

## **Emmanuel Tumusiime-Mutebile: Welcoming innovations in the Ugandan banking sector**

Speech by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the launching ceremony of the Orient Express Visa Card – Orient Bank Limited, Kampala, 1 November 2007.

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The Chairman and Board of Directors of Orient Bank Ltd.  
Management and Staff  
Distinguished Guests  
Ladies and Gentlemen

Let me begin by expressing my gratitude for Orient Bank's invitation to me to preside over this auspicious occasion of launching the Orient Express Visa Card. The Visa Card which Orient Bank Limited is launching today is in line with the Orient Bank's business theme: "*we care for your financial needs*".

Visa is the world's largest retail payments system. Its introduction in Orient Bank will enable the bank's customers to gain access to the Visa electron network, which reportedly operates in 150 countries with a network of 27 million outlets. The Visa card will enable the customers of Orient Bank Limited to use their debit card worldwide at ATMs, Points of Sale terminals and Internet. The introduction of this product will therefore go a long way in reducing inherent risks associated with moving around with large sums of money in order to execute business transactions within Uganda and beyond the borders of Uganda.

The Orient Express Visa card can be used to pay for goods and services or withdraw cash from any ATM or Bank displaying the Visa sign. The card acts as a debit card and the customers' account will be immediately debited upon completion of the transaction. Customers will be asked to complete a simple application form but will not have to pay any fees to acquire the new card.

The Orient Bank is today also announcing the deployment of 250 new Point of Sale terminals, which will also accept any Visa branded cards. The new Point of Sale terminals also have value added functions, which will enable customers to pay for goods and services, to purchase airtime and mobile telephone top-ups, to pay utility bills and at selected sites, to obtain cash advances. Merchants will receive a credit on their collection account at close of business each day for all transactions executed during the day. The new terminals are also able to recognize the new "chip and pin" cards, which are gradually being introduced worldwide in order to enhance card security.

The Orient Express Visa card can be used at various ATMs of other Banks through Visa switching system. This will provide relief to Bank customers in the face of the refusal of some banks to join the local switch. I am also glad to recognize that this facility will greatly help our international visitors during the forthcoming CHOGM meetings.

It is encouraging to note that a major focus of the Orient Xpress Visa project will be provision of basic banking services in rural areas of Uganda through the deployment of Point of Sale machines to rural trading centers. I am informed that this Orient Bank initiative has been strongly supported by USAID rural Speed Project who deserves our unreserved praise. It is my ardent hope that this initiative will prove a success, which will be replicated by other banks. There is too high a proportion of the branches of commercial banks concentrated in Kampala and its environs while many regional towns, let alone the rural areas, are neglected in terms of access to financial services.

Ugandan bank customers have been relatively slow to adopt many of the features that card technology offers. In many cases, Ugandans carry around sums of cash that are far too large

for safety because they do not know that there are other ways of doing business. It is therefore important that people should know what options are available to them to make the management of their money and their daily financial transactions easier.

In this regard, I would urge Orient Bank to embark on a rural information campaign to promote wide use of Orient Xpress Visa card. Such a campaign, if vigorously implemented, could enable some customers who are presently bankable but do not have accounts to skip a whole generation of technology and go straight to the use of plastic money.

The Bank of Uganda fully backs such developments and pledges all the necessary support to financial institutions, which pro-actively initiate innovations of financial products as they foster financial deepening. Consequently, Bank of Uganda congratulates Orient Bank Limited upon this historic achievement.

However, while the Bank of Uganda very much welcomes innovations, we know that such initiatives come along with a wide range of inherent risks which should be carefully evaluated and credible mitigation measures instituted in order to ensure not only the safety of depositors' funds but also the soundness of the financial system. Consequently, all supervised financial institutions planning to roll-out new financial products must conduct comprehensive evaluation of inherent risks associated with such products and proceed to institute credible risk management framework prior to launching such products. I am reliably informed that Orient Bank Limited has met these requirements.

Turning to the current state of Uganda's financial sector, I must confirm to the public that the sector has continued to be sound and resilient to external shocks soundness. The sector has also benefited from the strengthening of supervision and regulation of the banking system by the Bank of Uganda. There has been continued strong public confidence in the sector and increased product diversification by financial institutions. All banks are adequately capitalized and the value of non-performing assets as a percentage of total lending remained well below 3% as at June 2007. The low ratio of non-performing assets to total credit portfolio is due to improved risk management by banks and strengthened supervisory framework.

The Housing Finance Company of Uganda Ltd. was recently upgraded into a full-fledged Bank, and a number of Banks from abroad have made applications to Bank of Uganda for licenses to set up Commercial Banks in Uganda. The Bank of Uganda has already licensed the Continental Trust Bank from Nigeria whose shareholders also invested in the National Insurance Corporation, and the Kenya Commercial Bank, which will start their operations soon. I am pleased to announce that just this morning I approved the application of another large Nigerian Bank, the United Bank for Africa Plc to open Commercial Banking Business in Uganda. All this is very good news for the development of our financial sector. We should thank the Government for providing the enabling environment for foreign and local investors alike.

In conclusion, I once again wish to congratulate Orient Bank Limited upon this auspicious occasion of launching the Orient Express Visa Card and further wish the bank prosperity in all its efforts to render innovative financial services to the public.

Finally, it is now my privilege and pleasure to launch the Orient Express Visa Card.