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FOREX NEWS

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A PUBLICATION OF UGANDA FOREX BUREAU AND MONEY REMITTANCE ASSOCIATION

Evolution of Uganda's Forex market

Exchange rates
Banks Vs Forex Bureau

Contents


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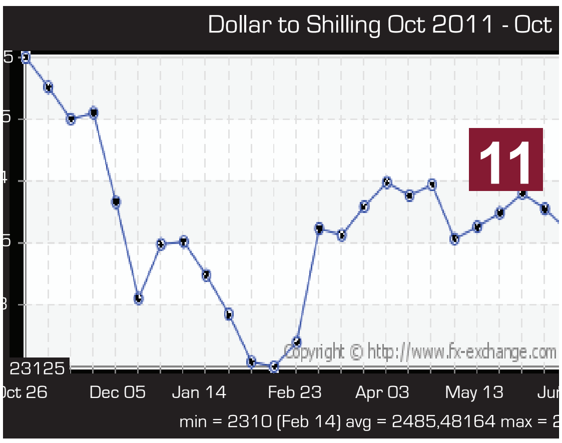
Dollar to Shilling Oct 2011 - Oct
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23125
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Dec 05
Jan 14
Feb 23
Apr 03
May 13
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Editor's Note

Well come to our Jubilee Edition of this Magazine. On behalf of the entire editorial team we congratulate you for making it to this day in our national history. We have worked tirelessly to bring you minute-by-minute accounts of the Foreign exchange market and we hope you will enjoy reading. In a special way allow us to join you to the jubilee toast and literally winch our National flag 50 times higher. Today many Ugandans get a chance to share the memories of Independence.

In this edition you will meet time-honored businessmen giving sparkling accounts of the foreign exchange market as it happened. You will learn from the men who saw Uganda's first ever 5 shilling, share the good and bad memories of operating a business in Uganda. Our editorial content menu also explores the latest issues in the line of Forex innovations, online trading, the Euro Zone crisis and the anti money laundering bill paving its way back to the parliament. So many people have spoken on the subject of Foreign exchange; you our readers are the judges in all this.

This time, you can provide us with your highly valued feed back at forex@ugandaforex.ug and your responses will be published in the next issue. This same content will be available on our website for those who may not fully interact with the hard copy.

Against this we again rise our glasses in the Ugandan spirit to congratulate everybody on this golden Jubilee starting on another long walk to prosperity.

For God and My country.

EVOLUTION of the Foreign Exchange Market;

Uganda's foreign exchange market counting 50 years down the road offers a true picture of a shaky beginning. But the liberalization of the business gives birth to a brighter business trading in the current market place. In the period after independence the grey haired businessmen confess that there were no credible Forex transactions as the country took time to shade off the shackles of batter trade and colonial hangover.

But what perhaps influenced the evolution of the foreign exchange markets in Uganda are different economic and political regimes. B.V.Ruparelia a Ugandan of Indian Origin carries fresh memories of the times. Born in 1929 in Uganda the old man says he has seen it all dating back in his youthful days as a businessman. He said 6 years after independence the currency was pegged to the East African Community arrangement. "In essence there was no foreign exchange transactions since we traded using a single currency" says Mr Ruparelia the proprietor of Down Town Forex bureau one of the pioneer bureaus in Kampala. The collapse of the EAC the early 70s tilted the balance across all regional economies giving birth to inter state currencies.

> **"From a shady street corner business, to corporate Forex transactions 50 years later.**

Details of the currency exchange positioning during this time remain scanty but Ruparelia recalls that the Uganda shilling just like it is today depreciated against the Kenya shilling. He says they imported everything from Kenya, a development that gave Kenya an upper hand in its balance of trade and a high foreign exchange rating. So it is appropriate to say as Uganda marks its golden jubilee business ancestry still favors Kenya as Uganda's fundamental trade partner.

The 2003 Central Bank working paper titled "Measuring Efficiency of a market in transition; The Uganda Foreign Exchange Market" by Michael Atingi and Rachael Kaggwa clearly gives another closer insight in the exchange rate road map once upon a time.

They write that in the immediate post 1960 period, for instance, the strong export performance ensured that Uganda's import needs were largely met from export receipts without serious implications on the current account balance.

This helped to sustain the positive growth rates that were posted during this period. In spite of the fixed exchange rate regimes pursued then, supply and demand equilibrated and no parallel markets developed for foreign exchange.

