



# REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE FOREIGN EXCHANGE (AMENDMENT) BILL, 2023

## 1.0 Introduction

The Foreign Exchange (Amendment) Bill, 2023 was presented for First Reading on 20<sup>th</sup> June, 2023 in accordance with Rule 128 of Parliament's Rules of Procedure. Subsequently, the Bill was referred to the Committee on Finance, Planning and Economic Development for examination in accordance with Rule 129.

**Rt. Hon. Speaker** and Colleagues, the Committee considered the Bill through consultations with different stakeholders, hence this report.

## 2.0 Object of the Bill

The object of this Bill is to amend the Foreign Exchange Act, 2004 to provide for the enhancement of the minimum capital requirements to carry on foreign exchange business; the use of technology in operations, the charging of administrative penalties, the strengthening of the vetting requirements and the harmonisation of the regulatory regime pertaining to foreign exchange bureaus and money remittance companies within the East African Community region.

## 3.0 Methodology

The Committee held meetings and received memoranda from the following; -

- i) Minister of Finance, Planning and Economic Development (MFPED)
- ii) Uganda Revenue Authority (URA)
- iii) Bank of Uganda
- iv) Micro-Finance Support Centre

## 4.0 Observations and Recommendations of the Committee

The Committee made the following observations and recommendations.

### 4.1 Amendment of the Foreign Exchange Act, 2004

The Committee observed that the Bill seeks to amend the Foreign Exchange Act, 2004 to provide for the enhancement of the minimum capital requirements to carry on foreign exchange business; the use of technology in operations, the charging of administrative penalties, the strengthening of the vetting requirements and the harmonisation of the regulatory regime pertaining to foreign exchange bureaus and money remittance companies within the East African Community region.

The Committee further observed that the Foreign Exchange Act, 2004 was enacted to eliminate barriers to the development of the currency market sector; to support innovation, financial inclusion and deepening of the foreign exchange market in

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Uganda and to provide for the licensing, regulation and supervision of foreign exchange business in Uganda. The advent of technological innovation developments in the East African Community, the need for Regional legal harmonisation and increasing client sophistication has now resulted in a shift in the currency market customers' expectations, particularly in terms of new innovative operational frameworks which are less costly and convenient. "Know-your-customer" requirements, compliance to anti-money laundering and combating financing of terrorism, and increasing the minimum capital requirements among others, has necessitated the review of the Act.

Further, the Bill seeks to address the issues of inadequate, risky, inefficient, unfair, inappropriate and restrictive buying, selling, sending and receiving of foreign currencies within or outside the country for purposes of trade, payments, saving, investment and consumption, the high cost of doing business, exchange rate volatility, high cost of operations of forex dealers and money remitters due to factors such as failure to deal with illegal forex dealers, lack of flexibility to revise capital requirements by the regulator, inadequate and information asymmetries regarding the operations of foreign exchange markets; low uptake of the foreign exchange market and low financial literacy. The inadequate provision of financial services and safety of customers of financial products has led to adverse effects including low profitability, low productivity of the population, a low tax base and a high rate of transformation to other businesses, calling for the amendment of the Act.

#### 4.2 Remedies proposed in the Foreign Exchange Amendment Bill, 2023

The Foreign Exchange (Amendment) Bill, 2023 seeks to cure the defects in the principal act through the following ways;

- a) Redefine foreign exchange business to include both physical and virtual buying and selling of foreign currency;
- b) To revise the minimum paid up share capital required to carry out foreign exchange business from one thousand to two thousand five hundred currency points;
- c) to increase the the minimum paid up share capital required to carry out foreign exchange business from one thousand to five thousand currency points,
- d) to provide that the minimum paid up share capital to carry out the business of dealing in money transfers shall be ten thousand currency points;
- e) to empower the Governor to revise the minimum capital requirements of foreign exchange and money remittance businesses by a statutory instrument in consultation with the Minister, from time to time;

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- f) to provide for civil penalties for non-compliance with the Act;
- g) to empower the minister to revise the fees prescribed in section 5 (2) by statutory instrument;
- h) to require forex bureaus and money remitters to furnish the Bank of Uganda with all information and data of its operations in Uganda, including periodic returns and make provision for civil penalties;
- i) to provide for the use of technology in the operation and levying of administrative penalties;
- j) to provide for the strengthening of the vetting requirements; and
- k) to harmonise the regulatory regime pertaining to foreign exchange bureaus and money remittance companies within the East African Community.

**4.3 Impact of the foreign exchange sector on the economy**

The Committee observed that since 2004, the sector impacted on the economy in terms of facilitating businesses. Table 1 below illustrates the above impact.

**Table 1; Traded Volumes - FY 2003/04 to FY 2021/2022**

Monthly data	FY 2003/2004 Million US\$	FY 2021/2022 Million US\$	Change Million US\$	Change (%)
Purchases	856.67	3,471.15	2,614.48	305.19
Sales	850.03	4,822.19	3,972.16	467.30

**Source: Monthly statutory data submitted by licensees to BOU**

In August 2004 there were 75 licensees, by August 2022 the number stood at 232 licensees.

