

# **Guidelines for the Licensing and Operation of Forex Bureaus and Money Remittance Companies, 2018**

## **1. Citation**

These Guidelines shall be cited as the Bank of Uganda Guidelines for the licensing and operation of Forex Bureaus and Money Remittance Companies, 2018.

## **2. Purpose**

The Guidelines shall guide applicants in processing the requisite requirements for the issuance and renewal of Forex Bureau and Money Remittance licences. They will also serve as a guide in the operation of the Forex Bureau and Money Remittance businesses. Specifically, the purpose of the Guidelines is to;

- a) clearly show the process that applicants are expected to follow when seeking foreign exchange and money remittance licences;
- b) explicitly lay out the detailed licensing requirements that must be submitted in support of a Forex Bureau or Money Remittance licence application;
- c) serve as a point of reference for potential applicants and other stakeholders;
- d) streamline the licensing process by offering a reference point for examiners during the licensing process; and
- e) guide Forex Bureau and Money Remittance proprietors in meeting their compliance obligations.

## **3. Application for a Forex Bureau Business Licence**

An application for a Forex Bureau business licence shall be made in duplicate in accordance with **Form A** specified in Schedule 2 of the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 and submitted to Bank of Uganda.

#### **4. Application for a Money Remittance Business Licence**

An application for a Money Remittance business licence shall be made in duplicate in accordance with **Form A** specified in Schedule 5 of the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 and submitted to Bank of Uganda.

#### **5. Conditions for applying for the licence**

The applicant for a Forex Bureau or Money Remittance business licence must fulfill the following conditions:

- (a) be a company registered under the Companies Act as a limited liability company, with a minimum of two shareholders, whose main objective is to conduct foreign exchange bureau or money remittance business;
- (b) have a minimum un-impaired paid up share capital of not less than Uganda shillings twenty million (UGX.20 million) in case of a forex bureau and Uganda shillings fifty million (UGX.50 million) for money remittance business;
- (c) have a fixed and identifiable place of business that is accessible to the public and suitable for the proposed business;
- (d) provide the name and full address, including telephone contacts and email address of the proposed business; and
- (e) propose management, directors and owners who must be persons of good repute and integrity with the necessary qualifications, experience and competence required to run a forex bureau or money remittance business.

#### **6. Documents Supporting the Application**

The application to Bank of Uganda shall be supported by the following documents:

- (a) A certified copy of the certificate of incorporation.

- (b) A certified copy of the applicant's memorandum and articles of association.
- (c) A copy of the registered resolution of the board of directors of the proposed Forex Bureau or Money Remittance business authorizing the submission of the application for the licence to Bank of Uganda.
- (d) Commissioned Personal Declaration Forms and Sworn Declaration of Assets and Liabilities for each of the applicant's shareholders, proposed directors and management.
- (e) Proof of the source of funds being invested, including details of the assets and liabilities indicated in the Personal Declaration Forms, such as copies of land titles, vehicle log books, share certificates, etc.
- (f) The names, signed curriculum vitae, certified copies of academic documents for the shareholders, directors and managers (where applicable) and two individual reference letters from credible persons relating to the fit and proper status of each of the applicant's shareholders, proposed directors and management. The proposed management must demonstrate ability to provide adequate strategic oversight over the operations of the proposed institution.
- (g) Personal and/or business bank statements for a period of six months preceding the submission of the application for the applicant institution and each of the applicant's shareholders, proposed directors and management (where applicable).
- (h) A reference letter from the applicant's banker(s) for each of the shareholders, directors and managers (where applicable).
- (i) Credit reference reports for the shareholders, directors and managers (where applicable).
- (j) International Police (Interpol) certificate of good conduct for directors/shareholders and the manager, obtained within the six months preceding the submission of the application.
- (k) Applicants' proof of identity and nationality such as a national identity card for Ugandan citizens and a passport for foreigners. Applicants may be required to produce original documents for verification.

