fiscal deficits, commodity prices, and the exchange rate. GDP forecasts are published quarterly in The State of the Economy report but are not supported by graphs or scenario analysis.</p> <p>The model that the BOU uses to produce forecasts and inform monetary policy decision-making is not published and is thus unavailable to the public. Analytical work performed by BOU staff is published in the form of working papers, a comprehensive list of which is accessible on the website (BOU Staff Working Papers).</p>
Review	<p>Expanded</p> <p>The BOU publishes timely macroeconomic forecasts for inflation and GDP in several outlets, including the MPR. For inflation, alternative scenario analyses are regularly presented as well. However, the BOU does not disclose the relevant models used to produce the forecasts and scenario analysis that may better inform its policy decisions.</p>
Comments	To strengthen transparency, the BOU has expressed the intention to publish the model used to inform monetary policy decisions and produce forecasts.
Principle 2.2.	Cross-Border Financial Flows and Foreign Exchange Administration: <i>The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.</i>
Principle 2.2.1.	Objectives and Framework: The central bank discloses the policy's objective(s), legal and institutional frameworks, and the strategy to achieve the policy objectives. There is clarity whether the central bank can delegate some of its functions to implement policy decisions to other entities and on the modalities of such delegation.
Description	The Foreign Exchange Act of 2004 (FEA) and the Foreign Exchange Regulations 2006 (Forex Bureaus and Money Remittance) define the powers of the BOU in regard to this

	<p>policy. The FEA is an Act approved by the Parliament aimed to amend and consolidate the law relating to foreign exchange in Uganda; to provide for the exchange of foreign currencies in Uganda and the making of international payments and transfers of foreign exchange; and for other related and incidental matters. Under the FEA, the attributions, responsibilities, and powers of the BOU are clearly distinguished from those of the government and other agencies. Article 18 of the FEA allows BOU to make regulations related to this policy. There are no capital controls, as stated in Section 20.1 of the FEA, which repeals the Exchange Control Act. Section 10 of the FEA clarifies how BOU may establish exchange restrictions in case of severe deterioration of Balance of Payments.</p>
Review	<p>Core</p> <p>The legal and institutional frameworks of the FX administration policy are disclosed in the FEA. The attributions, responsibilities, and powers of the central bank with respect to FX administration policy are clearly distinguished from those of the government/other agencies in this area and are included in the FEA which is disclosed. There is no delegation of authority.</p>
Comments	<p>While the objectives are well understood by stakeholders, some communication reaffirming the general objectives, elements, attributions, responsibilities, and powers of the central bank would enhance transparency.</p>
Principle 2.2.2.	<p>Policy Decisions: Policy decisions, whether on new actions or changes to standing policy or other changes in the regulatory framework, are publicly announced, explained, and disclosed in a timely manner. The central bank is clear about the process by which policy decisions are taken.</p>
Description	<p>The BOU website contains links to the Foreign Exchange Act, 2004 and other regulations for its implementation, such as guidelines for the licensing and operation of foreign exchange bureaus and money remittances. Article 4 of the FEA entrusts the BOU with the regulatory authority for the purposes of giving effect to the Act and designates the Governor as responsible for the implementation of the Act. Section 10 of the FEA clarifies how BOU may establish exchange restrictions in case of severe deterioration of Balance of Payments. Any other change in the regulatory framework needs to follow general procedures applied to the Reform of an Act approved in Parliament.</p>
Review	<p>Core</p> <p>The main regulations are in the form of general legally binding rules, and information on the decision-making process and its stages (e.g., elaboration of proposal, drafting of the decision, public consultation, etc.) follow general procedures for the approval of an amendment or repeal of an existing act. Temporary restrictions have not been used so far.</p>
Comments	<p>Transparency could be enhanced by the disclosure of a section in the BOU website with specific reference to the objectives for this policy, existing Acts and a more detailed description of the decision-making process in the case of imposition of temporary restrictions.</p>

Principle 2.2.3.	Supporting Analysis: The central bank discloses in a timely manner the supporting analysis, including the intended outcome that informs its policy decisions.
Description	Section 10 of the FEA clarifies how BOU may establish exchange restrictions in case of severe deterioration of Balance of Payments. However, these restrictions have never been used or implemented.
Review	Core Though there is no separate publishing of information on such analysis on economic considerations, MPC deliberations on BOP take into account these considerations
Comments	Transparency can be enhanced with the disclosure of considerations (economic and other conditions analysis) that may result in a policy decision. This information on the potential use or not of temporary restrictions could be highlighted in an explanatory section related to the exchange regime and FX regulations.
Principle 2.3.	Foreign Exchange Management: <i>The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.</i>
Principle 2.3.1	Objectives and Framework: The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	<p>The role of the BOU regarding FX management is stated in the BOU Act:</p> <ul style="list-style-type: none"> • Article 18: The board shall, in consultation with the Minister, prescribe the framework for determining the external value of the shilling. • Article 19: The BOU may auction foreign currency. The bank may buy and sell foreign currency— (a) at rates determined by market conditions; and (b) on terms that may be determined by the board. <p>The BOU explains within the BOU Monetary Policy Framework and the different bi-monthly MPC statement as well in its annual reports, the role of the exchange rate and its interaction with the monetary policy stance. On its website the BOU explains its exchange rate management regime: BOU Exchange Rate Management.</p> <p>In addition, in different Monetary Policy research reports, such as the “Role of the BOU in ensuring Macroeconomic stability”, it is clearly spelled out that the BOU has a floating exchange regime compatible with the inflation targeting regime. The only reason for the BOU to intervene is to smooth volatility. These reports also explain the effects and interaction with the monetary policy stance. It is also stated that the BOU enters the market in order to build reserves.</p> <p>In its bimonthly monetary policy report, the BOU discloses aggregate amounts purchased and sold for intervention and reserve building. This involves also in some instances (for example April 2020) the disclosure of the motivations that may have led to FX intervention in the case of episodes of excessive volatility that affects inflationary expectations and uncertainty.</p>

	<p>The IMF AREAER also defines the de jure and de facto exchange rate as floating. The BOU publishes the UGX exchange rate against the USD three times a day and against other major currencies (GBP, EUR, KES, TZS, and ZAR) once a day.</p> <p>The institutional framework is defined in the annual report. “The Monetary Policy Committee (MPC) ensures prudent development and implementation of policies that foster price and financial stability. It has one sub-committee, the Financial Market Operations Sub-committee (FMOS) which is chaired by the Deputy Governor. The FMOS meets daily to implement monetary policy actions in line with the policies, guidelines and decisions made by the MPC.”</p>
Review	<p>Expanded</p> <p>The BOU discloses general rules of foreign exchange management policy instruments. The intended objectives and reasons to intervene are clear.</p>
Comments	To improve transparency, the BOU could consider further disclosure on the operational, and institutional framework, like terms of reference of the FMOS.
Principle 2.3.2.	Policy Decisions: The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of reaching a decision. The potential impact of its policy decisions is explained in a timely manner.
Description	<p>Consistent with its floating exchange rate arrangement and as stated in each annual report, the BOU only intervenes to smoothen volatility in the Interbank Foreign Exchange Market (IFEM) and carry out purchases for reserve build up. The BOU intervenes to address apparent disruptions in this market or significant misalignment in the value of the shilling consistent with the objectives of monetary policy.</p> <p>The central bank does not disclose its decision-making process, and authority to reach foreign exchange intervention decisions. There is not an a priori transparent framework document explaining the means and methods of reaching a decision, though internal intervention guidelines exist. Based on the institutional framework mentioned in 2.3.1, the FMOS is the one involved in the decision-making process of the FX intervention. The BOU only intervenes in the spot market via the Refinitiv platform with the Interbank Foreign Exchange Market (IFEM).</p> <p>In case of an episode of excessive volatility that affects inflationary expectations and uncertainty, the decision to intervene in the spot market is explained in the BOU monetary policy bimonthly statement. For instance, the disclosure of the activation of FX interventions in April 2020 (page 11) MPR April-2020.</p>
Review	<p>Expanded</p> <p>The rationale for recent FX interventions, as well as the process for reaching a policy decision have been clearly and timely explained to the public, with a particular focus on the impact of FX market volatility on the ability of the BOU to deliver its price stability mandate.</p>
Comments	To improve transparency, the BOU could consider further disclosure on the operational, and institutional framework, like terms of reference of the FMOS.

Principle 2.3.3.	Supporting Analysis: The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.
Description	<p>In Working Paper No. 14/2019 issued by the BOU regarding the Exchange Rate Volatility in Uganda: Causes and Desirable Policy Options, (by Adam Mugume and Jacob Opolot) and another Working Paper No. 05/2021 regarding the Monetary Policy Transmission in Uganda (by Nicholas Okot), it is explained the importance of the exchange rate channel for the transmission of monetary policy to the entire economy in Uganda.</p> <p>As discussed in Principle 2.3.2, the BOU also reviews the exchange rate developments and management in the BI-monthly MPC report. For example, BOU communications in relation to the activation of FX interventions in April 2020 included a discussion on the assumptions, transmission channels, and analysis backing the policy decision, as well as an evaluation of the intervention impact.</p>
Review	<p>Expanded</p> <p>The central bank discloses the analysis backing its policy decisions, changes to operational mechanism, and conducts ex-post evaluation of the impact of foreign exchange intervention policy in its quarterly and annual reports.</p>
Comments	-
Principle 2.4.	Foreign Exchange Reserve Management: <i>The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the policy, details on how oversight responsibility is allocated, and the potential impact of the policy.</i>
Principle 2.4.1.	Objectives and Framework: The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	<p>The foreign exchange reserves are managed as per the mandate in Section 31 of the Bank of Uganda Act 2000. The Bank discloses its policy objectives for foreign exchange reserves management, operative models for risk management and the institutional framework through its annual report. As stated in the 2021 Annual Report, the objectives are capital preservation, liquidity and reasonable returns, consistent with acceptable risk. The annual report further discloses the broad risk exposure parameters for investment in foreign reserves, under the corporate governance section. This section of the Annual Report also contains a section with detailed explanations on the roles of the Board, Board Committees and Executive Management. Among them, there is particular reference to the Foreign Exchange and Reserves Management Committee (FERMC), which provides guidance and monitoring of foreign exchange reserve operations based on BOU's strategic objectives and policies. The FERMC has one subcommittee chaired by the Executive Director Finance. General considerations on the operative models for risk management are also disclosed in the notes to the financial statements that are part of the Annual Report.</p>

Review	Core The central bank discloses the broad objectives, broad risk exposure, governance with oversight responsibility, and investment structure of foreign exchange reserve management.
Comments	A dedicated Report on International Reserves could provide a more detailed description that would include the objective of each policy decision, governance, risk exposure (credit and market), and investment benchmarks. It could also detail how each of these interact with other policies pursued by the BOU. A dedicated section on the website for Foreign Exchange Reserves containing explanations on the objectives, term of reference of the FERMC, and broad risk exposures and governance as explained in the Foreign Exchange Reserves Management Policy (internal document) would also contribute to enhanced transparency.
Principle 2.4.2.	Policy Decisions: The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	The central bank discloses its decision-making structure and authority to reach its investment and risk decisions through the Notes on Financial Statements (Annual Report). The annual report further discloses the broad risk exposure parameters for investment in foreign reserves, under the corporate governance section. Section 31 of the Bank of Uganda Act, 2000 stipulates the broad acceptable instruments for investment in the foreign reserves.
Review	Core The central bank discloses its decision-making structure and authority to reach its investment and risk decisions through the Notes on Financial Statements (Annual Reports). Key assumptions and methods of reaching its investment decisions are further discussed in the Annual Report.
Comments	Transparency could be improved with the disclosure of the key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, extracted from the internal document Foreign Exchange Reserves Management Policy. In addition, the BOU could provide information on the allocation of oversight responsibility and how the policy implementation is monitored.
Principle 2.4.3.	Supporting Analysis: The central bank discloses the key assumptions and Review process related to its policy decisions.
Description	In its Annual-Report 2021 , the central bank discloses broad analytical considerations and constraints within the global investment environment, that support investment decisions and explain performance. In this report, risk management considerations and constraints for FX reserves management are disclosed within the notes to the financial statements. These risk constraints guide the investment policy decisions.
Review	Core The central bank discloses the broad rationale and economic analysis backing its strategic investment and risk decisions.

