

Uganda

## Uganda Commercial Bank Act Chapter 55

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# Uganda

## Uganda Commercial Bank Act Chapter 55

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**An Act to establish the Uganda Commercial Bank and other purposes connected therewith.**

### Part I – Interpretation

#### 1. Interpretation

In this Act, unless the context otherwise requires—

- (a) "**bank**" means the bank established by [section 2](#);
- (b) "**board**" means the board of directors established by [section 8](#);
- (c) "**financial year**" means the period of twelve months ending on the 30th day of September;
- (d) "**functions**" includes powers and duties;
- (e) "**Minister**" means the Minister to whom functions under this Act are assigned.

### Part II – Establishment and capital

#### 2. Establishment of the bank

- (1) There shall be established a commercial bank to be known as the Uganda Commercial Bank.
- (2) The bank shall be a body corporate with perpetual succession and a common seal and may sue or be sued in its corporate name.
- (3) The bank may, subject to the limitations contained in this Act relating to the business which may be carried on by the bank, purchase, hold, manage and dispose of real and personal property and may enter into such contracts as may be expedient.
- (4) The application of the common seal of the bank shall be authenticated by the chairperson of the board or in his or her absence, a director appointed by the chairperson in that behalf, and two other directors, all of whom shall sign in token of their presence; and such signing shall be independent of the signing of any person who may sign the instrument as a witness.
- (5) Every contract in respect of any matter subsisting between the Uganda Credit and Savings Bank and any other person and in force immediately before the commencement of this Act shall be deemed to subsist between the bank and that other person.

#### 3. Head office

The bank shall have its head office in Kampala and may open branches and appoint agents in and out of Uganda in accordance with the decisions of the board made in that behalf.

#### 4. Functions of the bank

- (1) The bank is authorised to carry on and transact the following kinds of business—
  - (a) the receiving of deposits and the keeping of cash accounts on such terms as may be determined by the board;
  - (b) the advancing and lending of money on securities and property, including the following—
    - (i) goods which, or the documents of title to which, are deposited with or assigned to the bank as security for the advances or loans;
    - (ii) goods which are hypothecated with the bank for such security, or loans if so authorised by special directions of the board;
    - (iii) debentures of companies with limited liability whether incorporated in Uganda or elsewhere, subject to such directions as may be issued by the board;
  - (c) the granting of overdrafts with or without security to such extent as may be prescribed by the byelaws of the bank;
  - (d) the selling and realisation of the proceeds of sale of any stocks, funds, shares, securities, debentures, promissory notes or goods which or the documents of title to which have been deposited, pledged or hypothecated with or assigned or transferred to the bank for security for advances or loans or which are held by the bank or over which the bank is entitled to any lien or charge in respect of any loan or advance or any debt or claim of the bank, and which have not been redeemed in due time in accordance with the terms and conditions of the deposit, pledge, hypothecation, assignment or transfer;
  - (e) the selling and realisation of all property, whether movable or immovable, which may in any way come into the possession of the bank in satisfaction or part satisfaction of any of its claims and the acquisition and holding of and generally the dealing with any right, title or interest in any property, movable or immovable, which may be the bank's security for any loan or advance or may be connected with any such security;
  - (f) the drawing, accepting, discounting, buying and selling of bills of exchange and other negotiable securities;
  - (g) the buying and selling of, and otherwise dealing in, foreign exchange;
  - (h) the making, issuing and circulating of bank drafts and letters of credit to order or otherwise than to the bearer on demand;
  - (i) the drawing of bills of exchange and the granting of letters of credit payable out of Uganda;
  - (j) the buying of bills of exchange payable out of Uganda at any usance not exceeding six months;
  - (k) the purchase and sale of telegraphic transfers whether payable in Uganda or elsewhere;
  - (l) the investing of the funds of the bank in any securities or property approved by the board, and converting the securities or property into money when required and altering, converting and transporting such investments specified above;
  - (m) the transacting of pecuniary agency business on commission and the entering into of contracts of indemnity, suretyship or guarantee with specific security or otherwise;
  - (n) the acting as agent on commission in the transaction of the following kinds of business—
    - (i) the buying, selling, transferring and taking charge of any securities or shares in any public company;