The Forex Days of 1970 -1980

The decade of the 1970s did not only face huge political and economic mismanagement but also led to worsening terms of trade.
All through the 1970s, under the watch of president Idi Amin, the Uganda shilling officially traded at between Shs 7 and 7.5 to the U.S. dollar. It was Shs 16 at the then-illegal black market rate popularly known as the"kibanda market" then operating in makeshift locations. Businessmen accessed this rate through highly secretive moneychangers "Kibanda dealers". Another veteran businessman Mohamed Raza G. Manji witnessed such transactions in areas like Kisenyi a busy business suburb within the city until now. "Exchanging money was a privilege of commercial banks" says the 62 year old man.

But some shrewd Ugandans mainly dealing in the Kenyan shilling transacted with specific cross boarder traders. His memories collaborate with the earlier quoted Central Bank working paper. The authorities maintained the fixed exchange rate regime and used it to allocate the foreign currency at rates that could not equilibrate supply and demand, parallel markets in foreign exchange

Mr. B. V. Ruparelia

Mr. Manji

started to emerge to serve the unsatisfied demand from the official channels.

By 1981, import requirements to support and sustain economic growth could not be met. The overvaluation of the exchange rate led to the deterioration of the external balance and the worsening internal balance exacerbated this. At this time, the price of foreign currency in the parallel market was over 30 times higher than the official exchange rate of UShs 7.14 per US Dollar. Efforts to restore macro-economic stability in early 1980s included extensive innovations in the area of exchange rate management, which were initiated with a 'managed float' regime in the period 1981-82. Following this was the dual exchange rate regime, which established two windows at the BOU in 1982.

Weekly auctions were later adopted with the merging of the two windows in 1984, and finally to dual system again in 1986 at rates of UShs 14 per US Dollar and UShs 50 per US Dollar for essential and non-essential transactions respectively. Toward the end of the year, these rates were merged into a single rate of UShs 14 per US Dollar. While this was happening at the official BOU channel, the parallel market that had emerged in the late 1970's intensified and consequently, the premium between the official exchange rate and the parallel market rate widened.

Following the political change in 1986, an Economic Recovery Program was launched in 1987. The reform programme that benefited from the substantial financial and technical support from the IMF, World Bank and the international community was largely directed at macro-economic stabilization and kick-starting production in the economy. Among the major reforms implemented were the trade and payment arrangements, the financial sector and marketing liberalization.

Economic Recovery Credit (ERC) received in May 1987, supported a currency reform that saw one hundred shilling exchange for one new shilling and this was accompanied by a devaluation of 77 per cent to address the imbalances in the external sector. At the time, the premium between the parallel and official market also declined from 1000 per cent to 50 per cent. The reforms were gradualist in approach and this largely reflected the fact that there was no general consensus among the key players on which direction the exchange rate reforms should follow.

The birth of Exchange Bureaus

In July 1989, government adopted a more active

stance when it moved to a 'crawling peg' exchange rate regime. The official exchange rate now adjusted in line with the inflation differentials between Uganda and its main trading partners, Kenya, UK and US on a monthly basis.
One year later, in July 1990, Government took a bold step in the foreign exchange management policy to legalize the parallel market and commission the Foreign exchange bureau.

This was later followed by the introduction of the weekly Dutch auction for foreign exchange at the official channel. The premiums between the multiple foreign exchange markets existing then (direct sales from BOU's official cash flow, the Dutch auction for donor funds and the Forex bureau) started declining. To facilitate convergence of the market, Government introduced the inter-bank market for foreign exchange in November 1993 and this completed the liberalization of the exchange and payments system. The market determined exchange rate regime was expected to provide a more efficient and reliable mechanism for the allocation of foreign exchange resources.

Under this regime, commercial banks and Forex bureau were expected to undertake all Forex transactions with the private sector at the market determined buy and sale rates. BOU adopted the weighted exchange rate derived from the rates set by the inter-bank market as the official rate. Intervention by BOU is mainly to smoothen wide fluctuations in the exchange rate in order to stabilize market conditions. While bureaus are allowed to concentrate on retail spot transactions in instruments such as cash, cheque and bank drafts, banks that are licensed as authorized dealer banks can operate wholesale, retail and forward transactions.

In trying to understand the evolution of the Ugandan foreign exchange market it is worthy noting that no study has directly tackled the issue of market efficiency in the Ugandan foreign exchange market, speculation and instability and the impact of the central bank's intervention. The foreign exchange market continues to grow with over 100 players serving the market in the retail segment alone.