Comments	As a further step in enhancing transparency, the BOU could disclose a Review pertaining to risk oversight and risk management and liquidity considerations.
Principle 2.5.	Macprudential: <i>The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.</i>
Principle 2.5.1.	Objectives and Framework: The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	<p>The BOU website quotes on the financial stability and macroprudential policy page from the preamble of the BOU Act that its mission is to: “foster price stability and a sound financial system...”. However, the BOU Act and Financial Institutions Act (FIA) do not explicitly provide a mandate for financial stability and macroprudential authority. Section 4 of the BOU Act and section 27 and 131 of the FIA implicitly lays the foundation for a macroprudential policy function. These sections empower the BOU to regulate, supervise and discipline all financial institutions and pension funds and prescribe prudential norms. Based on this legal framework, BOU has exercised the powers to issue macroprudential policy decisions.</p> <p>The communication strategy at the BOU website and its regular publications, provides some efforts to recognize the macroprudential policy as one of the key objectives of the central bank. To achieve this and ensure financial stability, the BOU describes on the website its engagement and BOU's Role in Financial Stability.</p> <p>BOU discloses the relevant committees in charge of formulating, approving, and reviewing macroprudential policies. The Financial Stability Committee of the Board (FSCB) oversees approving regulations and macroprudential policies frameworks. The Financial Stability Committee (FSC) implements the macroprudential policies approved by the FSCB, monitors and reviews the policy instruments and provides recommendations for policy changes. Finally, the Financial Sector Stability Forum (FSSF) coordinates the actions of the various institutions that have a mandate over regulation and supervision of the financial sector. The FSSF includes membership of the Ministry of Finance, Planning and Economic Development, Bank of Uganda, Insurance Regulatory Authority, Capital Markets Authority, Ugandan Retirement Benefits Regulatory Authority, the Uganda Deposit Protection Fund, and the Uganda Microfinance Regulatory Authority. Its primary objective is to coordinate the actions of the various institutions that have mandates over regulation and supervision of the financial sector, identify risks and evaluate vulnerabilities to the stability of the financial sector.</p>
Review	<p>Core</p> <p>Though the BOU does not have an explicit mandate to undertake macroprudential policy, there is a reference in the preamble to the BOU Act to foster price stability and ensure a sound financial structure. The proposed amendments of the BOU Act will provide the central bank with an explicit financial stability mandate and statutory empowerment of the FSCB, in charge of conducting macroprudential policies.</p>

	<p>At present, based on the powers to regulate, supervise, and discipline financial institutions and pension funds, the BOU has introduced a set of macroprudential instruments. Nevertheless, the interim macroprudential policy framework of BOU identifying the macroprudential objectives and the policy instruments, is not disclosed. BOU does not release periodical information on the meetings of the FSCB, FSC and FSSF. The amendments foreseen to empower the BOU with the financial stability mandate or any changes made to the relevant macroprudential sublegal acts, are not disclosed for public consultation.</p>
Comments	<p>The BOU's transparency would benefit from the disclosure of the macroprudential policy framework, listing its objectives which are mapped to the relevant policy instruments. A formal communication of the macroprudential policies already in place, through the disclosure of the relevant sections of the policy framework already covered by the BOU policy decisions, would provide the public with a better understanding of the strategy developed to meet the individual objectives. More information can be provided in the minutes for the relevant financial stability committees, to explain the need to have them in place and their contribution to the development of macroprudential policies. Especially, the role of the FSSF can further be enhanced through the disclosure of deliberations and coordination among regulators to understand and manage systemic risk in a timely manner.</p>
Principle 2.5.2.	Policy Decisions: The central bank publicly announces its macroprudential policy decisions in a timely manner and discloses the decision-making process leading up to macroprudential action.
Description	<p>The BOU communicates its macroprudential policy (i.e., financial stability policy) mainly in two forms. There is an active engagement with financial institutions and other relevant professional stakeholders through direct circulars, discussion forums, MOUs, publication of the sublegal acts and the methodological framework etc. There is lesser engagement with the public, at present mainly followed through the publication of the annual Financial Stability Report (FSR) and the quarterly Financial Sector Reviews (QFSR).</p> <p>The disclosure of the macroprudential policy decisions is also lacking consistency. For example, the statutory instrument supplement no. 46/2020 empowering the BOU to prescribe the capital buffer requirement for financial institutions and the framework for the identification, regulation and supervision of domestic systemically important banks is disclosed on the website. The framework for the countercyclical capital buffer is not disclosed. Other macroprudential instruments, such as caps on Loan to Value (LTV) ratios for residential mortgages and land purchase, are disclosed through the annual FSR.</p> <p>Other macroprudential policies are released through the QFSR. The report provides the status of the macroprudential instruments, the timing and the expected duration of the policies, the capacity of the banks to comply with the macroprudential requirements, the expected regulatory changes and examples of policy analysis that will inform BOU's future policy actions.</p>
Review	<p>Core</p> <p>The BOU has introduced a set of macroprudential policies which are not communicated in a timely manner. The disclosure of the Domestic Systemically Important Banks (DSIBs)</p>

	<p>list is released through the FSR rather than immediately after the circulars issued by the Governor. The relevant level of the capital buffers for each of the DSIBs is not disclosed. Disclosure of the methodology for determining the rate of the countercyclical capital buffer (set at present at 0%) or the timeline for the announcement of this decision, is also missing. Policy decisions and changes to other macroprudential instruments, such as LTV ratios, are communicated infrequently through the annual and the quarterly reports.</p> <p>The framework of the decision-making process leading up to the issuance of instruments is disclosed only for the systemic risk buffers. Overall, no explanation is given to the public about the rationale and benefits of the macroprudential policy and its instruments.</p>
Comments	The BOU communication strategy would benefit from a timely and uniform disclosure of the macroprudential policy decisions. Regular press releases or the publication of dedicated policy information on the website, immediately following the issuance of the circular to banks, would enhance the transparency framework.
Principle 2.5.3.	Supporting Analysis: The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.
Description	<p>The BOU website provides a general description of the definition of systemic risk, financial stability and macroprudential policies. Limited information is published on the establishment of the FSCB, the FSC and the FSR.</p> <p>The FSR discloses information on the annual Review of the risks of the financial system. For the banking sector, the report includes a graphical representation of the main risks to financial stability, the Systemic Risk Dashboard, and the table of the FSI. The risks arising from other sectors of the financial system are briefly discussed with input provided by the relevant regulatory authorities on capital markets, the retirement benefits sector, and the insurance sector. The FSR also provides insights into the policy measures undertaken by the relevant authorities and future policy changes.</p>
Review	<p>Core</p> <p>The risks to the stability of the financial system are examined in the FSR. The FSR provides some forward-looking guidance to the financial stability outlook and expected changes to the regulatory framework, with no insight provided on the rationale behind the change. The statistical segment of the BOU website does not incorporate a regular disclosure of the FSI. Overall, there is no mapping of the macroprudential policy instruments with individual systemic risks, and no explanation is given on the transmission channels of the policy instruments and how the instrument will mitigate systemic risk.</p>
Comments	The communication framework would benefit from a richer disclosure of the relevant data used by the BOU to evaluate the financial stability outlook. This can include, for example, regular disclosure of the FSI (outside of the FSR) as part of the statistical data and the financial stability section of the website. In terms of macroprudential policy, appropriate consideration should be given to the disclosure of the policy decisions by releasing in the dedicated section of the macroprudential policy framework, information summarizing each of the policy decisions in place, the benefits of

	mitigating the type of systemic risk that led to that policy decision, the relevant instrument used to elevate the risk and the reasoning behind any policy changes.
Principle 2.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	<<< Not Applicable >>>
Principle 2.7.	Emergency Liquidity Assistance: The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	<p>Article 29, e and f of the BOU Act set the option for the BOU to extend advances to financial institutions with a set of rules. The ongoing revision of the BOU Act is expected to clarify BOU's role as lender of last resort vis-à-vis that of providing emergency liquidity assistance. The proposed provisions intend to separate BOU's role of Lender of Last Resort, which is for a purely credit-driven need and attracts more stringent conditions, from its role of providing short term Emergency Liquidity Assistance, which serves as both a monetary policy management tool and a safeguard to the stability of the financial system for preservation of public confidence. Under Emergency Liquidity Assistance, the BOU may grant any loan or advance to a viable and solvent financial institution and/or Microfinance Deposit-Taking Institutions (MDIs) at a rate of interest and against eligible government securities or such other collateral as may be determined by the board.</p> <p>The Board of Directors of the Central Bank has also ratified the BOU Emergency Liquidity Assistance (ELA) Framework, to serve as the Lender of Last Resort (LOLR) facility for Supervised Financial Institutions.</p> <p>BOU reformed the Lombard Window by splitting it into two separate facilities; (i) Standing Lending Facility for short term liquidity (monetary policy instrument), which was operationalized in July 2020; and (ii) Emergency Liquidity Assistance (ELA) facility for the LOLR function (financial stability). This was mentioned in the March 2021 quarterly financial stability review: "the April 2021, BOU Board decision approving the Emergency Liquidity Assistance (ELA) facility to support viable banking institutions that may face liquidity stress, under the Lender of Last Resort (LOLR) function." Financial Stability Review - March 2021.</p> <p>The review also announced the forthcoming operationalization of the ELA. While the operational framework has been drafted, it has not yet been published.</p> <p>For the time being, the ELA function of the BOU is exercised under the COVID19 Liquidity Assistance Program (CLAP) designed in July 2020 for liquidity provision to financial institutions affected by the impact of the COVID 19 pandemic. This regulation will stay in place until a new regulation is published. The CLAP regulation discloses the different forms/operations in which liquidity support may be provided, thereby distinguishing between bilateral and market-wide liquidity support. It also provides clarity on institutional eligibility and the central bank's decision-making process. The regulation does not mention the disclosure policy, but data are published in the quarterly financial stability review (see example September 2020). This regulation does not foresee enhanced supervision power for the Central Bank or a requirement for a funding/recovery plan.</p>

Review	Expanded The central bank discloses the basic features of its ELA mechanism that allows it to provide (in a discretionary manner) bilateral or market-wide emergency liquidity support to the financial system. The level of transparency (i.e., timeliness, scope, and level of detail of information) provided must not interfere with the financial stability objective or impair any confidentiality requirements. The central bank discloses the different forms/operations in which liquidity support may be provided, thereby distinguishing between bilateral and market-wide liquidity support. The CLAP regulation provides clarity on institutional eligibility for such support, which drives the central bank's decision-making process. General rules and applicable parameters do not, however, include supervisory intrusion (including the central bank's or supervisor's legal power to conduct enhanced supervisory oversight) and the ability to adopt early intervention measures.
Comments	The transparency practices could be enhanced by publishing the new Operational ELA framework (once approved) on the website as this will be a comprehensive framework including all the rules and parameters expected in an ELA including rules regarding an enhanced supervision and disclosure policy.
Principle 2.8.	Resolution: Selected principles from KA.
Description	<<< Not Applicable >>>
Principle 2.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	<<< Not Applicable >>>
Principle 2.10.	Financial Integrity: The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing risk.
Description	<p>AML/CFT Supervision: The BOU is responsible for licensing, regulation, and supervision of financial institutions authorized to conduct financial business in Uganda. This extends to supervision in AML/CFT matters. The supervised financial institutions include banking and nonbanking financial institutions encompassing commercial banks, credit institutions, MDIs, forex bureaus and money remittances, licensed payment service providers and payment system operators (this includes mobile money service providers (MMSPs)).</p> <p>The legal basis for AML/CFT supervision activities of the BOU is partly published on its website:</p> <ul style="list-style-type: none"> • <u>General supervisory powers:</u> The supervisory powers of the BOU derive primarily from Article 79 of the Financial Institutions Act, as amended in 2016, and the implementing regulations, such as the Financial Institutions AML Regulations 2010. The supervisory powers in relation to MDIs and MMSPs are set out in the MDI Act 2003, the National Payment Systems Act 2020 and its accompanying implementing regulations from 2021 (these were preceded by non-binding Mobile Money Guidelines 2013). All these legal instruments and guidelines are available on the website at Bank of Uganda Acts and Regulations.