- (ii) the receiving of the proceeds, whether principal, interest or dividends of any securities or shares;
  - (iii) the remittance of the proceeds of bills of exchange by telegraphic transfer payable either in Uganda or elsewhere;
  - (o) the administration as an agent of any fund, whether by virtue of any Act of Parliament or otherwise;
  - (p) the acceptance of the charge of valuables or securities on such terms as may be determined by byelaws made in that behalf by the board;
  - (q) the opening of an account with or the making of a share agreement with and the acting as agent or correspondent of the Bank of Uganda, or of any other bank whether incorporated in or outside Uganda;
  - (r) the contracting for private loans and negotiating and issuing the loans;
  - (s) the affecting, ensuring, guaranteeing, underwriting, participating in, managing and carrying out of any issue, public or private, of State, municipal or other loans, or of shares, stock, debentures or debenture stock, of any company, corporation or association, and the loaning of money for the purposes of any such issue;
  - (t) the carrying on and transacting of any kind of guarantee and indemnity business;
  - (u) the undertaking and execution of trusts and the undertaking and administration of estates as executor, trustee or otherwise;
  - (v) the acceptance of money, documents or valuables from any person for safe custody;
  - (w) the acquiring and undertaking of the whole or any part of the business of any person or company, when the business is of a nature enumerated or described in this subsection;
  - (x) the buying, receiving, collecting and remitting of money, bullion and securities on behalf of the Government and the undertaking and transacting of any other business which the Government may from time to time entrust to the bank;
  - (y) generally, the doing of all such matters and things as may be incidental or subsidiary to the transacting of the various kinds of business specified in this subsection.
- (2) Any additional monies administered by the bank in pursuance of subsection (1)(m) and (o) shall not be deemed to form part of the funds of the bank, but the monies shall be administered, paid and applied in accordance with the directions of the board given in that behalf not being inconsistent with the relevant law.
- (3) The bank shall not transact any kind of banking business other than those specified in this section, and, in particular, the bank shall not make any loan, advance or overdraft—
- (a) on the security of its own shares;
  - (b) to a director or his wife; to firms or companies, corporations or associations in which a director or his wife is a partner, director, officer or managing agent, or to any person in cases where a director or his wife is a guarantor, unless the loan, advance or overdraft is fully secured and approved by a unanimous vote of the other members of the board.

## Capital and reserve

### 5. Authorised capital

- (1) The authorised capital of the bank shall be two million pounds which shall be taken up from time to time by the Government.

- (2) The Minister may, by statutory instrument, increase the authorised capital of the bank.
- (3) An instrument made under this section shall be laid before Parliament, and shall be subject to annulment by Parliament, and shall cease to have effect when so annulled, but without prejudice to anything done under the instrument or the making of a further instrument.

## 6. General reserve fund

- (1) There shall be a general reserve fund of the bank.
- (2) At the end of each financial year of the bank, after writing off the expenses of operation and after provision has been made for bad and doubtful debts, depreciation of assets, contribution to staff and superannuation funds and other contingencies, including provision for hidden reserves and balances carried forward on profit and loss account, there shall be transferred to the general reserve fund—
  - (a) not less than one-quarter of the net profits of the bank if the amount of monies in that fund is less than the paid-up capital of the bank;
  - (b) not less than one-eighth of the net profits of the bank if the amount of monies in that fund is less than twice the amount of the paid-up capital of the bank,and any monies remaining thereafter shall be paid into the Consolidated Fund.
- (3) If, at the end of the financial year of the bank, the amount of monies in the general reserve fund is not less than twice the amount of the paid-up capital, the whole of the net profits of the bank shall be paid into the Consolidated Fund.

## 7. Borrowing powers

- (1) Subject to this section, the bank may borrow, raise or guarantee any sum of money from any source whether within or without Uganda upon such terms and conditions as may be determined by the board.
- (2) For the purposes of subsection (1), the bank may create, issue, make and give any bonds, perpetual or redeemable debentures or debenture stock or any mortgage or charge on the undertaking of the whole or any part of the property, rights and assets present or future of the bank, including the uncalled capital of the bank, for the purpose of securing any monies so raised and interest on the monies or as a collateral security for any debt, liability or obligation of the bank or of any third party or for any other sufficient purpose.
- (3) The total amount of monies borrowed, raised or guaranteed and owing or outstanding under this section shall not at any time exceed such sum as the Minister may determine having regard to the total amount of the paid-up capital and reserve fund of the bank.
- (4) For the purposes of this section, the amount of monies owing or outstanding in respect of any guarantee shall be deemed to be the maximum amount of principal contingently payable under the guarantee and the amount of any monies borrowed or proposed to be borrowed or of guarantees to be given or proposed to be given which are repayable or, as the case may be, payable in a currency other than Uganda currency, shall be converted into Uganda currency at the par value of Uganda currency.

## Part III – Administration

### The board

#### 8. Board of directors

- (1) There shall be a board of directors which shall consist of the managing director who shall be the chairperson, the deputy managing director who, if the President so wishes, may be appointed from among persons in the public service, and not less than five nor more than nine other directors, and which shall be the governing body of the bank.
- (2) The general administration of the affairs of the bank shall be entrusted to the board to which the managing director shall be answerable for his or her acts and decisions.
- (3) The managing director, or in his or her absence the deputy managing director, shall be entrusted with the day-to-day business, administration and management of the affairs of the bank, and may, subject as is expressly provided in this Act, give decisions and exercise all powers and do all such acts which may be exercised or done by the bank.
- (4) The managing director and the deputy managing director shall be appointed by the President, and the other members of the board shall be appointed by the Minister.
- (5) A member of the board shall be eligible for reappointment.

