

BANK OF UGANDA



THE WORKSHOP ON THE FUNDAMENTALS OF ISLAMIC BANKING OPERATIONS

ORGANIZED BY TROPICAL BANK LIMITED

Speech

By

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NOVEMBER 28, 2016 - HOTEL AFRICANA, KAMPALA

**SPEECH BY THE GOVERNOR AT THE WORKSHOP ON THE
FUNDAMNETALS OF ISLAMIC BANKING OPERATIONS
AT HOTEL AFRICANA KAMPALA - NOVEMBER 28, 2016**

The Chairman Board of Directors, Tropical Bank Limited, Honourable
Gerald M. Ssendaula,
Senior Management of Tropical Bank Limited,
Resource Persons from Malaysia,
Representatives from the Banking Sector and the Business Community,
Participants,
Ladies and Gentlemen.

On behalf of the Bank of Uganda and on my own behalf, I wish to welcome you all to this very important workshop on Islamic Banking. I further wish to extend a very special welcome to the delegates from Malaysia. Please get some time off to enjoy the beautiful sites and sounds of Uganda, the Pearl of Africa and Gifted by nature.

Let me congratulate Tropical Bank Limited upon organizing this workshop, which is aimed at sensitizing the public on Islamic Banking. The Bank of Uganda believes that creating public awareness on Islamic Banking is one of the key ingredients for achieving a smooth rollout of Islamic Banking. It is for this reason that the Bank of Uganda continues to participate in sensitization programmes like these whenever called upon. As you may recall, in May this year, Bank of Uganda participated in a similar conference, organized by the Islamic University in Uganda at this very hotel. I must add that such initiatives augment Bank of Uganda's Islamic Banking sensitization programmes and are very welcome.

Furthermore as part of the Financial Literacy strategy, Bank of Uganda has in the past undertaken multimedia sensitization campaigns on Islamic Banking entailing Radio Talk Shows, Newspaper Inserts, Workshops and Journals, among others. I wish to pledge Bank of Uganda's commitment to continuing with the above-mentioned sensitization campaigns.

The topic of this workshop is **“The Fundamentals of Islamic Banking Operations”** and I note that the resource persons include delegates from Malaysia, a country that possesses enormous experience in the Islamic Banking field. I therefore call upon the participants here today to take full advantage of the opportunity presented to you in this workshop. I urge you all to seek as much information as possible from the Islamic Banking experts in order to enhance your understanding of Islamic Banking.

Ladies and Gentlemen, this workshop could not have come at a more opportune time than now, when the Bank of Uganda is in advanced stages of putting in place a Supervisory and Regulatory Framework for Islamic Banking. Since January 2016 when H.E the President of the Republic of Uganda assented to Financial Institutions (Amendment) Act, 2016, which embraced Islamic Banking, there has been tremendous work going on internally in the Bank of Uganda, which is mainly aimed at fast tracking the development of an enabling Supervisory and Regulatory Framework for Islamic Banking. The consultant engaged by the Bank of Uganda prepared a draft Islamic Banking Legislation, which is currently under review by the various stakeholders, whose feedback, shall be considered in finalizing the Legislation.

Bank of Uganda is aware that the Banking sector and the general public are eagerly waiting for the rollout of Islamic Banking in Uganda. I wish to assure you all that the Bank of Uganda is fast tracking the establishment of a Supervisory and Regulatory framework for Islamic Banking. All stakeholders shall be informed as soon as the requisite processes have been completed. I wish to reiterate that an effective Supervisory and Regulation framework is key to ensuring the success of Islamic Banking and Bank of Uganda is keen to achieving this objective.

Islamic Banking has gained prominence internationally due to its exponential growth and resilience to financial crises as well as the nature of Shari'ah-Compliant finance models that focus on the principles of investment in real assets and risk-sharing. In the Islamic Banking model, each contract is backed by an underlying asset or investment activity which creates a direct link between financial markets and economic activity. The Islamic finance model has thus contributed to the spread of real-asset-based finance principles in many jurisdictions and is regarded as an ideal option for the financing of infrastructure projects. This provides a conducive environment for achieving a more integrated approach to economic growth. The success stories of Islamic Banking experienced in other jurisdictions would, without a doubt, be replicated in emerging markets like Uganda once Islamic Banking is rolled out. I am happy to note that the agenda for this workshop covers the envisaged benefits of Islamic Banking, among other topics.

In conclusion, I wish therefore to emphasize that while Islamic Banking and Finance is envisaged to significantly contribute to Economic Growth

and Development, it remains an emerging field in the Financial System worldwide. I, therefore, urge all stakeholders to clearly understand Islamic Banking and Finance model; appreciate its unique tenets that distinguish it from Conventional Banking and at the same time acknowledge the similarities between the two (2) models. This will significantly contribute to the effective rollout and growth of the Islamic Banking sector in Uganda.

On its part, Bank of Uganda will continue to collaborate with all stakeholders and ensure that the requisite Regulatory and Supervisory Structures for supporting the growth of Islamic Banking and Finance in this country are robust and conducive for all investors.

With those remarks, it is now my honour to declare the workshop on **The Fundamentals of Islamic Banking Operations** officially open.

I wish you fruitful deliberations.

I thank you.

E. Tumusiime-Mutebile
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