	<ul style="list-style-type: none"> • <u>AML/CFT specific powers</u>: The BOU is further guided in its supervisory activities by the provisions of the AML Act 2013 and Regulations 40 and 46 of the AML Regulations 2015. While the Act is available on the BOU website (as above), the regulations are not. Also, the Anti-Terrorism Act has not yet been published. <p>The BOU does not disclose its policies and powers for AML/CFT supervision. This was acknowledged by the authorities in the self-review questionnaire responses and then confirmed during the CBTC mission. This is reflective of the very limited experience of the BOU in carrying out dedicated AML/CFT supervision. Traditionally, the BOU carried out prudential supervision with little focus on AML/CFT matters (see 3.11). Furthermore, the CFT supervisory powers of the BOU have yet to be clarified, as the relevant legal framework is not yet published.</p> <p>The AML/CFT supervisory activities of the BOU are supported by the Financial Intelligence Authority (FIA), which was created in 2014 pursuant to the AML Act 2013. The FIA does not have direct supervisory powers, but is responsible for the receipt, review and dissemination of suspicious transaction reports and can provide AML/CFT guidance to the AML obliged entities (see Article 20 of the AML Act). However, the extent of the cooperation between the BOU and the FIA in the discharge of their respective AML/CFT functions is not elaborated on the BOU website. This may create confusion. There is currently no inter-agency Service Level Agreement or Memorandum of Understanding on information sharing, which would be helpful to give structure on the respective powers, extent of cooperation and information sharing arrangements between the two agencies.</p> <p>The external AML/CFT supervisory policies and powers are currently being revised. This is the result of the designation of Uganda in February 2020 as a jurisdiction with strategic AML/CFT deficiencies by the Financial Action Task Force (FATF), a global AML/CFT standard-setter. This led to legal, institutional, and operational changes that are still pending completion as part of the action plan devised by the Government of Uganda, together with the FATF. The action plan includes important aspects relating to the supervisory powers and activities of the BOU.</p> <p>Internal AML/CFT Controls: The internal AML/CFT controls of the BOU commercial activities are supervised by the Risk Management and Audit Department. The authorities acknowledged in their questionnaire responses and during the mission that the BOU does not disclose a description of its internal control framework relating to the activities or services that may give rise to ML/TF risk. The mission was informed however that a new policy for internal AML/CFT controls has been created and is pending approval by the BOU Board.</p>
Review	<p>Not Implemented</p> <p>The BOU does not disclose an overview of its AML/CFT supervisory powers. The legal framework published on its website is not complete and it is not explicit on the AML/CFT powers of the BOU.</p> <p>Likewise, the BOU does not disclose a description of its internal AML/CFT control framework relating to its activities/services that may give rise to ML/TF risk.</p>
Comments	<p>AML/CFT Supervision: The BOU should consider publishing the AML Implementation Regulations 2015, the Terrorist Financing Act on its website as a part of the legal framework underpinning its AML/CFT supervision.</p>

	<p>The BOU should consider disclosing background on its AML/CFT supervisory powers to the extent that it is not apparent from the legal framework.</p> <p>The BOU should consider providing further details on its cooperation on AML/CFT matters with the FIA and the division of responsibilities.</p> <p>Internal AML/CFT Controls: The BOU should consider adopting the pending internal AML/CFT controls and publish an overview of the internal AML/CFT controls on its website.</p>
Principle 2.11.	Consumer Protection: The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.
Description	<p>The underlying policy basis for consumer protection is not complete as the legal basis of the various efforts (which is normally the genesis of determining the policy basis) underlying consumer protection has not been fully provided regarding the institutions subject to the Financial Institutions Act of 2004, as amended. Without a policy/legal basis under the Financial Institutions Act, questions regarding the mandate, scope and enforcement mechanisms can arise.</p> <p>Section 65 (Consumer protection in payment system) of the National Payment Systems Act 2020 (NPSA), which is provided on the BOU website, does provide an explicit basis as it sets forth a mandate that a payment service provider (PSP) shall comply with the requirements of consumer protection as may be prescribed by the central bank and guided by a number of principles: transparency, accountability, data protection, protection against unfair trade practices that disenfranchises the consumer, full disclosure of information, confidentiality and dispute resolution. A PSP shall further refrain from misleading a consumer in advertising or in offering a service that is not approved under the Act and can be subject to a fine or imprisonment. The BOU also enforces the NPSA with a view toward fostering financial sector stability and growth.</p> <p>The BOU provides guidance for all those institutions that it supervises, and the other supervisors have issued their own guidelines.</p>
Review	<p>Not Applicable</p> <p>The reason there is no Review is because the range of practices has not been established yet, thus no review is provided.</p>
Comments	The basis for consumer protection is clearly established in the National Payment Systems Act of 2020, but only for payment service providers.
Pillar III—Central Bank Operations	
Principle 3.1.	Monetary Policy: <i>The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.</i>
Principle 3.1.1.	Instruments: The central bank discloses its monetary policy instruments.
Description	Although relevant information is not centralized in its exposition, the BOU publishes a list of its key monetary policy instruments, namely repurchase agreements (Repo) and reverse Repo. The website and several publications, including the MPS and the MPR, reiterate that the operational target is the 7-day interbank rate. A document available

	<p>on the website (Inflation Targeting-Lite Policy Framework) clearly explains how the toolkit and the operational target interact. Specifically, the BOU controls the amount of liquidity through repo and reverse repo auctions to influence the 7-day interbank rate to within the range of the CBR, which is set by the MPC with a corridor of ± 2 percentage points. If the 7-day interbank rate is towards the upper bound, BOU will supply liquidity through reverse repo operations and if the 7-day interbank is towards the lower bound, BOU will withdrawal the surplus liquidity through repo operations.</p> <p>The BOU absorbs liquidity by issuing term deposits (or BOU bills). The website publishes both general guidelines (Bank of Uganda Auction procedures and Guidelines) and a prospectus BOU Term Deposit Instrument Prospectus for each auction. The reports on the use of repos, reverse repos, and BOU bills are available on the website. The Domestic Money Markets Reports indicate the domestic money market liquidity position, all of the previous day's interbank money market transactions (anonymized), maturity profile of the monetary policy instruments over the next six months, and finally the daily secondary market quotes.</p> <p>The BOU communicates about other instruments that are part of the toolkit, but these are typically used less frequently than repos and reverse repos. In particular, the website provides information on the functions and conditions of the Lombard and rediscount windows (Bank of Uganda Financial Markets).</p> <p>The role of reserve requirements in implementing monetary policy is not publicly discussed except for in a working paper (WP: Institutional Environment and the Microstructure of the Interbank Market).</p>
Review	<p>Expanded</p> <p>The set of monetary policy instruments is disclosed to the public together with a clear definition of the operational target. The relationship between instruments and operational target is explained as well. On the contrary, the role of reserve requirements is disclosed.</p>
Comments	<p>Despite not being actively used in the conduct of monetary policy, as is the case for most central banks in inflation targeting regimes, the BOU could disclose additional information on the impact of reserve requirement on liquidity conditions and thus on monetary policy implementation.</p>
Principle 3.1.2.	<p>Coverage: The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.</p>
Description	<p>The BOU publishes details on monetary policy instruments on its website together with a daily money market report that provides information on all the main operations. The eligible collateral for standing facilities is given by government securities.</p> <p>The BOU discloses to market participants the type of monetary policy instruments available, including open market operations, standing facilities, and reserve requirements. The terms and conditions attached to each instrument are communicated to the market participants of the interbank money market published through a circular that reports specific details on access rights, procedures, terms, and conditions.</p>

	A working paper from 2019 describes how the cash reserve requirement is computed and its role in the implementation of monetary policy. The BOU does not see reserve requirements as a monetary policy tool. Consistent with this view, information regarding the level, computation, and monitoring of reserve requirements is communicated via supervision circulars, which are published on the website (Bank of Uganda Supervision Circulars and Guidance Notes).
Review	Expanded The central bank discloses the terms and conditions of different monetary operations. The eligible collateral is defined and published together with information on the reserve requirements.
Comments	To further improve transparency, the website could explain how open market operations are calibrated and report the detailed characteristics (maturity, interest rate, auctioning method, collateral and haircuts, etc.) of each instrument.
Principle 3.1.3.	Access: The central bank discloses the monetary policy counterparties' framework.
Description	The BOU clarifies that all commercial banks can bid in auctions for BOU bills and have access to the Lombard and rediscount windows (Bank of Uganda Financial Markets). This information is accompanied by a description of terms and conditions attached to these monetary policy instruments. The BOU publishes the list of commercial banks on its website (BOU Licensed Commercial Banks - July 2020).
Review	Expanded The list of eligible institutions, counterparties of monetary operations, and their respective access rights is published on the website and regularly updated
Comments	To enhance transparency, the website could explicitly mention that all commercial banks have access to repo and reverse repo operations with the central bank.
Principle 3.2.	Cross-Border Financial Flows and Foreign Exchange Administration: <i>The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.</i>
Principle 3.2.1.	Instruments: The central bank's instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed.
Description	The FEA stipulates the conditions to issue a license to any person interested in dealing in foreign exchange. The Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 provide the licensing and reporting requirements, general provisions, remedial measures and administrative sanctions, and instructions on how to operate a forex bureau and /or a money remittance business in Uganda. Article 28 of the FEA requires licensees to submit all reports on capital flows arising from any transactions, including overseas investment, ownership of shares in foreign companies and dividends from such investments to BOU.
Review	Core

	The FEA discloses the regulatory framework as well as the instruments used in the policy. This includes details on types of licenses/approvals, type of reports to be submitted to BOU, types of monitoring and enforcement instruments.
Comments	Transparency could be enhanced with the disclosure of a list of possible instruments, as well as the regulatory framework and explanations on types and hierarchy of regulatory instruments in a clear and easily accessible manner on its website, in particular in a separate section on FX regulations. This includes details on types of licenses/approvals, types of reports to be submitted to BOU, types of monitoring and enforcement instruments, types of FX operations, and the circumstances in which the instruments can be used. BOU could also include a separate section on FX regulations on its website including a license requirements checklist, Personal Declaration forms for 'Fit and Proper' tests and any other relevant information forms.
Principle 3.2.2.	Coverage: The central bank discloses information about the persons (entities and individuals), transactions, and other aspects of the foreign exchange system that it can and does regulate; persons, transactions, and activities that it can license, approve, monitor, and sanction; and foreign exchange transactions that it can perform.
Description	The Foreign Exchange Act, 2004 (FEA) and Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 contain the regulatory framework on the persons, transactions, and activities that it can license, approve, monitor, and sanction. The Foreign Exchange Regulation of 2006 focuses on the licensing of Foreign Exchange Bureaus and Money Remittances. For the Forex Bureaus it stipulates conditions for application with corresponding forms and fees, factors that are considered in the decision to grant a license, the maximum period that the BOU has to make a decision, validity and expiration and conditions for the renewal. In the case of money remittances, the Foreign Exchange Regulation sets the conditions for application, identifies different classes of license, stipulates conditions for each class, defines the validity of the licenses, requires a security deposit and the maintenance of a foreign currency account in the name of a licensee. Banks are subject to the Financial Institutions Act , 2004 to obtain a general license. The BOU website does not have a separate section on FX operations
Review	Core The Foreign Exchange Act, 2004 (FEA), Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 and the Financial Institutions Act, 2004 clearly define, and by publishing them in its website the BOU discloses, the types of activities, persons, and transactions falling under the supervision of the BOU; the rules and conditions for carrying out regulated transactions and activities; the licensing/approval requirements; the considerations underlying the decisions on granting the license/approval (or denial of it) for the various activities/persons; the procedure for granting licenses/approvals, including the time limit within which a decision must be made and communicated to the affected person and the role and responsibilities of its decision; the reporting requirements that entities (including banks) and individuals must comply with and the types of persons/transactions that are subject to such requirements; the forms in which required reports are collected and the relevant compilation guidelines; the types of entities/individuals/transactions that are subject to monitoring by the BOU and sanctions that can be imposed.