#### 9. Qualifications for appointment as director

- (1) No person shall be qualified to be appointed a director of the bank who—
  - (a) subject to [section 8](#), is a paid employee of the bank other than the managing director and the deputy managing director, or of the Government; and
  - (b) having been declared an insolvent or a bankrupt under any law in force in Uganda or any other country is an undischarged insolvent or bankrupt.
- (2) A director of the bank shall cease to hold office if—
  - (a) he or she becomes a person of unsound mind or incapable of performing his or her functions;
  - (b) he or she is declared an insolvent or bankrupt under any law in force in Uganda or in any other country;
  - (c) he or she suspends payment or compounds with his or her creditors;
  - (d) he or she is convicted of a felony or any offence involving fraud or dishonesty;
  - (e) he or she is guilty of serious misconduct in relation to his or her office;
  - (f) in the case of a person possessed of professional qualifications, he or she is disqualified or suspended otherwise than at his or her own request from practising his or her profession in Uganda or in any other country by the order of any competent authority made in respect of him or her personally.

#### 10. Term of office

- (1) A member of the board, other than the managing director and the deputy managing director, shall hold office for such term not less than one year nor more than three years as the Minister may determine at the time of his or her appointment.
- (2) The managing director and the deputy managing director shall be appointed for such period and on such terms and conditions as the President may determine.

- (3) A director other than the managing director or the deputy managing director shall be appointed for such period and on such terms and conditions as the Minister may determine.
- (4) If the office of a director, other than the managing director or the deputy managing director, becomes vacant otherwise than by effluxion of time, or in the opinion of the Minister a director is incapacitated by absence from Uganda, illness or any other sufficient cause from performing the functions of his or her office, the Minister may appoint another person to hold office in his or her place.
- (5) A person appointed to act in the place of a director under subsection (4) shall cease to hold office on the date when the person in whose place he or she holds office would have ceased to hold office, in accordance with this Act, or where the Minister is satisfied that the incapacity of the person in whose place he or she holds office has terminated, whichever is the earlier event.
- (6) A director other than the managing director or the deputy managing director may, by writing under his or her hand addressed to the Minister, resign his or her office and may be removed from office for inability to perform the functions of his or her office, or for any other sufficient cause.
- (7) Except as otherwise provided in this section, a director may be paid out of the funds of the bank such remuneration as the Minister may from time to time determine.

## **11. Meetings of the board**

- (1) The managing director shall preside at all meetings of the board; and in his or her absence or when that post is vacant, the deputy managing director shall preside.
- (2) The managing director or in his or her absence and in any case when the post is vacant the deputy managing director, shall summon meetings as often as he or she may require, but not less frequently than once in each month.
- (3) The quorum at any meeting of the board shall be four, and unless otherwise provided, decisions shall be adopted by a simple majority of the votes of the members present and voting; and in the case of an equality of votes, the person presiding shall have a casting vote.
- (4) No act or proceeding of the board shall be invalidated by reason only of the existence of a vacancy among its members.
- (5) All acts done by any person acting in good faith as director shall be valid notwithstanding any defect in his or her appointment or qualification.

## **Staff**

## **12. Appointment of employees**

- (1) Except as may otherwise be provided by byelaws made in that behalf by the bank, all appointments of employees shall be made on behalf of the bank by the managing director or when that post is vacant the deputy managing director.
- (2) Employees of the bank shall be engaged on such terms and conditions as shall be laid down by the board.
- (3) No salary, fee, wage or other remuneration or allowance paid by the bank shall be computed by reference to the net or other profits of the bank.

## **13. Declaration of secrecy**

- (1) All persons of whatever designation participating in the direction, administration, control and the running of the bank shall be bound by a declaration of secrecy unless they are otherwise called

upon to give evidence in a court of competent jurisdiction or to fulfil other obligations imposed by law.

- (2) For the purposes of this section, any former employee of the bank shall be similarly bound and shall not disclose any information whether documentary or otherwise relating to the affairs of the bank except by order of a court of competent jurisdiction.
- (3) Any person who contravenes this section commits an offence and is liable on conviction to imprisonment for a term not exceeding five years.

