

BANK OF UGANDA

GUIDELINES FOR BANK OF UGANDA BILL OPERATIONS



November 2021

Introduction

Bank of Uganda bill is an instrument issued by and backed by the full faith of the central bank to absorb liquidity from the domestic money market. The legal basis for Bank of Uganda issuing securities lies in section 5 of the BoU Act, 2000 states that *“Subject to this Act, the bank shall have all the powers pertaining to a legal person and may do all things necessary for better carrying out its functions.”*

Terms

1. All commercial banks to bid directly to BOU
2. The minimum bid amount is UGX 1.0 billion and incremental values will be UGX 100 million
3. The maturities are standardized i.e. 28, 56, 84 and 252 days
4. The timing of the issuances will be at least weekly, depending on market conditions but not on the same day as the Government securities’ auctions.
5. Pricing will be market determined
6. The BoU bill is tradable with both bank and non-bank CSD holders in the secondary market.
7. Banks can redeem part or the entire amount held before the maturity period under the following conditions:
 - The security should have less than 91 days to maturity
 - The bank should communicate in writing to the Executive Director Operations stating their intention to rediscount
 - The application to pre-terminate should be received at the Bank of Uganda by 3.00pm of the business day. This is to allow for processing of the funds before close of the RTGS at 4.00pm
 - The applicable interest rate will be the ruling Bank of Uganda Rediscount Rate at the point of termination.
8. Announcement of tender by the BOU will be made via Refinitiv, email, telephone or any other appropriate channel.
9. BOU will announce the auction details on the auction date.
10. Part of the public tender announcement message will contain the following information:
 - The reference number of the tender operation
 - The date of the tender operation
 - Tenor/s of the auction

- The intended operation volume
 - Cut-off time for submission of bids.
11. BOU reserves the right to increase or reduce the amount offered for auction and accept or reject any or all applications in part or in whole.
 12. Commercial banks will submit bids through CSD and in the event that the CSD is unavailable, market players can use Refinitiv dealing, email, telephone or any other appropriate channel.
 13. The commercial banks must state in their bids the face value amount and the price per 100 shillings.
 14. The bids received will be listed in descending order of offered price per 100.
 - If, at the lowest price (highest interest rate) level accepted, the aggregate bid amount exceeds the remaining amount to be allotted, the remaining amount is allocated pro rata among the bids according to the ratio of the remaining amount to be allotted to the total bid amount at the cut-off price (marginal interest rate).
 - All successful bids to be filled at a single cut-off price as is the case with Treasury securities. This would ensure all holders have a uniform starting /reference price to trade in the secondary market.
 15. The auction cut-off price of the successful bids will be announced publicly through Refinitiv, email or telephone and successful banks will be informed accordingly.
 16. Provisions related to the settlement procedures are defined in the contractual arrangements between BOU and the commercial banks. In addition;
 - All transactions will be same day value and have same day settlement.
 - BOU will debit the commercial banks directly via RTGS and credit them accordingly at maturity.

**BANK OF UGANDA RESERVES THE RIGHT TO DEVIATE FROM THE MODALITIES
IF CONDITIONS WARRANT**