Comments	Transparency could be enhanced with a dedicated section containing a description of those regulations in simpler language. The Annual Supervisory Report could include more granular information on the supervisory and monitoring process of the regulations related to the policy.
Principle 3.3.	Foreign Exchange Management: <i>The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.</i>
Principle 3.3.1.	Instruments: The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	<p>The BOU only intervenes in the spot market. The AREAER Report publicly discloses the different techniques used for intervention and reserve accumulation. The BOU only intervenes via Reuters dealing (Refinitiv). As mentioned in each annual report and in the AREAER, the BOU intervenes only in the IFEM market. The BOU explicitly discloses the definition of the interbank foreign exchange market. The list of the commercial banks is published by the supervision department.</p> <p>The BOU carries out FX interventions via direct interventions and targeted purchases for reserve build up via auctions in the spot market. This is explained in the AREAER report. A circular sent to IFEM members by the BOU regarding the reserve build up explained the way the BOU would interact with the market in order to build the reserve.</p>
Review	<p>Expanded</p> <p>The central bank discloses clearly that it will intervene on Refinitiv with IFEM participants. Different modus operandi, which are used depending on the objective of the operations. are well known by IFEM participants.</p>
Comments	-
Principle 3.3.2.	Coverage: The central bank discloses the markets and agents who are targeted by the foreign exchange management policy.
Description	<p>In general, and as disclosed in the 2004 Foreign Exchange Act, the BOU is the regulator of the FX market and as such defines who can participate and what kind of transactions they can carry out. As mentioned in each annual report and in the AREAER, the BOU interacts only with IFEM (Interbank Foreign Exchange Market) participants.</p> <p>While intervening, the BOU communicates to the market its intention to intervene through Refinitiv. This Communication shows which side of the market BOU would be taking action i.e., either the sale or buy side.</p> <p>While building the reserve, BOU uses a rule-based intervention approach. This is done through a forex auction. The frequency of the auction is daily, but BOU has the discretion to cancel an auction based on prevailing market conditions. The cancellation will be broadcast on the Refinitiv Dealing Screen. The auction will be opened to all banks in the inter-bank market, but it is not mandatory for all to participate. Minimum and maximum bid amounts per bank are communicated on Refinitiv to avoid market distortions. The auction is carried out at 11:00 am and BOU communicates to the successful bidders by 11:15 am. BOU provides minimal</p>

	information to avoid rate manipulation. This is explained via a circular to IFEM participants. The FX global code of conduct for IFEM market participants is used in Uganda (ACI FMA & Industry Codes ACI Financial Markets Association (ACI FMA)). In addition, each dealer must sign the Uganda Financial Markets code of conduct (though COC is not available on website).
Review	Core The central bank discloses the foreign exchange management framework of its operations, the markets in which it operates (e.g., spot and derivatives), and its framework for choosing institutions to transact with.
Comments	The BOU could specify in the annual report when saying they intervene in the IFEM market that they intervene in the IFEM spot market or make a clear disclosure of the instruments in the framework.
Principle 3.4.	Foreign Exchange Reserve Management: <i>The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.</i>
Principle 3.4.1.	Instruments: The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	Section 31 of the Bank of Uganda Act stipulates the broad acceptable asset class/instruments for investment in the foreign reserves. This section establishes that the BOU shall maintain a reserve of external assets at least equal to four weeks' import requirements of the country consisting of any or all of the following: (a) gold coin or gold bullion; (b) convertible foreign exchange in any of the following forms: (i) demand or time deposits, money at call, notes and coins; (ii) bills of exchange when they bear at least two signatures, of which one is that of a commercial bank and which have a maturity not exceeding ninety days exclusive of days of grace; (iii) marketable securities of, or guaranteed by, foreign governments or international financial institutions; (c) any external fund, facility or drawing rights, inclusive of the reserve tranche purchase from the International Monetary Fund, which the Minister, after due consultations with the bank, considers acceptable for inclusion. Under the corporate governance section of the annual report , the BOU discloses the broad risk constraints used which investments in reserves assets are made.
Review	Core The broad disclosures on the acceptable asset classes, instruments and constraints are disclosed by the central bank in the Bank of Uganda Act and Annual Report.
Comments	Transparency could be enhanced with the publication of the Foreign Exchange Reserves Management Policy of 2019. In particular, the BOU could expand its transparency by publishing excerpts of the investment policy, which would stipulate the objectives and thus selection criteria for asset classes, provide an expanded list of allowable instruments for investment of foreign reserves, provide for investment horizons and more details on constraints.

Principle 3.4.2.	Coverage: The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	The BOU discloses the broad credit rating and market exposure criteria for selection of counterparties under the corporate governance section (market risk and credit risk) of the annual report . In the notes to the financial statements, the bank discloses the markets of exposure during the year.
Review	Core The Bank discloses broad criteria restrictions for selection of counterparties and markets, without providing for the detailed criteria.
Comments	Transparency could be enhanced with the inclusion of a dedicated section of the website to Foreign Reserves of information already described in the Foreign Exchange Reserves Management Policy of 2019. This internal document discloses broad criteria to select eligible counterparties and detailed criteria to select service providers (section 3.9).
Principle 3.4.3.	Assessment: The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.
Description	The BOU discloses reserves adequacy as part of its quarterly state of the economy reports and its annual report . The broad criteria for determining adequacy is stipulated under Section 31 of the Bank of Uganda Act, 2020 . Under the notes to the financial statements of the annual report, the Bank discloses the broad criteria undertaken for liquidity management and discloses a detailed liquidity profile for reserves assets.
Review	Core The annual report and Section 31 of the BOU Act contain a general discussion of reserve adequacy. Quarterly State of the Economy Reports always make reference to the state of foreign reserves in comparison with the target established in the Section 31. A discussion on liquidity arising from its investment activities is presented in the Annual Report.
Comments	-
Principle 3.5.	Financial Stability Reviews and Stress Testing: <i>The central bank periodically discloses its Review of domestic financial stability to the public and is transparent about the methods used for such Reviews, including its framework for stress testing.</i>
Principle 3.5.1.	Financial Stability Reviews: The central bank periodically provides to the public its Review of risk to financial stability, including new and emerging sources of vulnerability.
Description	The BOU prepares and publishes the Quarterly Financial Stability Review and the annual Financial Stability Report . The reports provide information on the Review to the financial stability risks, along with its outlook and key vulnerabilities identified for the period. The macro stress test results are provided to assess the solvency position of the banks. During 2020, the BOU enriched the exercise by testing the banks' resilience to

	the deterioration of their loan portfolio subject to the credit relief measure, which was further updated with the revised information disclosed through the 2021 QFSR.
Review	Comprehensive Risks to financial stability are disclosed through the FSR, including the full set of FSI. A more frequent update of the risk reviews is released through the QFSR with updates being provided on the performance of the banking institutions, the summary of systemic risk and the BOU policy stance and outlook on financial stability. The QFRS incorporates a short explanation on the quarterly run stress test results and a selected set of FSI for credit institutions.
Comments	Disclosure of the quarterly results of the stress test, particularly of the sensitive analysis that evaluates exposure to new vulnerabilities and enhances the quality of the periodical revision of the financial stability risks.
Principle 3.5.2.	Macprudential Stress Testing Methods: The central bank discloses the methods and key assumptions of the stress testing framework.
Description	BOU runs an internal quarterly solvency stress test exercise presented at the FSC. As needed, BOU conducts quarterly sensitivity analysis to evaluate the vulnerability of the banking sector against imminent risks, using data specifically collected from banks. For the external disclosure to the public, BOU runs an annual stress test exercise released as part of the FSR. The disclosure includes a short explanation of the aim of the stress test, the baseline and adverse scenarios and the aggregated results. When relevant, the FSR releases the results of specific ad hoc sensitivity analysis designed to evaluate key risks and vulnerabilities for the given period. As a member of the FSSF, the BOU is engaged in developing a system wide stress testing framework, to capture the risks arising from the contagion channels between the relevant segments of the financial system. The results of this framework are not disclosed to the rest of the FSSF members or the public.
Review	Core The methodology of the annual and quarterly stress test framework is not disclosed. No public explanation is provided on the type of risks covered by the stress testing, the reasoning behind the magnitude of the shocks or whether the 12 months horizon foreseen by the exercise provides the BOU with adequate time to undertake policy reviews pursuant to the stress test results. The recently approved bottom-up stress test scenarios were communicated directly via circulars to banks with limited information released to the public on the size of the relevant shocks included in the severe scenario, the methodology of the stress test and type of risks expected to be assessed.
Comments	The communication strategy of BOU could benefit by providing more information on methodology of the stress test, the key risks evaluated and a more granular publication of the results of the stress test results (for example, by group of banks). Given the interest of the public in the results of the upcoming Bottom-Up stress test, publishing a dedicated report on the methodology of the exercise and its results, would support an

	effort to educate the public to digest information on banks' solvency position and improve the confidence in the Central Bank.
Principle 3.5.3.	Stress Testing Coverage: The central bank discloses the coverage of the stress testing exercise.
Description	The Annual FSR disclosed that the stress test covers the whole banking sector. Furthermore, the list of the banks is published on the BOU website , as part of the information released from the Supervision Directorate. Stress test results are disclosed on aggregated terms. No indication is given of the results for the range of capital shortfalls for different banking groups (for example size, systemic importance, ownership etc.) or anonymously for the individual banks. BOU will run the bottom-up stress test only for DSIBs as communicated in the latest 2021 QFSR. The list of DSIBs is identified in the previous FSR.
Review	Core The number and names of the banks covered by the stress test exercise is publicly released, though transparency would improve by providing a list of banks as part of the FSR. The bottom-up stress test covers only DSIBs whose list is communicated through different channels. The sublegal act and methodological framework regulating DSIBs is published on the "acts and regulations" section of the website , the DSIBs list is published within the FSR, while the scope of the bottom-up stress test is released through the quarterly report, making the communication process very complicated.
Comments	Public disclosure of the scope of stress testing exercise can be enhanced by releasing centralized information on the list of financial institutions undergoing the exercise. The FSR can be used to disclose the list of banks undergoing the macro stress test and the list of DSIBs undergoing the bottom-up stress test, once the results of the exercise are communicated to the public (foreseen for May 2022).
Principle 3.5.4.	Central Bank Use of Stress Test Results: There is clarity about the ways the central bank uses the stress test results.
Description	The BOU discloses through the FSR that the stress test aims to evaluate the solvency position of the banking sector in each macroeconomic scenario. No indication is provided on what are the next steps to be followed by the BOU, if for example the baseline scenario indicates undercapitalization, if the adverse scenario materializes or whether the stress test results are regularly monitored to develop policies mitigating banks' solvency risk.
Review	Core At present there is no clarity of the ways the Central Bank makes use of the stress test results. The public has access to limited insight on BOU's needs to conduct the macro stress test and how to understand the aggregate results published through the FSR. No explanation is disclosed on how the central bank uses the stress test results.
Comments	The stress test results are one of the key communication tools of the BOU to build public confidence in the banking sector and in the central bank's capacity to resolve capital issues in banks in a timely manner. BOU is making progress towards improving its technical capacities to evaluate solvency risk by conducting a new bottom-up stress

