

# WORKSHOP ON ISLAMIC FINANCE IN THE NATIONAL ACCOUNTS

BEIRUT, LEBANON  
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Accounting for Islamic Finance in the National Accounts of Uganda

# 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