- (l) Copies of work permits for all resident non-Ugandan shareholders, resident directors and employees of the applicant (where relevant). Applicants may be required to produce original documents for verification.
- (m) Audited opening balance sheet of the applicant certified by an audit firm registered with the Institute of Certified Public Accountants of Uganda.
- (n) Proposed organizational chart for the applicant, including the group structure and the related companies where relevant.
- (o) An operations manual detailing the proposed procedure of operations of the business, including risk management aspects, financial reporting and general compliance.
- (p) At least three (3) years' projected business and financial plans.
- (q) Company Form 20 which provides the particulars of the directors and secretary of the company and Company Form 10 which is the return of allotment of shares in the company.
- (r) Tax clearance certificates for the shareholders/directors and the applicant company.
- (s) A non-refundable application fee currently at Shs.1,000,000 payable electronically to Bank of Uganda, Account No. 099405006.
- (t) Signed comprehensive agreement between the applicant and the overseas correspondent or principal for Money Remittance business applications.
- (u) Name(s), address (es) and a notarized copy of the licence issued by the regulatory authority of overseas correspondent or principal for Money Remittance business applications.
- (v) Any other requirement as maybe deemed necessary by Bank of Uganda.

Bank of Uganda shall acknowledge receipt of the documents submitted within five (5) working days.

## **7. Evaluation of the Documents**

- (a) Bank of Uganda shall evaluate the application and vet the proposed shareholders, directors and management and provide a response within 60 days after submission of all requisite documentation.
- (b) Upon approval of the proposed shareholders, directors and management, the Bank shall issue a letter of intent to the applicant. This letter shall specify the additional requirements that must be met before the licence can be finalized, such as preparation of the business premises and business support systems and other office infrastructure in readiness for commencement of business.

## **8. Inspection of Premises by Bank of Uganda**

The applicant shall acquire a fixed and identifiable place of business that is accessible to the public and suitable in all respects for the business of a forex bureau or money remittance and shall;

- (a) Submit a draft tenancy agreement where applicable.
- (b) Submit a sketch plan indicating the dimensions and lay out of the applicant's proposed premises.
- (d) Invite Bank of Uganda to inspect the proposed premises in accordance with the provisions of Section 9(g) and Schedule 3 of the (Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006.
- (e) Have a reliable internet connection.
- (f) Have in place or have access to an adequate Management Information System with the following minimum functionality:
  - i) Issuance of receipts (electronic or paper)
  - ii) generate statutory returns
  - iii) Generate reports, including: the trial balance, general ledger details, financial statements including the profit and loss statement and statement of financial position, suspicious transactions reports, large cash transactions reports, and other reports that facilitate statutory compliance.

- iv) Submit returns through the Bank Supervision Application.

## **9. Communication of Bank of Uganda's decision to the applicant**

- a) Bank of Uganda shall communicate, in writing, its decision as to whether the application for a licence has been approved or declined within 21 days after inspecting the premises in (8) above. An applicant who is aggrieved by the decision of the Bank of Uganda may appeal in accordance with Regulation 43 of the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006.
- b) Where Bank of Uganda approves an application, the applicant shall be required to pay annual licence fees currently at Uganda Shillings One Million (UGX.1,000,000/=) for forex bureaus and Uganda Shillings Two Million (UGX.2,000,000/=) for money remitters, payable electronically to Bank of Uganda, Account No. 099405006.
- c) Money Remitters will be required to pay the Money Remittance Security Deposit, currently at Uganda Shillings Fifty Million (UGX.50 million) payable electronically to Bank of Uganda, account No. 099276035.

## **10. Other Requirements**

- a) Upon receipt of a licence, the licensee shall immediately register with the Uganda Forex Bureau and Money Remittance Association.
- b) The licensee shall notify Bank of Uganda in writing of the particulars of the operational and customers' accounts maintained in any commercial bank or other financial institution as soon as the accounts are opened or changes effected.
- c) The particulars of the account in (b) above shall include the account name, bank name, account number and the currency of operation.
- d) A licensee shall not change or close its place of business without the written consent of Bank of Uganda.
- e) A licensee will seek approval from Bank of Uganda before introduction of new products and or services.

- f) Conflicts and disputes that may arise with other financial institutions under the supervisory purview of Bank of Uganda will be promptly reported to the Uganda Forex Bureau and Money Remittance Association for arbitration. Such conflicts may however be escalated to Bank of Uganda should any of the parties be dissatisfied of the outcome from the initial arbitration by the Association.