	testing exercise. Such efforts would provide more leverage to the public confidence if actions initiated to educate the public to understand stress test results and explain how the results will be used.
Principle 3.6.	Macprudential Policy Implementation: <i>The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.</i>
Principle 3.6.1.	Instruments: The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.
Description	<p>BOU has introduced a set of macro prudential instruments in the last decade. Caps on LTV on foreign currency loans have been effective since May 2016 and have been revised in June 2020, increasing the cap ratio for residential mortgages and land purchase loans disbursed by commercial banks. Other macro prudential tools include limits on foreign currency loans maturity, LCR requirement in place since 2014, limits on loan to deposit ratio in foreign currency in place since 2010, forward looking loan loss provisioning requirement since 2018, capital buffers (systemic risk capital buffer, countercyclical capital buffer) and a limit on leverage ratio in place since 2020, limits on direct exposure to other banks that mitigates risks from interconnectedness. An interim Macroprudential Policy framework has been drafted since 2013. The methodology defines in general terms the main intermediate targets mapped to the relevant policy instruments, and a more limited set of macroprudential objectives tailored to the Ugandan financial sector. The policy is not publicly disseminated.</p> <p>At present, the macroprudential policy decisions are communicated through the circulars issued to the banks. The website discloses the sublegal acts and methodological frameworks and the release of the FSR and the QFSR. The website sections of the financial stability and macroprudential policy do not include any information on the macroprudential policy documents or decisions. The website is not regularly updated with changes in the macroprudential framework, such as the timely release of the sublegal acts or changes in the relevant macroprudential coordination mechanism (for example the renaming of the FSSR). BOU does not publish for public consultation the regulatory acts during the drafting phase. The communication of forward-looking expectations on the financial stability outlook is released through the FSR and sometimes, through the Monetary Policy Statements.</p>
Review	<p>Core</p> <p>BOU does not disclose the design and the macroprudential framework. The external stakeholders do not have access to any information related to the macroprudential policy framework, its intermediate targets, its policy instruments and outcomes. No explanation is provided to the public on the need to apply macroprudential policy tools. Public communication is limited to information disclosed in the FSR and QFSR, restricted to revealing the actions already undertaken in the previous periods. The periodical reports also serve to release FSI data. Thus, BOU can reach only a limited segment of the public that has to go through the periodical reports to get any insight on the macroprudential policy.</p> <p>No clear indication is given of the scope of the macroprudential policy instruments. The Regulation on the Capital Buffers and Leverage ratio is applied for all financial</p>

	institutions under the BOU mandate, though only 4 banks are identified as DSIBs, without transparently disclosing the outcome of the evaluation process. Given that the other macroprudential tools are communicated directly to banks through circulars, no public information is available on their scope of entities.
Comments	BOU has developed in practice a well-structured macroprudential framework, but the communication strategy and transparency are lagging behind the actual internal positive steps undertaken on financial stability. Clear communication of the macroprudential policy framework would provide more support to its efficacy and efficiency. The website of the central bank should be updated with all the relevant information centralized within the financial stability area, rather than disclosed only through acts and regulations and the financial stability report. The first step towards improving the transparency framework is related to the release of the macroprudential policy framework and designing a uniform approach to publication of the policy decisions within the financial stability section of the website.
Principle 3.6.2.	Enforcement: The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.
Description	The communication of the macroprudential policy instruments is exercised through direct circulars issued to the banks by the Governor or other regulations/methodologies approved by the FSCB that are empowered by the FIA. The legal framework and the accompanying prudential regulation define appropriate measures that can be taken by the BOU in case financial institutions do not comply with prudential requirements.
Review	Comprehensive The law provides the BOU with adequate enforcement mechanisms that are publicly disclosed to the financial institutions subject to macroprudential constraints. The accompanying sublegal acts and methodological framework that are approved by the FSCB, are also publicly disclosed and communicated through the official gazette and the website. A more transparent approach may be required in terms of providing the public with a clear parameter of the financial institutions subject to macroprudential constraints and the overall segment of the financial system that is under the BOU macroprudential mandate. Such communication is missing in the annual/quarterly reports and the overall website content as well.
Comments	The BOU would benefit from aggregating the relevant information on macroprudential decisions and acts that regulate these decisions, under the macroprudential section of the website. Moreover, the BOU needs to provide the public with a clear and transparent approach to the parameter of its macroprudential mandate within the overall financial system.
Principle 3.7.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	<<< Not Applicable >>>
Principle 3.8.	Emergency Liquidity Assistance: The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide

	support) and its conditions and parameters once the need for confidentiality has ceased.
Description	<p>Bilateral Liquidity Support: Under the COVID-19 Exceptional Liquidity Assistance Facility (CLAP), the BOU has provided bilateral liquidity support. The BOU released the following information in the Sept 2020, quarterly financial stability review (Financial-Stability-Review September-2020): “BOU extended liquidity support to two banks – one accessing USH.20 billion from the COVID-19 Exceptional Liquidity Assistance Facility (CLAP) in June 2020, and the other borrowed USH.40 billion from the Lombard Window in July 2020. Both banks took steps to enhance their liquidity buffers and have since fully paid back the borrowings from BOU. Going forward over the next quarter, systemic liquidity risk in the banking sector is likely to remain moderate, but a few banks may continue to experience institution-specific challenges.”</p> <p>No market wide liquidity support has been provided so far.</p>
Review	<p>Expanded: Bilateral ELA: The information about the provision of support is disclosed only after the financial stability risk has passed. The BOU releases information in the quarterly financial stability review.</p> <p>Not Applicable: Market Wide ELA</p>
Comments	-
Principle 3.9.	Resolution: Selected principles from KA.
Description	<<< Not Applicable >>>
Principle 3.10.	Financial Market Infrastructures: Selected principles from PFMI.
Description	<<< Not Applicable >>>
Principle 3.11.	Financial Integrity: The central bank discloses its Anti-Money Laundering/Countering the Financing of Terrorism supervisory processes as well as details about resources allocated to its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>The BOU does not publicly disclose information on its external and internal AML/CFT processes and resources. There is no information on these processes set out in the annual reports or on the BOU website.</p> <p>AML/CFT Supervision: Until the end of 2021, there were no AML-specific, on-site inspections, but rather all on-site examinations, as well as off-site reviews of AML were conducted as a general supervision in which AML/CFT forms were a component of the report under the operational risk. As noted under Principle 2.10, the focus of the BOU supervisory activities was on prudential supervision. The risk-based supervision of AML/CFT matters was not in place.</p> <p>The BOU does, however, have an internal AML Manual that was produced in 2015. The AML Manual provides step-by-step procedures for supervisors to assess the adequacy of financial institutions’ policies and procedures to mitigate ML/TF risks when performing onsite examinations. It also provides templates for onsite working papers to be used by supervisors. The manual provides inspection procedures covering seven</p>

	<p>areas: customer due diligence, record keeping, transaction monitoring and suspicious transaction reports, politically exposed persons, AML/CFT compliance function, wire transfers, and correspondent banking. The processes set out in the AML Manual were not fully followed in practice, at least until now. The manual or its overview is not publicly available.</p> <p>The BOU did not have a dedicated AML/CFT team until the end of 2021. The team has been recently formed and currently comprises four officers (out of the targeted six positions). Until now there were two AML/CFT reviews carried out by the team (except for two pilots). The team is working on an AML/CFT plan as part of the overall AML/CFT Strategy of Uganda. The plan is expected to provide for a general overview and would include information on the planned activities and objectives.</p> <p>Internal AML/CFT Controls: The BOU does not disclose information on its internal AML/CFT controls and resources. The internal AML/CFT supervisory activities were very basic to date, and again done only as a component of the broader prudential supervisory activities. The internal AML/CFT team has one officer, who also has other duties. As noted under Principle 2.10, a new policy for internal AML/CFT controls has been prepared and is subject to discussion and approval by the Board.</p>
Review	<p>Not Implemented</p> <p>The authorities confirmed during the mission that the BOU does not publicly disclose information on its external and internal AML/CFT processes and resources. There is no information on these processes set out in the annual reports or the BOU website. This corresponds to the fact that the AML/CFT framework and activities of the BOU are under transition (see Principle 2.10).</p>
Comments	<p>AML/CFT Supervision: The BOU should consider publishing an overview of its AML/CFT supervisory activities and resources either in its annual reports and/or its website.</p> <p>Internal AML/CFT Controls: The BOU should consider disclosing information about the resources dedicated to the internal AML/CFT controls. This could be done on its website as part of the organizational chart.</p>
Principle 3.12.	<p>Consumer Protection: The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.</p>
Description	<p>The BOU has issued Financial Consumer Protection Guidelines, 2011 (FCPGs) which have as their objective to:</p> <ul style="list-style-type: none"> • Promote fair and equitable financial services practices by setting minimum standards for financial services providers in dealing with consumers; • Increase transparency in order to inform and empower consumers of financial services; • Foster confidence in the financial services sector; and • Provide efficient and effective mechanisms for handling consumer complaints relating to the provision of financial products and services. <p>There is no citation under law provided in the guidelines as to the source for issuing these standards. The BOU guidelines apply to all those institutions that it supervises,</p>

	<p>and the other supervisors have issued their own guidelines, for example the insurance regulatory authority provides sector-specific guidelines for insurance companies. The guidelines provide protocols for the complaints mechanism. For example, there is a 14-day period for complaints to be resolved to a financial institution customer's satisfaction.</p> <p>The BOU has also issued a Framework for Financial Literacy and Financial Consumer Protection in Uganda which enumerates the elements of its strategy to strengthen financial literacy and financial consumer protection. BOU coordinates all activities under the National Financial Inclusion Strategy and the Strategy for Financial Literacy in Uganda. The Strategy for Financial Literacy in Uganda provides the policy framework with which the bank carries out public awareness initiatives for the articulation of financial related information needs, so as to empower the Financial Consumer to understand their financial options and ably choose the right financial products and services that suit their respective needs. The BOU has furthermore completed the Financial Capability Survey 2020 demand side survey whose results highlight the financial consumer knowledge, attitudes, and behavior. The results are to be disseminated to key stakeholders so as to inform the development of relevant policies for the financial consumer.</p> <p>The BOU also provides public awareness materials to all stakeholders such as brochures and posters, and these are also available on the website. These materials have been translated into a number of languages for greater reach of disclosure. There is a BOU webpage dedicated to financial consumer protection. It provides a link to the FCPGs and a related Q&A brochures, key facts documents related to consumer protection.</p> <p>The BOU established a Financial Consumer Empowerment Mechanism (FCEM) in November 2017 in order to have a single point of entry for coordinating the availability of information, inquiries, complaints handling and resolution.</p> <p>The BOU provides an online form for complaints that allows for easy submission of consumer complaints. A working paper has also been published by the BOU to assess the impact of COVID-19 on consumer protection.</p> <p>Monthly meetings are held with the CEOs of supervised financial institutions to discuss consumer protection, as organized by the Uganda Bankers Association.</p>
Review	<p>Not Applicable</p> <p>The reason there is no Review is because the range of practices has not been established yet, thus no review is provided.</p>
Comments	<p>The BOU has developed numerous operations targeted to protection of consumers, the most prominent of which is the mechanism that has been established to resolve consumer complaints which can be easily set into motion with a simple on-line form on the BOU website.</p>

