Outline

• The Regulatory Framework
• Current status of Islamic Financing in Uganda
• Islamic Financing in the National Accounts
• Issues at hand
• Going Forward
Regulatory Framework

• Prior to 2016, the Financial sector in Uganda was governed by the Financial Institutions Act (2004).

• Section 37 prohibited Financial Institutions from engaging directly or indirectly in Commerce, Trade, Insurance or Agriculture except in the course of satisfaction of their debts.

• Section 38 prohibited purchase or acquisition of property by Financial Institutions except for the purpose of providing amenities for their staff.
Regulatory Framework

• Bank of Uganda proposed amendments to the Financial Institutions Act, (2004), to permit the licensing of, and transacting by financial institutions in Islamic banking in Uganda.

• This led to the Financial Institutions (Amendment) Act, 2016.
Regulatory Framework: Highlights

• An already licensed Financial Institution carrying out business, may apply to the Central Bank to carry out Islamic financing in addition to its existing licensed business.

• That business will be conducted through an “Islamic window”.
Regulatory Framework: Highlights

• Every financial institution which conducts Islamic financial business shall appoint and maintain a Shari’ah Advisory Board.

• There shall be a Central Shari’ah Advisory Council in the Bank of Uganda to advise the Bank of Uganda on matters of regulations and supervision of Islamic banking systems in Uganda.
Current Status of Islamic Financing

• Licensing of Islamic Financial Institutions by Central Bank to start before the end of 2017.

• Licensing was supposed to start at the end of 2016 but there was need to give time to the public to appreciate the benefits and risks in Islamic Banking.

• The regulations that will govern Islamic banking in the country have been submitted to the Ministry of Finance and are awaiting approval.

• Currently 11 out of 22 conventional Banks have expressed interest in providing Islamic banking products to their customers.
Islamic Financing in the National Accounts

- National Accounts are compiled according to the 2008 SNA

- Currently Financial Service activities in the National Accounts are compiled only for Conventional banking.

- Financial Service sector contributes about 3% to total GDP.
Issues at hand

• The lack of proper understanding of the activities of Islamic Banks.

• Fears that Islamic banking might fail if abused.
Going Forward

Need to start discussions with stakeholders including the Central Bank on the data required as well as it’s presentation.
Thank You