KAMPALA: On April 06, 2020, the Bank of Uganda (BoU) announced measures to support the Economy of Impact of COVID-19 and safeguard financial stability. On April 14, 2020, BoU issued guidelines on Supervised Financial Institutions (SFIs) on how to implement the measures.

During implementation, several SFIs have been able to compile and frequent information on the measures being implemented and provide clarity on the aforementioned credit relief measures and other support measures.

1. What does Credit Relief mean? It’s a reorganisation of a debt obligation through concessions or accommodations that provide borrowers with some form of relief in how and/or when they meet their debt obligation(s) to lenders.

2. What is the key objective of the Credit Relief Measures issued by Bank of Uganda? The objective is to help: (i) To enable SFIs to support the economic impact of the COVID-19 pandemic on their borrowers and (ii) To mitigate the risks faced by lenders that may arise from exposure to borrowers that are affected by the COVID-19 pandemic.

3. Does credit relief mean that the obligation of the borrower to pay their loan to the lender has been forgiven? No. This is not a blanket relief for all borrowers.

4. What types of loans are eligible for credit relief? All loans and/or credit facilities in all sectors are eligible for credit relief if the COVID-19 pandemic is the cause of the financial difficulties. SFIs can mitigate the risks faced by lenders that may arise from exposure to borrowers that are affected by the COVID-19 pandemic.

5. Who is eligible to benefit from the credit relief measures? The credit relief measures are provided for under the requisite SFIs’ guidelines. The credit relief measures are available to all customers affected by the COVID-19 pandemic.

6. How will the granting of credit relief affect the credit classification of the borrower? The credit relief measure to a borrower under these guidelines and, during this 12 month period from 01 April 2020, shall not affect the credit classification of the borrower.

7. Will the credit relief measures apply to existing credit facilities? Yes, the credit relief measures apply to all credit facilities in existence on the said date is 01 April 2020.

8. Will the granting of credit relief affect the CRB? No. Any credit relief measure or restructuring be given to the borrower under these guidelines and, during this 12 month period from 01 April 2020, shall not affect the credit classification of the borrower.

9. Will the borrower be responsible for the costs and fees of obtaining the credit relief measures? No. This is not a blanket relief for all borrowers.

10. Are borrowers required to consent to any proposed restructuring? For any credit relief to take effect, off the borrower or the SFI must work together, be it in whatever format or is.

For borrowers unable to be physically present at the original time the credit relief measures or restructuring is done, in their consent can be given either by telephone conversation wherein agreement is reached on the terms of the restructuring or by written confirmation or other acceptable format. The SFI must then store these consent records on a system that is accessible by the borrower or the SFI. To ensure that the necessary documentation, when required, can be physically available.

11. Who is a SFI? Supervised Financial Institutions (SFIs) are defined as commercial banks, microfinance institutions, development financial institutions, building societies, credit cooperatives, savings clubs, and any other bodies established for the purpose of financing schemes such as ACF.

12. Will the borrowers whose facilities, whether restructured or not, be liable for penalty interest or loss in the next 12 months from April 01, 2020? No penalty interest or fees shall be charged, accrued and/or on any credit facility granted or restructuring granted before April 01, 2020. However, SFIs are allowed to make provision for such losses.

13. What if an SFI does not accept the request of the borrower for credit relief such as deferring payments or extending the loan term? In such a case, the SFI shall explain in writing the reasons for its principal decision, applicable to the outstanding principal and interest, and interest, if applicable. The decision letter should be kept by the SFI in a format that can be physically available at a later date.

14. How will the measures be reported? The SFi is required to report on a monthly basis to the relevant supervisory department.

15. Will the credit relief measures apply to financial schemes such as the Agricultural Credit Facility (ACF)? The applicability of these credit relief measures to financing schemes such as ACF depends on the terms of the scheme. However, SFIs are advised to maintain the CRB and any proposed restructuring.

16. How will rescheduling/or deferment of payment happen in a syndicated loan? For a syndicated loan, the borrower will submit their proposal to the lead bank. The lead bank will then coordinate with the other parties to make an appropriate joint decision. However, subject to the terms of the syndication agreement, and if allowed, an SFI therein can make an individual decision with respect to the facility within the syndicated loan.

17. Are borrowers required to consent to any proposed restructuring? All borrowers MUST explicitly consent to any credit relief measures or restructuring before the credit relief measure or restructuring takes effect. Those that might be reasonably expected to hold information concerning the borrower’s financial health.

18. Can SFIs extend new credit facilities to those borrowers who have already had credit relief measures? SFIs are allowed to make provisions for such losses. However, SFIs are also allowed to make additional offers for restructuring credit facilities to those borrowers who may have already been subject to deferral risk as a result of the COVID19 pandemic.

19. Is there a deadline for accepting credit relief for those borrowers who have not yet applied? There is no deadline for accepting credit relief for those borrowers who have not yet applied. The guidelines were extended to cover the period ending on March 31, 2021.

20. Will the borrower be responsible for the costs and fees of obtaining the credit relief measures? No. Any credit relief measure or restructuring be given to the borrower under these guidelines and, during this 12 month period from 01 April 2020, shall not affect the credit classification of the borrower.