

# International Deposit Insurance Survey

## Section 1: Background Information

### 1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

#### 1.1.1 Organization Name:

Bank of Uganda

#### 1.1.2 Organization Address:

P.O.Box 7120KampalaUganda.

#### 1.1.3 Organization Telephone No:

(256-41) 258441/6

#### 1.1.4 Organization Fax No:

#### 1.1.5 Organization Internet Address:

<http://wwwbou.or.ug>

### 1.2 Contact Person(s):

#### 1.2.1 Contact Person(s) Name:

#### 1.2.2 Contact Person(s) Address:

#### 1.2.3 Contact Person(s) Telephone:

#### 1.2.4 Contact Person(s) Fax:

#### 1.2.5 Contact Person(s) E-mail address:

#### 1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

**1.3 Please provide information on other participants in your financial system safety-net:**

**1.3.1 Name of Central Bank:**

**1.3.2 Central Bank Address:**

**1.3.3 Central Bank Telephone:**

**1.3.4 Central Bank Fax:**

**1.3.5 Central Bank Internet Address:**

**1.3.6 Central Bank Contact Person:**

**1.4 Financial Supervisor:**

**1.4.1 Financial Supervisor Name:**

Bank of Uganda

**1.4.2 Financial Supervisor Address:**

**1.4.3 Financial Supervisor Telephone:**

(256-41) 258441/6

**1.4.4 Financial Supervisor Fax:**

**1.4.5 Financial Supervisor Internet Address and contact:**

<http://www.bou.or.ug>

**1.5 Other related entities:**

**1.5.1 Other Related Entities Name:**

**1.5.2 Other Related Entities Address:**

### **1.5.3 Other Related Entities Telephone:**

### **1.5.4 Other Related Entities Fax:**

### **1.5.5 Other Related Entities Internet Address:**

## **Section 2: Objectives, Mandates & Powers**

### **2.1.1 When and why was the DIS established (please provide details)?**

The Deposit Protection Fund in Uganda was established in July 1994 following the first Bank closure in Uganda in November 1993. The financial sector in Uganda at this time was in an unhealthy state with several undercapitalised/insolvent banks-most of which were indigenous and were operating unprofitably. Without the establishment of the Fund, it was felt that the Bank of Uganda could well find itself facing a crisis similar to the 1993 closing of the Teefe Bank, where in the absence of a deposit protection system, the Bank of Uganda, in the interests of maintaining public confidence had no option but to honour depositors' claims in the failed Teefe Bank from its own sources, thereby registering a large loss on its own books.

### **2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?**

In broad terms, the public-policy objectives in establishing the Deposit Protection Fund in Uganda were three-fold:- 1. Provision of protection to small depositors from the risk of losing their savings arising from bank failures; 2. Enhancing public confidence in the financial sector in general and the banking sector in particular; 3. Maintenance of stability of Uganda's financial sector and payments' system. These public-policy objectives have to date not been reviewed or changed.

### **2.1.3 What process was used to determine these objectives in your country?**

A feasibility study on Deposit Insurance was carried out by a consultant to the Governor, Bank of Uganda in March 1994. A questionnaire used for interviews with Chief Executives of Banks was prepared and additional information requested from Banks. Research experience of deposit insurance in other developing countries was, too, taken on board in arriving at the stated public policy objectives.

### **2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.**

Legislation

### **2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?**

No

### **2.1.6 What sort of system do you have?**

Other

The DIS in Uganda is Government legislated and administered by the Bank of Uganda.

### **2.1.7 Who makes decisions to pay depositor claims?**

Other

Government, in conjunction with the Bank of Uganda.

