

GUIDELINES FOR BORROWING FROM THE CENTRAL BANK

STANDING LENDING FACILITY

The Bank of Uganda approved the establishment of a Standing Lending Facility/Window at the BOU for banks with short-term liquidity needs, in a bid to support monetary policy operations and keep interbank interest rates within the CBR band. This facility is for purposes of providing liquidity during normal times, separate from the Lombard facility/Lender of Last resort, which is intended for banks in liquidity distress requiring funds for a longer duration of time.

The following are the guidelines to access this facility.

- 1.0 Eligible counterparties shall be institutions subject to central bank reserve requirements, that is, commercial banks.
- 2.0 The SLF will be priced at the upper bound of the CBR band.
- 3.0 The term of the SLF shall be limited to overnight.
- 4.0 The SLF requests window will be opened daily on the Central Securities (CSD) system to interested commercial banks from 3:00pm up to 3:30pm. In case of system failure, Bank of Uganda will accept requests from the banks by email within the same window, that is, 3:00pm to 3:30pm.
- 5.0 Eligible collateral shall be the Government securities, that is, Treasury Bills and Treasury Bonds.
- 6.0 Haircuts will be applied to the market value of the collateral securities pledged by a commercial bank. The applicable haircuts will be shared with commercial banks and shall be published on the Bank of Uganda website.
- 7.0 Each SLF bid (request) submitted into the CSD system shall comprise of: SLF amount, interest rate (the upper bound of CBR) and the treasury securities sufficient to cover the SLF amount.

- 8.0 Commercial banks are responsible for valuing their collateral, applying the applicable haircuts before submitting their SLF requests electronically into the CSD system. Any SLF bid (request) sent into the CSD without sufficient collateral cover will be rejected at cut-off time and cannot be re-submitted for that day.
- 9.0 Settlement of successful SLF requests is done on the same day the application is received.
- 10.0 On the date of maturity of the SLF, the commercial bank clearing account at the Bank of Uganda shall be automatically debited with the principal amount borrowed and the interest accrued, and the collateral securities returned to the borrowing bank.
- 11.0 Bank of Uganda may amend these guidelines as and when deemed necessary and inform the banks accordingly.

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