

Emmanuel Tumusiime-Mutebile: Banking issues in Uganda

Speech by Prof. Emmanuel Tumusiime-Mutebile, Governor, Bank of Uganda, on the occasion of Eid-El-Fitri Celebrations at BoU Western Gardens, Kampala, 25 September 2009.

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Your Eminence the Mufti of Uganda
Distinguished Guests
Ladies and Gentlemen

Asalaam Aleikum,
Eid El-Fitr, Al- Mubarak.

It gives me great pleasure to welcome you to this annual auspicious occasion when we at the Bank mark the end of the Holy Month of Ramadhan and the celebration of Eid El Fitr.

Let me take this opportunity to congratulate Your Eminence and all Muslims in Uganda for having been steadfast in observing the fast throughout the Holy Month of Ramadhan.

To the Bank Muslim staff who observed the Fast, I highly commend you and urge you to maintain this noble act of worship. The virtues of fasting should be upheld throughout your daily life both at work and elsewhere.

The Bank of Uganda as a public institution upholds the freedom of worship for every member of staff. It is our conviction that religion plays a great role in enhancing morality in the society leading to ethical conduct, discipline in the work place and invaluable contribute to better outcomes. Our commitment is demonstrated by the Bank values which each staff is required to uphold. This blends very well with the requirements of fasting in the holy month of Ramadhan. Fasting brings a reminder to all of us to go back to God, to do the right things and shun evil.

Let me take this opportunity to address you on the health of the Uganda's financial sector. First of all there was a baseless rumour in the Red Pepper of September 14, 2009 that a "*Top Bank faces Closure over Gadaffi Cash*" that the workers of "*an Islamic founded bank*" were about to become jobless and that the top management faced arrest because the bank was being used as a conduit for money "to some officials at Mengo" from foreign sources.

Let me reiterate the statement in the press release I issued on September 15, 2009 –"I assure everyone that no bank in Uganda is under any threat of closure whatsoever". The general public should continue to ignore these completely baseless allegations.

All banks and other supervised financial institutions are well managed, well capitalized, profitable, and in good shape.

Our Supervision staff are well trained and adequately equipped to carry out the BOU mandate to foster a sound financial system.

The second issue relates to the licensing of Islamic banks in Uganda. The Bank of Uganda has received some inquiries for opening Islamic banks or banks which offer Islamic banking products. As you are aware the licensing and regulation of financial institutions in Uganda is governed by the Financial Institutions Act (FIA) 2004. Some of the provisions of the FIA 2004 are not compatible with the Islamic Banking model, a matter which is currently under review.

Bank of Uganda is in the process of amending the relevant provisions of the FIA Act with a view to accommodating Islamic banking, or enabling existing banks to offer Islamic banking products. The Bank of Uganda has also received technical assistance from the Islamic Development Bank (IDB) to train the Bank Supervision staff for full understanding of Islamic banking and finance so that they are in position to effectively regulate these institutions once

they are established and licensed to operate in Uganda. I am therefore confident that, as soon as the law is amended, we should be having an Islamic bank or banks offering Islamic products in the not too distant future.

Let me conclude by wishing you once again happy celebrations. May Almighty God bless you all

Eid Mubarak, Eid Mubarak, Eid Mubarak.