**2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?**

**2.3 Authority to**

**2.3.1 Enter into contracts**

No

**2.3.2 Set regulations or by-laws for conduct of its business**

No

**2.4 Authority over entry and exit of member deposit taking institutions**

**2.4.1 Establish terms and conditions of membership**

No

**2.4.2 Authority to terminate the insured status of a member institution**

Yes

**2.5 Depositor reimbursement**

**2.5.1 Affect reimbursement of depositors claims**

Yes

**2.5.2 Access to depositor information**

Yes

**2.5.3 Use various methods of reimbursing depositors claims**

Yes

**2.6 Funding**

**2.6.1 How funding is provided**

Yes

**2.6.2 Terms and conditions of premiums or levies**

Yes

**2.6.3 Borrowing authorities and limits**

Yes

**2.7 Information Requirements**

**2.7.1 Access to information directly from member deposit taking institutions or its auditors**

Yes

**2.7.2 Access to information through supervisory authorities**

No

**2.8 Enforcement and intervention**

**2.8.1 Authority to conduct examinations and/or reviews**

No

**2.8.2 Ability to set standards or guidelines for member institutions**

No

**2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).**

No

**2.8.4 Authority to cancel deposit insurance of a member institution**

**2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution**

No

**2.9 Failure resolution**

**2.9.1 Authority to decide on appropriate form of failure resolution**

No

**2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).**

No

**2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties**

**2.10 Authority to:**

**2.10.1 Undertake formal liquidation**

**2.10.2 Purchase and assumption (sale and merger)**

**2.10.3 Open assistance (bridge bank)**

#### **2.10.4 Other forms of failure resolution**

### **2.11 Optimizing recoveries**

#### **2.11.1 Ability to act as a receiver**

No

#### **2.11.2 Ability to act as a liquidator**

No

## **Section 3: Governance Arrangements**

### **3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)**

No

The DIS in Uganda is established within and managed by the Bank of Uganda.

### **3.1.2 What is the form of governance used by the DIS organization?**

### **3.1.3 How is the governing body selected?**

DIS governing body is selected administratively within the Bank of Uganda.

### **3.1.4 What is the composition of the governing body?**

Currently, the DIS is administratively managed by two people within the Supervision Function of the Bank of Uganda and its accounts are externally managed by a firm of accountants.

### **3.1.5 What are the duties and responsibilities of the governing body?**

The governing body of the DPF is responsible for the operations and performance of the DPF against its expected results.

### **3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?**

Yes

### **3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?**

### **3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?**

### **3.1.9 Is there any direct or indirect representation in the management of the DIS by**

**the supervisor?**

**3.1.10 Is there any direct or indirect representation in the management of the DIS by other?**

**3.1.11 Please provide a breakdown of the management structure of the DIS**

The management structure of the DPF is still very thin on the ground with only 3 three members with no specific management roles.

**3.1.12 Do you have an internal control and audit systems**

Yes

**3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?**

No

**3.1.14 Is there an advisory committee to the DIS?**

No

**3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?**

No

**3.1.16 Please indicate which of the following tools are used as part of your accountability regime.**

## **Section 4: Human Resources & Infrastructure**

**4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?**

3 non-permanent staff

**4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?**

Other

Employees of the DPF come from the Bank of Uganda.

**4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?**

No

**4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)**

Yes

**4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.**

1

**4.1.6 Are confidentiality provisions for employees provided for?**

Yes

**4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?**

Yes

**4.1.8 What percentage of the budget is spent on training and development and information technology?**

10%.

## **Section 5: Information Sharing & Interrelationship Among Safety-Net Players**

**5.1.1 Who performs examinations of DIS member institutions?**

Central Bank

**5.1.2 Please describe the examination process that is used to evaluate member institution performance?**

Onsite and Offsite examinations of member institutions which are conducted by the Bank of Uganda.

**5.1.3 What information is collected from member institutions for the DIS and other parties?**

In addition to the regular onsite reports conducted by the Central Bank, financial institutions are required to file weekly, monthly and annual reports with the Central Bank of their financial condition.

**5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.**

The DPF is managed and controlled by the Central Bank. Consequently there is no need for any information sharing arrangements.

**5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of information that is shared amongst members of the safety net.**

**5.2.1 accessibility**

5

## 5.2.2 timeliness

5

## 5.2.3 Is there a consistent definition/classification across authorities of problem institutions

Yes

## 5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

## 5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

## 5.2.6 How often do you contact other DIS?

## 5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

No

# Section 6: Membership

## 6.1.1 What types of institutions are covered in your DIS?

Banks and credit institutions.

## 6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Yes

## 6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS.

No

## 6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.

No

All financial institutions are required to incorporate locally herein Uganda, hence we technically have no foreign institutions here in Uganda.

## 6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the

**parties responsible?**

DPF Membership is compulsory for all financial institutions in Uganda.

**6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?**

**6.1.7 How many member institutions do you have?**

18 Banks and 7 credit institutions.

**6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?**

.....

**Section 7: Coverage**

**7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?**

**7.1.2 What types of deposits are eligible for coverage in your DIS?**

Savings account,Chequing account,Certificates of deposit

null|null|null|null|null|null|null|null|null|null

**7.1.3 Is coverage**

per depositor

**7.1.4 What is the coverage limit per depositor?**

The maximum coverage limit per depositor is US\$ 1714(with 100% coverage up to that level).

**7.1.5 How was this figures arrived at?**

**7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?**

.....