Pillar IV—Central Bank Outcome	
Principle 4.1.	Monetary Policy: <i>The central bank is transparent about the outcome of its monetary policy conduct.</i>
Principle 4.1.1.	Governance Actions: The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>The BOU Act establishes the modalities through which accountability is discharged (The BOU Act - Chapter 51). Specifically, Article 49 requires that the BOU deliver an annual report to the Minister of Finance, who forwards it to the Parliament, within three months from the end of each fiscal year. The annual report must present and discuss the activities and operations of the central bank during the preceding financial year. The same report that is sent to the Minister is also published on the BOU website (Bank of Uganda Annual Report).</p> <p>The annual report provides a description of all the key activities performed by the BOU, including a discussion of monetary policy decisions and operations together with a review of economic developments and prospects. Other periodical publications, such as the MPS and the MPR, also regularly present, analyze and explain trends about inflation and economic activity, as well other macroeconomic variables that are relevant for the attainment of the central bank policy objective.</p> <p>The BOU is accountable and clarifies that it receives and addresses questions from members of Parliament, but these exchanges are not public. The Governor or other BOU's representatives appear in front of legislative committees with these interactions being recorded and potentially televised.</p>
Review	<p>Comprehensive</p> <p>The Act requires the BOU to be accountable to the Government and the Parliament, and to discharge its accountability by sending an annual report. This document is publicly available covers all key activities, including monetary policy (Bank of Uganda Annual Report). Interactions between elected representatives and the BOU in the context of Parliamentary committees are public as well.</p>
Comments	-
Principle 4.1.2.	Policies: The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.
Description	<p>The BOU releases periodic public documents on the progress toward achieving a 5 percent inflation target over the medium term together with the main risks to the economic outlook. Immediately after each MPC, the BOU issues an MPS, and the Governor holds a press conference open to the media.</p> <p>A more extended analytical piece is the MPR, which is published every two months (Bank of Uganda Monetary Policy Reports). The MPR also presents baseline and alternative scenario inflation forecasts for the medium run, which are accompanied by an analysis of the balance of risks.</p> <p>The BOU does not publish the models used to forecast inflation. However, it does publish a broad set of economic data that informs monetary policy decisions.</p>

Review	Expanded The BOU publishes regular Reviews of the progress towards maintaining price stability and explains how monetary policy contributes to this result. The BOU produces macroeconomic projections, highlighting the role of risks by performing scenario analyses. The outcome of these projections and its implications for monetary policy are publicly discussed to help market participants to take more informed decisions.
Comments	The BOU has expressed the intention to publish the model used to inform monetary policy decisions and produce forecasts.
Principle 4.1.3.	Operations: The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.
Description	<p>The BOU publishes daily money market reports (Bank of Uganda Domestic Financial Markets Reports). These reports present information on liquidity conditions, interbank market rates and transactions, and monetary policy operations. Conditions in domestic liquidity positions are described by reporting overall excess reserves together with expected liquidity injections and withdrawals. The weighted average of key interbank rates overnight is shown, including the 7-day rate, which is the operational target, and compared with the CBR rate, which is the policy rate. A detailed account of each transaction (time, rate, tenor) is included as well. The daily reports also provide information on monetary policy operations (repos, reverse repos, and bills), specifying the amounts, rates, and the maturity profile.</p> <p>The outstanding volume of each monetary policy instrument is reported to the MPC using a presentation that is shared with the media and the banking association following the MPC meeting. However, this presentation is not made available on the BOU website.</p>
Review	Expanded The level of the operational target, the results of monetary policy operations, the amount of excess reserves, and liquidity forecasts are disclosed daily on the central bank's website. However, the outstanding volumes per instrument are not published on the central bank's website.
Comments	The BOU could consider publishing a daily report with the outstanding volumes per instrument, the aggregated bank balances (bank reserves) and realized autonomous factors.
Principle 4.2.	Cross-Border Financial Flows and Foreign Exchange Administration: <i>The central bank discloses the outcome of its policy implementation.</i>
Principle 4.2.1.	Governance Actions: The central bank discloses information about to whom its accountability on the policy is owed and how it is discharged.
Description	The BOU discloses, through the reference to the Act on the BOU, the general accountability to the public, the Minister of Finance, and the Parliament for its policy. Art 49 of the BOU Act refers to the Annual Report as follows: "The bank shall, not later than three months after the end of each financial year, present to the Minister a report generally on the activities and operations of the bank during the preceding financial

	year and in particular—(a) with regard to the procedures and policy of the bank as the bank considers may properly be given without detriment to the interests of the activities of the bank.” The Annual Report contains a chapter containing general information about the BOU’s corporate governance with its main governing bodies (Board, Board Committees and Executive Management).
Review	Core The BOU Act discloses the designated public authorities to which the central bank is accountable along with the frequency and the manner in which the central bank is required to report to these authorities. The central bank discloses information on its governing bodies, but this information is not specific for this policy, but to the central bank’s overall policy.
Comments	Transparency could be enhanced with the publication of specific information on the governing bodies with respect to the policy implementation.
Principle 4.2.2.	Policies: The central bank discloses on a regular basis information about the results in achieving the policy objectives.
Description	Uganda has no controls on capital transactions, as stated in Section 20.1 of the FEA. The BOU only requires these transactions to be reported in designated forms. The BOU is authorized to grant licenses to deal in foreign exchange. This results in a system that monitors institutions rather than transactions.
Review	Not Implemented The BOU does not disclose in its Annual Report the results of its activities on a granular basis as part of the actions taken to achieve the policy objectives and their results vis-à-vis foreign exchange regulations.
Comments	-
Principle 4.2.3.	Implementation: The central bank discloses on a regular basis information about the results of the policy implementation.
Description	The implementation in this context would be related to licensing and supervision, as on imposition of exchange controls it would be more condition specific and a crisis measure. The BOU does not inform these licensing activities on a granular basis.
Review	Not Implemented The BOU does not disclose in its Annual Report the results of its activities as part of the actions taken to achieve the policy objectives and their results.
Comments	-
Principle 4.3.	Foreign Exchange Management: <i>The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.</i>

Principle 4.3.1.	Governance Actions: The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	The BOU explains in each of its Bi-monthly MPC reports, the exchange rate regime as a flexible exchange rate, the reasons for the evolution of the exchange rate, the impact on the Balance of Payments and the economy and the monetary policy decision taken. While intervening, the BOU explains the reasons and objectives of the intervention (to smooth volatility while letting the shilling adjust to external pressures). In the April 2020 Bi-monthly policy report: (MPR April-2020) the BOU mentioned: "To counter the sharp exchange rate depreciation resulting from volatility in the global financial markets and the rush to hold safe haven assets, BOU sold US\$ 198.9 million during this period. This intervention managed to calm down the markets; however, reduced inflows largely caused by the COVID-19 pandemic may further aggravate depreciation pressures in the domestic foreign exchange market. The resultant negative sentiments from investors may translate into a continued preference for safe haven markets. Overall, BOU will intervene in the foreign exchange market to smoothen volatility while letting the shilling adjust to external pressures."
Review	Expanded The central bank discloses the taxonomy of its foreign exchange management framework, responsibilities of its governing bodies with respect to foreign exchange management, and evaluations of the policy actions taken.
Comments	It would enhance transparency, if the succinct disclosure of workings of FMOS is also done ex-post in either the MPR or Annual Report.
Principle 4.3.2.	Policies: The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.
Description	In the context of the BOU's monetary policy based on IT and a floating exchange rate regime, the BOU sees FX intervention as a policy tool to reduce excessive volatility that affects inflationary expectations and uncertainty. The exchange rate of the shilling is determined on the basis of supply and demand. The BOU periodically intervenes in the exchange market to smooth excess exchange rate volatility without affecting its fundamentals-driven trends. The BOU also intervenes in the market to build foreign exchange reserves. Each time FX intervention is activated, the BOU discloses a summary in the bi-monthly MPC report, together with a relevant explanation, in particular the nature of the flows that impacted the FX market. This also involves, in some instances, more detailed disclosure of the motivations that may have led to FX intervention in the case of episodes of excessive volatility that affect inflationary expectations and uncertainty (see Principle 2.3.1 for an example). The BOU Annual Report also provides a summary discussion based on the more detailed information contained in the various Bi-Monthly Monetary Policy reports
Review	Expanded The BOU discloses supporting analysis backing its intervention policy decisions.

Comments	-
Principle 4.3.3.	Operations: The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.
Description	<p>Data on reserve accumulation and FX intervention and targeted sales are systematically reported in the bi-monthly monetary policy statement.</p> <p>In the April 2020 bi-monthly MPC report (MPR April-2020) "Conditions in the interbank foreign exchange market (IFEM) enabled the BOU to purchase US\$ 2 million on a gross basis for reserve build-up in March 2020. This amounted to a net sale of US\$ 204.86 million, taking into account the intervention sales amounting to US\$ 198.9 million and targeted sales to Uganda Electricity Transmission Company Limited of US\$ 7.96 million."</p> <p>The annual report also summarizes the FX intervention and reserve buildup of the year. Annual report 2020/2021 p.32 (Annual Report-2021): "BOU continued with efforts to smoothen volatility in the Interbank Foreign Exchange Market (IFEM) and also carried out purchases for reserve build up. In the financial year, FY 2020/21, BOU purchased a total of USD 723.5 million, of which USD 552 million was for reserve build up. The remaining USD 171.5 million went towards interventions to stem volatility in the IFEM, as well as towards targeted purchases. BOU maintains its capacity to intervene in the IFEM to address any apparent disruptions in this market or significant misalignment in the value of the Shilling, consistent with the objectives of monetary policy and financial stability"</p>
Review	<p>Expanded</p> <p>The central bank publishes aggregated data on its interventions (purchases and sales) with a predefined time lag and frequency of two months.</p>
Comments	-
Principle 4.4.	Foreign Exchange Reserve Management: The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.
Principle 4.4.1.	Governance Actions: The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	The BOU discloses its institutional obligations and the general principles of its policy framework and operations in its annual report under the Corporate Governance Section.
Review	<p>Core</p> <p>The BOU discloses its institutional obligations and the general principles of its policy framework and operations in its annual report under the Corporate Governance Section.</p>
Comments	The Foreign Exchange Reserves Management Policy Section 7 sets out the institutional framework for the effective management of the foreign exchange reserves. It also provides the governance structure, the division of responsibilities of the foreign

	reserves management process and management reporting. Transparency would be enhanced with the extracted publication of the Foreign Exchange Reserves Management Policy of 2019 section 7, which would provide a better disclosure of the institutional obligations and roles and description of the responsibilities of the governing bodies with respect to reserve management.
Principle 4.4.2.	Reporting on Implementation: The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	The BOU publishes, albeit at a high level summary, the level of foreign exchange reserve assets and liabilities in its annual report.
Review	Core The central bank publishes information about the level of foreign reserves assets and liabilities, on an annual basis.
Comments	Transparency could be improved with the disclosure of information about not only the level of foreign reserves, but also liabilities, short-term-drains, commitments made by the monetary authorities according to a predefined schedule with a lag.
Principle 4.4.3.	Financial Results: There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	The FY 2021 Financial Statements provide information on the amount, composition, profit/loss, and risks arising from foreign exchange reserves. In particular, Note 4. Financial Risk Management contains comprehensive disclosures on financial risks, including credit, liquidity, interest rate and currency risks, and discusses the impact of the COVID-19 pandemic on reserves management operations. In addition, Note 13.2.2. Operational expenditure discloses return on foreign assets and expenditure associated with reserves management operations.
Review	Comprehensive The BOU clearly discloses information on the amount, composition, profit/loss and risks arising from foreign exchange reserves.
Comments	-
Principle 4.5.	Macprudential Policy: <i>The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.</i>
Principle 4.5.1.	Governance Actions: The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	The BOU Act does not provide for a clear accountability framework on macroprudential policies given the lack of an explicit legal financial stability mandate. The annual BOU reports to the parliament on the overall performance of the economy cover the evaluation of risk to the stability of the financial sector and the set of measures undertaken by the central bank. The publication of the financial stability report and the