## **Part IV – Accounts and audit**

### **14. Balance sheet**

- (1) The board shall cause proper accounts and other records in relation to the accounts to be kept; and the books of account of the bank shall be balanced on the 30th day of September each year and shall be audited by the auditor of the bank.
- (2) The annual statement of account as audited shall be signed by the managing director or in his or her absence and in any case when that post is vacant by the deputy managing director, two directors of the board and the secretary of the bank and shall be sent to the Minister not later than the 31st December each year.
- (3) The annual statement of account shall, as soon as may be practicable, be laid by the Minister before Parliament and shall be published in the *Gazette*.
- (4) The annual statement of account shall give a true and fair view of the profit and loss of the bank for the period to which it relates.
- (5) The bank shall exhibit throughout the year in a conspicuous position in every office or branch of the bank in Uganda a copy of its last audited balance sheet.
- (6) The board shall appoint an auditor for the purposes of this section.
- (7) Without prejudice to subsections (1) to (6), the Minister may, at any time in his or her absolute discretion, request the Auditor General or such auditors as the Minister may appoint to examine and report on the accounts of the bank; and the Auditor General or such auditors shall do so accordingly, and the bank shall provide all necessary and proper facilities therefor.

### **15. Functions of auditor**

- (1) In the discharge of his or her functions under this Act, the auditor of the bank shall have access at all reasonable times to the books, accounts and other documents of the bank and may, at the expense of the bank, employ accountants and other persons to assist him or her in investigating the accounts and may, in relation to the accounts, examine any director or employee of the bank.
- (2) The auditor shall make a report to the board or to the Minister, as the case may be, upon the annual statement of account, and in every such report he or she shall state whether in his or her opinion the balance sheet is a full and fair balance sheet containing the necessary particulars and properly drawn up so as to exhibit a true and fair view of the state of the bank's affairs and whether he or she has called for any explanation or information from the board, whether it has been given and whether that information or explanation is satisfactory.

## Part V – Miscellaneous

### 16. Contracts

- (1) Contracts on behalf of the bank may be made as follows—
  - (a) a contract which if made between private persons would be by law required to be in writing, and if made according to Uganda law to be under seal, may be made on behalf of the bank in writing under the common seal of the bank;
  - (b) a contract which if made between private persons would be by law required to be in writing, signed by the parties to be charged therewith, may be made on behalf of the bank in writing signed by any person acting under its authority, express or implied;
  - (c) a contract which if made between private persons would by law be valid although made by parol only, and not reduced into writing, may be made by parol on behalf of the bank by any person acting under its authority, express or implied.
- (2) A contract made according to this section shall be effectual in law and shall bind the bank and its successors and all other parties to it.
- (3) A contract made according to this section may be varied or discharged in the same manner in which it is authorised by this section to be made.
- (4) The bank may, by writing under its common seal, empower any person, either generally or in respect of any specified matters, as its attorney to execute deeds on its behalf in any place outside Uganda.
- (5) A deed signed by such an attorney on behalf of the bank and under his or her seal shall bind the bank and have the same effect as if it were under its common seal.

### 17. Byelaws of the bank

The board may, with the prior approval of the Minister, make byelaws consistent with this Act regulating the following matters—

- (a) the maximum amounts which may be advanced or lent to any individual, body of persons or partnership, or to any company or association with limited liability;
- (b) the extent to which accounts may be overdrawn without security;
- (c) the books and accounts to be kept at the head office and branches of the bank;
- (d) the remuneration of the directors;
- (e) the conduct and defence of legal proceedings and the manner of signing pleadings;
- (f) the constitution and management of a provident fund for the employees of the bank; and
- (g) the conduct of the business of the bank generally.

### 18. Powers of the Minister

The Minister may give directions of a general nature relating to the policy and administration of the affairs of the bank, not being inconsistent with this Act, to the board, and the board shall be bound to comply with the directions.

### 19. Service of documents

Any document may be served on the bank by leaving it at or by sending it by registered post, to the head office of the bank.

## **20. Relations with the Government**

The bank may act generally as agent for the Government or for a Government corporation where it can do so appropriately and consistently with this Act and with its functions as a commercial bank.

## **21. Relations with other banks**

- (1) The bank may keep accounts with any bank in Uganda or in any other country and may receive from any such bank overdrafts, loans or any other financial accommodation.
- (2) The bank may, subject to this Act, seek the cooperation of and cooperate with other banks in Uganda where necessary.
- (3) The bank may appoint one or more other banks in Uganda or in any other country or any branches of the banks to act as the agent of the bank for the furtherance of the bank's business.

## **22. Companies Act to apply to the bank**

The Companies Act or any statutory modification or reenactment of it shall not apply to the bank.

## **23. Regulations**

The Minister may, after consultation with the board, by statutory instrument, make regulations for better carrying into effect the provisions of this Act and, in particular, for such matters as were the bank a company registered under the Companies Act, or any statutory modification or reenactment of that Act, would be dealt with in the articles of association.

## **24. Liquidation**

The bank shall not be placed in liquidation except in pursuance of an Act of Parliament passed in that behalf and then only in such manner as the Act shall direct.