**7.1.7 What types of depositors are not eligible for coverage in your DIS?**

Other

null|null|null|null

**7.1.8 Is the coverage amount indexed?**

**7.1.9 What is it indexed to?**

.....

**7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.**

No

**7.1.11 Is the public widely aware of the presence of coinsurance?**

**7.1.12 Are coverage levels affected by resolution methods? If so, please explain.**

**7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.**

No

**7.1.14 How is a decision made on the insurance eligibility of new financial products?**

.....

**7.1.15 When member institutions merge how are insured deposits treated?**

.....

**7.2 Does your country offer the following?**

**7.2.1 Islamic banking**

**7.2.2 Islamic deposit insurance**

## **Section 8: Funding & Fund Management**

**8.1.1 What type of funding is used by the DIS?**

**8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?**

Premium assessment

**8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)**

Insurance premiums are assessed as a flat rate.

**8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.**

0.2% of the average weighted deposit liabilities of the financial institution in its previous financial year.

**8.1.5 How often is the premium assessed?**

Annually.

**8.1.6 Is the premium assessed on total deposits, insured deposits or something else?**  
Total deposits

**8.1.7 Are premiums paid by member institutions tax deductible as a business expense?**

**8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.**  
Not applicable in the Ugandan situation.

**8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)**

**8.1.10 How is the optimum level (i.e. target) of the fund determined?**

**8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?**  
Yes

**8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.**

**8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?**

**8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?**  
No

## **Section 9: Reimbursing Depositors**

**9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?**  
.....

**9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?**  
Yes  
.....

**9.1.3 When is the DIS obligated to reimburse insured depositors?**

.....

**9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.**

Yes

.....

**9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?**

No

**9.1.6 What methods of payment can be used and under what circumstances are they used?**

.....

**9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.**

No

**9.1.8 What are financial institutions obligated to hold with respect to deposit records?**

.....

**9.1.9 When is the DIS given access to an institutions financial and depositor records?**

**9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?**

No

**9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.**

No

**9.1.12 What information is communicated to depositors regarding the reimbursement process?**

.....

**9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?**

.....

**9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?**

.....

**9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?**

.....

**9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?**

**9.1.17 What technologies does the DIS use to facilitate the reimbursement process?**

.....

## **Section 10: Public Information & Awareness**

**10.1.1 What obligations are there to inform the public?**

None at the moment.

**10.1.2 Who is responsible for communicating information about the DIS to the general public?**

DIS

null|null|null|null|null|

**10.1.3 Are these explicitly stated in policy or law?**

**10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?**

No

**10.1.5 If so, what methods are utilized?**

Other

null|null|null|null|

**10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?**

.....

**10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.**

**10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?**

Yes

Shortly after the closure of the 4 banks in 1998 and 1999.

**10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.**

.....

## **Section 11: Risk Assessment & Intervention**

**11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?**

No

**11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?**

No

The Bank of Uganda through its Supervision Function.

**11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?**

Other

The DPF gets its information from the Bank of Uganda which controls and manages it.

**11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.**

.....

**11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.**

.....

## **Section 12: Failure Resolution**

**12.1.1 Is your DIS involved in the failure resolution of member institutions?**

No

**12.1.2 Who determines whether a member institution has failed or is insolvent?**

The Bank of Uganda through the Supervision Function.

**12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?**

Not provided for in our Ugandan law.

**12.1.4 How is the failure/non viability of a member institution determined?**

.....

**12.1.5 How many member institutions have failed in your country in the last 20 years?**

Five(5).

**12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?**

Yes

**12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?**

Yes

**12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.**

**12.2.1 Formal liquidation**

**12.2.2 Purchase and assumption (sale and merger)**

**12.2.3 Open bank assistance (e.g. recapitalization)**

**12.2.4 Bridge banks and other interim solutions**

**12.2.5 What criteria are used to determine the method of failure resolution?**

.....

**12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?**

No

**12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?**

.....

**Section 13: Claims, Recoveries & Estate Management**

**13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role**

No

**13.1.2 What is the primary objective of the DIS when dealing with claims and**

**recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?**

Not applicable in the Uganda situation.

**13.1.3 What role does the private sector play in the claims, recovery process?**

.....

**13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?**

.....

**13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?**

Not applicable in the Uganda situation.

**13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?**

.....

**13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?**

Yes

**13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)**

Yes

**13.1.9 Are rights of set-off available or imposed in your countrys legal system? Please describe the various forms set-off can take.**

Yes

## **Section 14: Other Issues**

**14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?**

.....

**14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?**

Yes.....