	quarterly report also allows the BOU to discharge its accountability responsibilities to the public.
Review	Core Given the limitation in terms of legal mandate, the accountability framework on macroprudential policies is based on fulfilling the central bank function of maintaining monetary stability and contributing to a stable economy and a well supervised financial system. The annual report disclosed for the parliament and the financial stability report support the accountability framework.
Comments	An explicit macroprudential mandate will enhance the accountability framework on macroprudential policies. In this regard, it is important to disclose the macroprudential policy framework (once approved by the FSCB foreseen within 2023), its intermediate targets and the policy instruments mapped to mitigate the structural and time dimension of systemic risks. Regular periodical disclosure of BOU reviews based on the macroprudential framework would be beneficial to the transparency of its policies.
Principle 4.5.2.	Policies: The central bank discloses ex-post evaluations of its macroprudential policies.
Description	The BOU monitors the threats to financial stability to formulate appropriate policies in line with the evolution of risks. As part of this process, the Central Bank evaluates the developments of key indicators related to the relevant risks associated with the policies that it has issued. The Financial Stability Report discloses some key information on the impact of the measures related to capital buffers. However, at present there is no disclosure of the impact of other measures, such as LTV ratios.
Review	Core The BOU does not conduct ex post evaluations about the impact of its policy decisions but focuses its analysis on key developments of the banks' solvency ratios and risks.
Comments	Disclosure of the impact of the policy decisions on the relevant intermediate target of the macroprudential policy is important to the understanding of the policy actions from the public. For example, the LTV has been in place for a period of time and could provide the right incentive to the BOU to evaluate how its cap has impacted the developments in the credit market and the real estate.
Principle 4.6.	Microprudential Supervision: Selected principles from BCP, ICP, and IOSCO.
Description	<<< Not Applicable >>>
Principle 4.7.	Emergency Liquidity Assistance: The Emergency Liquidity Assistance framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	Bilateral ELA has been provided under the CLAP and information has been provided with a lag in the quarterly financial stability review. Under the new ELA framework, no ELA has been provided, as the operational guidelines have not been published yet. It is however noted in the new operational

	<p>guidelines that BOU will maintain confidentiality regarding the provision of ELA and only disclose ELA provision with a lag, mindful of financial stability concerns.</p> <p>No market wide ELA has been provided under the CLAP (see section 2.7).</p>
Review	<p>Expanded for Bilateral ELA.</p> <p>The information about the provision of support is disclosed only after the financial stability risk has passed. The BOU releases information in the quarterly financial stability review.</p>
Comments	-
Principle 4.8.	Resolution: Selected principles from KA.
Description	<<< Not Applicable >>>
Principle 4.9.	Financial Market Infrastructures: Selected principles from PFMI.
Description	<<< Not Applicable >>>
Principle 4.10.	Financial Integrity: The central bank discloses the outcome of its Anti-Money Laundering/Countering the Financing of Terrorism supervisory actions as well as details about the oversight of its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	<p>See Principles 2.10 and 3.11 above for the overarching legal framework and policies on the BOU's AML/CFT supervision and AML/CFT internal controls.</p> <p>AML/CFT Supervision: The BOU does not disclose information on the outcomes of its supervision in its annual reports or on the BOU's website. This reflects the relative novelty of dedicated AML/CFT supervisory activities carried out by the BOU, as discussed above.</p> <p>Internal AML/CFT Controls: There are also no details publicly available about oversight of its internal AML/CFT controls. It was however confirmed during the mission that the new internal AML/CFT policy, which is currently pending before the Board, includes provisions regarding review by an independent third party.</p>
Review	<p>Not Implemented</p> <p>The BOU does not disclose the outcomes of its supervisory processes (in terms of general information, analysis, or statistics). There is also no information available as yet regarding its internal oversight of AML/CFT activities. This is confirmed in its responses to the questionnaire and was confirmed during the mission.</p>
Comments	<p>AML/CFT Supervision: The BOU should consider publishing information on the outcomes of its AML/CFT supervisory activities, including the underlying analysis and statistics.</p> <p>Internal AML/CFT Controls: The BOU should consider disclosing information about the oversight function of its internal AML/CFT controls.</p>

Principle 4.11.	Consumer Protection: There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	<p>By way of introduction, the BOU annual report for 2021 explains the Financial Consumer Empowerment Mechanism (FCEM), which tries to bring more efficiency to the inquiries and complaints process in the financial system, in keeping with the National Financial Inclusion Strategy, the BOU Strategic Plan and the Financial Consumer Protection Guidelines 2011. The objectives of FCEM include defining safety nets for consumer rights to be recognized and protected, enforcing consumer protection regulations and standards of conduct, delivering financial empowerment and education messages and institutionalizing a redress mechanism for those that feel they are unjustly treated.</p> <p>The annual report contains summary details on the results of the complaint mechanism. For example, nearly 37 percent of complaints for calendar year 2020 were related to 'mobile money/mobile banking,' far exceeding the next most prominent source of complaints (interest fees and other charges at 10 percent). Complaints received by the BOU totaled 341 for the year ending June 2021, 322 of which were resolved and 19 of which are pending. This level of complaints was down from 493 the previous year, most likely attributable to the pandemic.</p>
Review	<p>Not Applicable</p> <p>The reason there is no Review is because the range of practices has not been established yet, thus no review is provided.</p>
Comments	The BOU has developed a system for quantifying the efforts to advance consumer protection and regularly reports on the results from the efforts for financial consumer empowerment.
Pillar V—Central Bank Official Relations	
Principle 5.1.	Government: <i>The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.</i>
Principle 5.1.1.	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.
Description	<p>Relationship between the BOU and the government: The relationship between the BOU and the government is detailed in the Bank of Uganda Act (available on the website here), Section 4 in subsection (2), as BOU shall:</p> <ul style="list-style-type: none"> • (e) act as financial advisor to the Government and manager of public debt; • (f) advise the Government on monetary policy as is provided under section 32(3); <p>The relationship with the government is further detailed in Section 32 (relationship with the Government):</p> <ul style="list-style-type: none"> • The Minister may direct the bank to render advice to the Government on financial or other related matters, and the bank shall advise and inform the Government

	<p>through the Minister on any matter which is within its functions and powers under this Act.</p> <ul style="list-style-type: none"> • The bank shall render services to the Government as may be determined by the Minister. • The Government shall seek advice from the bank on monetary policy, and it shall be the duty of the bank to formulate such monetary policy and advise the Government accordingly. • The Government shall consult with the bank from time to time on its domestic or foreign credit requirements or any other relevant matter. <p>The Public Management Act of 2015 prescribes the process for management of the petroleum revenue in the Petroleum Fund. The MOFPED maintains two accounts at the BOU as part of its responsibilities for managing the Fund, which include oversight of transfers into and disbursements from the Fund. This relationship, including the level of petroleum fund deposits held at the BOU, is detailed regularly in the BOU annual report.</p> <p>Exchange of Information: Information exchange is not explicitly provided for in the BOU Act, but exchange of information has been agreed to under a Memorandum of Understanding (MOU) between the Bank of Uganda, the Capital Markets Authority, Insurance Regulatory Authority, and the Uganda Retirement Benefits Regulatory Authority. The purpose of the MOU is to detail the obligations of the Agencies regarding collaboration on supervision, regulation and development of the financial sector, information sharing and the terms of reference for the Financial Sector Regulators Forum (FSRF, also variously referred to in the MOU as the Financial Sector Regulators Committee). However, the Ministry of Finance Planning and Economic Development (MOFPED) is not a signatory to the MOU, as it merely a member of the FSRF. As a result, it is not clear whether the information exchange provisions of the MOU apply to the MOFPED. The MOU between the Agencies is not disclosed publicly by the BOU, and the minutes of the meetings are not disclosed either, on a delayed basis or otherwise.</p> <p>Profit Distribution: Section 16 of the Bank of Uganda Act states that at the end of each financial year of the bank, after making adjustments for the authorized capital and Reserve Fund Balance; allowing for expenses of operation; making provision for bad and doubtful debts; making provision for depreciation of assets; contributing to any scheme or fund established under the BOU Act; and taking into consideration any other contingencies, that any profits or losses from the bank's operations shall be shared between the Bank of Uganda and the Government in respective portions of 25 and 75 percent (sub-section 16(1)).</p> <p>Section 16 further notes that in determining the profits and loss at the end of each financial year, that the accounts shall clearly distinguish profits or losses arising from the normal operations of the bank and those resulting from profits or losses from exchange fluctuation (sub-section 16(2)). The BOU Board may determine that the whole of the net profit of the BOU be paid into the Consolidated Fund if, at the end of the fiscal year, the amount of money in the General Reserve Fund is twice or more than the amount of the paid-up capital of the BOU (sub-section 16(3)). The BOU may, after consultation with the Minister of Finance, retain from money payable into the Consolidated Fund under this section any amount of money as the BOU Board may</p>
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	determine in satisfaction or reduction of any amount of money due to the bank by the Government (sub-section 16(4)).
Review	<p>Core</p> <p>The BOU has a clear institutional relationship with the MOFPED as set forth in the BOU Act and other legislation, such as the Public Management Act of 2015, including its role as banker, financial advisor, agent, and fiscal authority.</p> <p>Profit Distribution of the BOU is clearly set forth in the BOU Act. The MOU for the FSRF is not publicly disclosed.</p>
Comments	The BOU could expand its present level of disclosure by publishing the noted MOU and the minutes of the FSRF meetings, with redactions as appropriate or with a time lag. Alternatively, agreements or meetings could be regularly announced in press releases.
Principle 5.1.2.	The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.
Description	<p>Financial Transactions: The financial transactions between the BOU and the government are detailed in the Bank of Uganda Act (available on the website here), Section 4 (functions of the BOU) in subsection (2), as BOU shall:</p> <ul style="list-style-type: none"> • (d) be the banker to the Government; • (e) act as financial advisor to the Government and manager of public debt; • (g) where appropriate, act as agent in financial matters for the Government; <p>For the past few years, the BOU has not been providing a profit distribution to the Government, as outlined in Section 16 of the BOU Act. In fact, the core capital position of the BOU has been below the minimum required capital level. As required under Section 14(4) of the BOU Act the Government has furnished securities to the bank to make good on this impairment. These recapitalizations have been described in the financial statements each year (footnotes 7, 46.6 for the 2021 financial statements). No other announcements or press releases have been released with regard to these recapitalizations, but the Parliament approves them, and this is a public process.</p> <p>An Agricultural Credit Facility (ACF), a risk-sharing, public private partnership, was created during October 2009 by way of a memorandum of understanding (MOU) between the BOU, MOFPED, the Uganda Bankers Association, the Uganda Development Bank and other select institutions. The BOU represents the MOFPED in the implementation of the credit facility, which targets agricultural projects. The MOU is readily available on the BOU website and the ACF is discussed regularly in the BOU Annual Report and the level of managed funds is highlighted in the notes to the financial statements (note 39 in the 2021 report).</p> <p>A Small Business Recovery Fund (SBRF) was created in November 2021 in the wake of the pandemic. The SBRF was created to provide loans to small businesses adversely impacted by the pandemic. The role of the BOU is as Fund Administrator on behalf of</p>