## **11. Duration of Licences**

- a) A license issued is not transferable or assignable.
- b) A licence issued or renewed is valid for a period of one year and shall expire one year after the date of issuance unless it is renewed or revoked by the Bank of Uganda.
- c) Applications for licence renewal must be submitted to Bank of Uganda atleast two months before the expiry of the licence and shall be supported by the following documents;
  - i. A Completed licence renewal form (form A in schedule 4 appended to the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006)
  - ii. Evidence of payment of the licence renewal fees, currently at Shs.1million for foreign exchange licences and Shs.2 million for money remittances. The fees are payable electronically to Bank of Uganda Account No. 099405006.
  - iii. The payment narration should clearly indicate the paying institution and the nature of fees being paid. For example, “*Annual foreign exchange licence fees and money remittance licence fees for XXX Forex Bureau limited.*”
  - iv. Current staff list indicating the Name, National ID No (for Ugandan citizens), Passport No (for foreigners), Position, and Signature.
  - v. Copy of a valid membership certificate for the Uganda Forex Bureau and Money Remittance Association.
  - vi. Copies of valid work permits for non-Ugandan resident directors/employees.

- vii. Credit reference bureau reports for directors and managers (where applicable).
- viii. Certificate of tax clearance for the company from Uganda Revenue Authority.
- ix. Copy of the latest annual return (Form A) filed with the registrar of companies.

## **12. Changes in Shareholding**

- a) No changes in shareholding or management shall be effected without the written approval of Bank of Uganda.
- b) The licensee shall immediately notify Bank of Uganda in case of death or incapacitation of a shareholder or in the event that a shareholder is convicted of any financial fraud or misconduct.

## **13. Compliance with Anti-money Laundering and Countering the Financing of Terrorism Requirements**

- a) A money remitter shall have a mechanism in place that;
  - i. facilitates analysis of transactions to detect suspicious transactions such as split transactions and outliers inconsistent with known customer behavior.
  - ii. supports the identification, monitoring and reporting of the risks associated with politically exposed persons.
- b) A licensee shall maintain comprehensive records in a manner that allows easy retrieval of transactions. An electronic copy of the records shall be kept at an offsite location as a backup.
- c) A licensee shall have a mechanism in place to ensure compliance with anti-money laundering and countering the financing of terrorism laws, regulations and best practices.



**14. Risk Management**

A licensee shall:

- (a) Formulate a risk management framework that includes among others a risk assessment matrix detailing anticipated risks, estimated impact and likelihood, mitigation and control measures. A copy thereof shall be submitted to Bank of Uganda at the time of initial application.
- (b) A licensee shall periodically review the risk management framework to ensure that any emerging risks or mitigation measures are adequately catered for.

At a minimum, the risk management framework shall cover the following.

	<b>Risk category</b>	<b>Areas of focus</b>
1	Operational Risk	<ul style="list-style-type: none"> <li>• People aspects (clear assignment of roles, directors’ oversight and staff training)</li> <li>• Processes (Internal controls to ensure that there is completeness and accuracy in record keeping.)</li> <li>• Management Information Systems that meet the requirements outlined under 8 (f)</li> </ul>
2	Compliance Risk	<ul style="list-style-type: none"> <li>• Financial reporting processes in accordance with International Financial Reporting Standards (IFRS)</li> <li>• Compliance with the following;               <ul style="list-style-type: none"> <li>a) Foreign Exchange Act, 2004</li> <li>b) Foreign Exchange Regulations, 2006</li> <li>c) Anti-Money Laundering Act, 2013</li> <li>d) Anti-Money Laundering Regulations, 2015</li> <li>e) Consumer protection guidelines</li> <li>f) Any other laws or guidelines as may be prescribed by Bank of Uganda</li> </ul> </li> </ul>
3	Foreign Exchange Risk	<ul style="list-style-type: none"> <li>• Mechanism of monitoring external events and market developments</li> <li>• Controls in place to limit fraudulent transactions</li> </ul>

4	Liquidity Risk ( <i>for money remitters</i> )	<ul style="list-style-type: none"><li>• Mechanisms to monitor cash holdings to ensure that remittances to customers are available on demand.</li></ul>
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- (c) Develop a business continuity plan that ensures data integrity and availability.