The data indicates that the sector satisfies a significant proportion of the need for currency. Hence a positive impact on the economy in terms of facilitating businesses, and promoting the ease of doing business, by fulfilling market participants' (some of whom may find it convenient to deal with forex bureaus than banks) need for currency for various purposes (e.g., imports, exports, and payments among others).

Additionally, during the FY 2021/2022, total sales of foreign currency were 10.58% of Uganda's GDP (FY 2021/22 - US\$ 45.559 billion).

**4.4 Factors necessitating the increase in the minimum paid up capital from Shs.20m to Shs. 100m.**

- a) **Market development** - The Committee observed that the Total Sales of foreign currency by forex bureaus grew by 50.20% or US\$ 1.61 billion from US\$ 3.21 billion in the FY 2020/21 to US\$ 4.82 billion in the FY 2021/2022 as of June 30, 2022. Over the same period, purchases of forex grew by US\$ 1.58 billion

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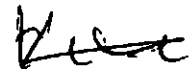
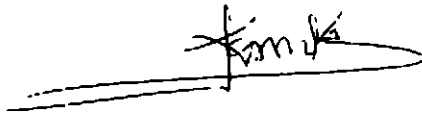


**Conclusion**

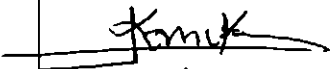
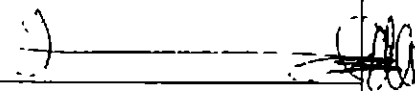
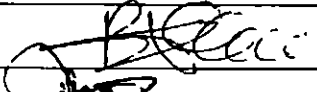

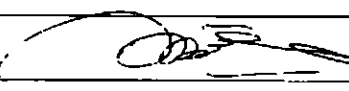

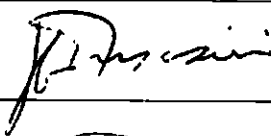
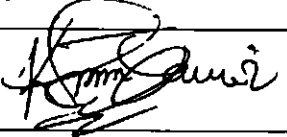
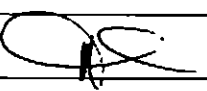
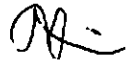
**Rt. Hon. Speaker and Hon. Members,** the Committee prays that the Foreign Exchange (Amendment) Bill, 2023 be passed into law as herein presented.


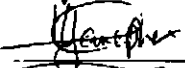

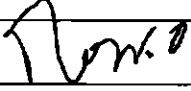


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**MEMBERS OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT; THE FOREIGN EXCHANGE (AMENDMENT) BILL, 2023.**

NO	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Kankunda Amos Kibwika C/P	Rwampara County	
2	Hon. Avur Jane Pacuto D/CP	DWR Pakwach	
3	Hon. Wamakuyu Ignatious Mudimi	Elgon County	
4	Hon. Agnes Atim Apea	DWR-Amolatar County	
5	Hon. Mpindi Bumali	PWD Rep.	
6	Hon. Bataringaya Basil	Kashari North County	
7	Hon. Asimwe K Enosi	Kabula County	
8	Hon. Aleper Moses	Chekwii County	
9	Hon. Katwesigye Olivier Koyekyenga	Buhweju Constituency	
10	Hon. Tayebwa Herbert Musasizi	Kashongi County	
11	Hon. Nabagabe Flavia	DWR Kasanda	
12	Hon. Kyooma Xavier Akampurira	Ibanda County North	
13	Hon. Nakut Faith Loru	DWR Napak	
14	Hon. Nangoli Gerald	Elgon North County	
15	Hon. Katali Loy	DWR Jinja	
16	Hon. Ochai Maximus	West Budama County North	
17	Hon. Opolot Patrick Isiagi	Kachumbala County	

18	Hon. Wanda Richard	Bungokho Central	
19	Hon. Mbabazi Janepher	Kagadi	
20	Hon. Nabukeera Hanifa	DWR Mukono	
21	Hon. Muwanga Kivumbi	Butambala County	
22	Hon. Ssenyonyi Joel	Nakawa West	
23	Hon. Nandala Mafabi	Budadiri West County	
24	Hon. Kateshembwa Dickson	Sheema Municipality	
25	Hon. Akol Anthony	Kilak North	
26	Hon. Luttaguzi Semakula P.K	Nakaseke South	
27	Hon. Ocan Patrick	Apac Municipality	
28	Hon. Omara Paul	Otuke County	
29	Hon. Dr. Kugonza Emely	Buyanja East	
30	Hon. Okot John Amos	Agago North	
31	Hon. Ogwaal M. Goli	Dokolo North	
32	Hon. Masaba Karim	Mbale, Industrial Division	
33	Hon. Patience Nkunda	Kanungu DWR	