	<p>the Government of Uganda. Information on the SBRF was recently made available as part of a workshop; and this workshop is available on the BOU YouTube channel.</p> <p>Fiscal Agency: Activities of the BOU in its role as fiscal agency are detailed on the Financial Markets in Uganda page of the BOU website. Available documents include the prospectus for Government of Uganda bond issuances, auction procedures and guidelines, an issuance calendar for bills and bonds, term deposit instrument guidelines and prospectus, daily money market reports, exchange rates, rules governing Lombard and the rediscount window, among other operational details related to the BOU's responsibilities as fiscal agent.</p>
Review	<p>Comprehensive</p> <p>The BOU Act codifies the financial transactions between the BOU and the MOFPED. Disclosure on such transactions is appropriate as noted in the example of the recent recapitalization of the BOU by the MOFPED. Information on the specialty funds, the ACF and the SBRF is also detailed and timely. The Financial Markets in Uganda page of the BOU website provides extensive detail on the BOU in its role as fiscal authority.</p>
Comments	-
Principle 5.1.3.	The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.
Description	The instruments used for financial transactions are disclosed on the financial markets page of the BOU website. The details of the instruments presented include a prospectus for bond issuances, auction procedures and an issuance calendar, among other details.
Review	<p>Comprehensive</p> <p>The BOU defines and publicly discloses timely instruments used in interactions, particularly financial transactions with the Government.</p>
Comments	-
Principle 5.1.4.	The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.
Description	The outcomes for interactions such as operations for Government Securities are disclosed on the financial markets page of the BOU website. These details are also disclosed as part of the BOU 2021 Annual Report (Section 4.11.3 Treasury Bill and Bond Holdings).
Review	<p>Comprehensive</p> <p>The BOU discloses instruments used in interactions with the federal government.</p>
Comments	-

Principle 5.2.	Domestic Financial Agencies: <i>The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.</i>
Principle 5.2.1.	The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and (co-) decision-making modalities and arrangements for the formal/informal sharing of information.
Description	<p>The Financial Sector Regulators Forum (FSRF) is the primary platform for coordination between the BOU and the domestic financial agencies. Information exchange is not explicitly provided for in the BOU Act, but a memorandum of understanding (MOU) was agreed to in December 2017, updating a previous version agreed to during October 2007. The signatories for the 2017 MOU included the BOU, the Capital Markets Authority, the Insurance Regulatory Authority, and the Uganda Retirement Benefits Regulatory Authority. The purpose of the MOU is to detail the obligations of the agencies regarding collaboration on supervision, regulation and development of the financial sector, information sharing and the terms of reference for the Financial Sector Regulators Forum (FSRF, also referred to as the Financial Sector Regulators Committee). The content of the MOU is not disclosed publicly, and the minutes of the meetings are not disclosed either, on a delayed basis or otherwise.</p> <p>The Financial Institutions (Protected Deposit) Instrument, 2019 and the Financial Institutions Deposit Protection Fund Regulation, 2019 comprise the enabling Act and regulation for the Deposit Protected Fund (DPF). Regulation 16 of the Act allows disclosure of information if it is in performance of a duty or exercise of function under the Act or Regulations. The instrument and regulation are not available on the BOU website but are on the DPF website. The BOU and DPF have signed a bi-lateral memorandum of understanding on cooperative efforts as detailed in the Annual Supervision Report of 2017.</p>
Review	<p>Core</p> <p>The MOU with the other financial agencies establishes cooperation including the sharing of information, but the MOU is not available on the BOU site. There was a reference in the 2017 Financial Stability Report (FSR) about the ongoing work on the MOU contemporaneous with its negotiation.</p>
Comments	It is advised that the MOUs be made public by the BOU to make clearer the relationship between the BOU and the other regulatory agencies and that the BOU issue periodic press releases that coincide with meetings or otherwise reference ongoing activity in the periodic FSR.
Principle 5.2.2.	The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.
Description	<p>The policies and instruments used in the interactions with domestic financial agencies are included in the MOU for the FSRF, which as noted is not disclosed to the public.</p> <p>Joint inspections are another instrument used for the interactions, which is contemplated under the FSRF MOU. For example, this supervision technique would be used in the case of the consolidated supervision of a financial institution that has</p>

	<p>affiliates from different sectors, such as banking and insurance. As this instrument is an element of the MOU, its presence is not publicly disclosed.</p> <p>The capital buffer regulation (2020), which is disclosed on the BOU website, is another example of an instrument used in the interactions between BOU and the domestic financial agencies.</p>
Review	<p>Core</p> <p>The MOU with the other financial agencies is an instrument used along with joint inspections and the capital buffer regulation, but the MOU underlying these interactions is not available on the BOU site.</p>
Comments	<p>Disclosure could be enhanced through disclosure of the MOU between the BOU and domestic agencies.</p>
Principle 5.2.3.	<p>With respect to macroprudential policy, the central bank discloses its role, responsibility, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.</p>
Description	<p>The BOU Act is on the website, and this makes clear the role of the BOU regarding its authority to supervise, regulate, control and discipline financial institutions. These functions are specified in further detail throughout the Act.</p> <p>The BOU website houses a macroprudential page. There are currently two financial stability-related committees: an internal BOU financial stability committee that meets on a quarterly basis; and a multi-lateral financial sector surveillance committee (FSSC, alternatively referred to as a regulators’ forum or the financial sector regulators committee) that meets twice a year based on a 2017 MOU with the following signatories: Bank of Uganda, Capital Markets Authority, Insurance Regulatory Authority and Uganda Retirement Benefits Regulatory Authority. The Ministry of Finance Planning and Economic Development (MOFPED) also participates in and can, at times, chair the FSSC given its role in overseeing the financial sector. The post-meeting pronouncements are limited at this time. The macroprudential page has links to the full range of reports and analysis that are available regarding the roles, responsibilities and actions along with coordination with other authorities: the annual financial stability report and quarterly financial stability review; financial crisis management and its component measures of exceptional liquidity assistance, enforcement and corrective actions, bank resolution, deposit protection and interagency coordination; macroprudential policy through the previously-referenced committees; and payments oversight, including registration, monitoring and the review of systemically important payment systems. Periodically, announcements are made regarding resolution and legal matters that arise with regard to the interventions of the BOU and considerations of instability.</p>
Review	<p>Core</p> <p>The legal framework including the Act and the MOU address the functions and cooperative activities regarding macroprudential policy.</p> <p>The noted dedicated portions of the website address the full range of authorities and actions taken by the BOU in the realm of macroprudential policy.</p>

Comments	The committees, where appropriate given the need for confidentiality in ongoing supervisory matters, could announce the work of the committee on a regular basis, at minimum at the topical level rather than the financial institution level.
Principle 5.2.4.	With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity support, and who is responsible for which type of decision or action at what stage.
Description	<p>As detailed on the BOU website macroprudential page, there are currently two financial stability-related committees: an internal BOU financial stability committee that meets on a quarterly basis; and a multi-lateral financial sector surveillance committee (FSSC, alternatively referred to as a regulators' forum or the financial sector regulators committee) that meets twice a year based on a 2017 MOU with the following signatories: Bank of Uganda, Capital Markets Authority, Insurance Regulatory Authority and Uganda Retirement Benefits Regulatory Authority. The Ministry of Finance Planning and Economic Development (MOFPED) also participates in and can, at times, chair the FSSC given its role in overseeing the financial sector.</p> <p>The multi-lateral committee has also addressed the framework for the identification, regulation and supervision of domestic systemically important banks (DSIBs), which is disclosed, and is also working on the development of a crisis management plan. The capital buffer regulation (2020), which is disclosed on the BOU website, is another example of an arrangement to restore or maintain financial stability. Additionally, broader financial stability measures, such as exceptional liquidity assistance and the resolution authority, are discussed.</p> <p>The legal authorities and references to the website overlap with those noted in the prior sub-principle on financial stability.</p>
Review	<p>Core</p> <p>The legal framework, including the Act and the MOU, address the functions and cooperative activities regarding financial stability.</p> <p>The noted dedicated portions of the website address the full range of authorities and actions taken by the BOU in the area of financial stability.</p>
Comments	The details on the website are clear, but at times they are either out of date or are inconsistent with other sources in their content. The links are not housed on a singular page but are sometimes scattered about away from the main macroprudential and financial stability page. The disclosure of the FSSC MOU would enhance disclosure.
Principle 5.3.	Foreign Agencies: The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.
Description	The Bank of Uganda Act envisions development of interactions with international organizations, foreign governments, other central banks and other foreign agencies: Section 6 envisions an on-the-ground presence outside Uganda with the establishment of branches and the appointment of agents and correspondents; Section 29 envisions interactions through the maintenance of accounts with central and other banks, acting

	<p>as a correspondent, banker or agent for any central bank or other bank or international monetary authority established under Government auspices.</p> <p>Regional initiatives, such as the East African Community (EAC), which is the cooperative of seven regional jurisdictions, is detailed in the Annual Report 2021 as one of the key 'strategic partnerships' (9i, p. 46, 13.2.2.5, p. 86). One of the key initiatives within the EAC is the transition to a single currency by 2024. Other regional initiatives include the Monetary Affairs Committee (13.2.2.5, p. 86).</p> <p>The media center contains links for a number of 'partner agencies,' predominantly counterpart central banks: Central Bank of Kenya, Bank of Tanzania, Bank of South Sudan, and Banque de la République du Burundi. There are presently no MOUs between the home-host authorities.</p>
Review	<p>Core</p> <p>The BOU has the required authorities, develops the relationships with foreign agencies and BOU reports, most prominently the Annual Report, provide details on the nature and progress for these interactions.</p>
Comments	Disclosure could be enhanced through detailed disclosure of the terms and conditions of cooperation between the BOU and foreign agencies.
Principle 5.4.	Other Relations: The central bank discloses its involvement with private or semi-public institutions.
Description	<p>As noted previously, the BOU is involved with the private bankers association on the Agricultural Credit Facility, a public private partnership. created during October 2009 by way of a memorandum of understanding (MOU) between the BOU, MOFPED, the Uganda Bankers Association, the Uganda Development Bank and other select institutions. The BOU represents the MOFPED in the implementation of the credit facility which targets agricultural projects. The MOU is readily available on the BOU website and the ACF is discussed each year in the BOU Annual Report and the level of managed funds is highlighted in the notes to the financial statements (note 39 in the 2021 annual report).</p> <p>As for involvement with corporate social responsibility causes, this fact is noted on the BOU website and in the Annual Report related to outreach programs (Ayivuni Health Centre III and Nakaloke Health Centre III).</p>
Review	<p>Core</p> <p>The BOU makes public its MOU for the ACF and discloses activities in the annual report. Corporate social responsibility activities with private institutions are also mentioned in the Annual Report.</p>
Comments	-

Appendix I. List of BOU Departments and External Stakeholders

Bank of Uganda Senior Management and Staff:

- Governor, Deputy Governor and Economic Advisor to the Governor
- Members of Executive Committee (ExCom)
- Members of the Board of Directors
- Bank Secretariate (Board Affairs, Legal Affairs, and Communications)
- Banking and Currency Management
- Economic Research, and Statistics
- Finance and Financial Reporting
- Financial Markets
- Financial Stability
- Human Resources
- Internal Audit
- National Payment Systems
- Non-Bank Financial Institutions
- Petroleum Investment Fund
- Risk and Compliance Management
- Strategy and Quality Assurance

External Stakeholders:

- Academia (Makerere University Business School and Makerere University)
- ACI Financial Markets Association of Uganda
- Media Representatives (Bloomberg, NTV Uganda and New Vision Uganda)
- Ministry of Finance, Planning and Economic Development
- Private Sector Economists
- Think Tanks and Research (Financial Sector Deepening Uganda, Private Sector Foundation Uganda, Economic Policy Research Centre)
- Uganda Bankers Association Executive Committee