1981 -1990 Currency Exchange Policy Highlights

Between 1981 and 1988, the government repeatedly devalued the Ugandan shilling in order to stabilize the economy. Before 1981 the value of the shilling was linked to the IMF's special drawing right (SDR). In mid-1980 the official exchange rate was USh9.7 per SDR or USh7.3 per United States dollar. When the Obote government floated the shilling in mid-1981, it dropped to only 4 percent of its previous value before settling at a rate of USh78 per US$1.

In August 1982, the government introduced a two-tier exchange rate. It lasted until June 1984, when the government merged the two rates at USh299 per US$1. A continuing foreign exchange shortage caused a decline in the value of the shilling to USh600 per US$1 by June 1985 and USh1, 450 in 1986. In May 1987, the government introduced a new shilling, worth 100 old shillings, along with an effective 76 percent devaluation. Ugandans complained that inflation quickly eroded the new currency's value. As a result, the revised rate of USh60 per US$1 was soon out of line with the black market rate of USh350 per US$1. Following the May 1987 devaluation, the money supply continued to grow at an annual rate of 500 percent until the end of the year.

In July 1988, the government again devalued the shilling by 60 percent, setting it at USh150 per US$1; but at the same time, the parallel rate had already risen to USh450 per US$1. President Museveni regretted this trend, saying, "If we can produce more, the situation will improve, but for the time being we are just putting out fires." The government announced further devaluations in December 1988 to USh165 per US$1; in March 1989, to USh200 per US$1; and in October 1989, to USh340 per US$1. By late 1990, the official exchange rate was USh510 per US$1; the black market rate was USh700 per US$1.

UGANDA'S CURRENCY Evolution 1966 – 2010

Quick Facts

Uganda started using her own currency after the collapse of the East African Currency Board. Before that, Uganda was using the East African Currency. The Government of Uganda under the Bank of Uganda act- 1966 established Bank of Uganda. Bank of Uganda started issuing Uganda's first currency in 1966 when it was established.

Uganda's Currency has changed seven times since 1966. The 1966, 1973, 1979, 1983 and 1986 issues/ changes were a result of change of regimes. The 1987 issue has undergone a series of upgrading, though not because of political factors but in an effort to crack down counterfeits and ease transactions as well. The latest issue was issued in May 2010.

First Currency (1966 Issue)

The 1966 currency had coins of: 5 cents, 10 cents, 20 cents, 50 cents, 1 shilling, 2 shilling. It also had banknotes of: 5 shillings, 10 shillings, 20 shillings, and 100 shillings The Banknote had a 'palm' watermark.

1973 issue

A new government took over in 1971; And in 1973, changes were made to the Banknotes. The denominations of the 1966 Issue were maintained, and a 50-shilling note was also issued. A portrait of President Idi Amin was then introduced on the Banknotes.

1979 issue

In 1979, a new government came in place and made slight changes to the currency. While it maintained the same denominations,

Amin's portrait was replaced with an artist impression of the Bank of Uganda building.

1982/83 Issues
A new government came in place in 1981. In 1982 new currency were issued out and same denominations were maintained. In 1983, the denominations of 500 and 1000 Shillings notes were introduced, and had a portrait of President Milton Obote.

1985/1986 Issues
A new government came in power in 1985. In 1985/86, another issue of currency was made, and Obote's portrait replaced with the National Emblem in the middle of the Map of Uganda. A new Banknote of 5000 was also introduced.

1987 Issue
A new government came in place in 1986. New currency with a completely different design was introduced. This currency had coins of 5 cents, 1 shilling, and 2 shillings. In 1999 new denomination coins of 50, 100, 200 and 500 shillings were introduced. Therefore, on December 31, 2000, Notes of Uganda Shilling 5, 10, 20, 50, 100, 200 and 500 cease to be legal tender. The new currency also maintained same Banknote denominations of: 1000 shillings and 5000 shillings.

December 10, 2001, a new series of 1,000-Shilling banknote with additional features such as; a vertical embedded security thread visible with 1000 running along the thread, the date 2000 and the latent image feature of number 1000 at a lower bottom center of the banknote, was introduced.

On June 20, 2005, Bank of Uganda further enhanced 1,000-Shilling banknote. It has an improved cotton paper, shifting ink on the lower left front in figure 1000 that changes from green to blue when viewed at different angles.

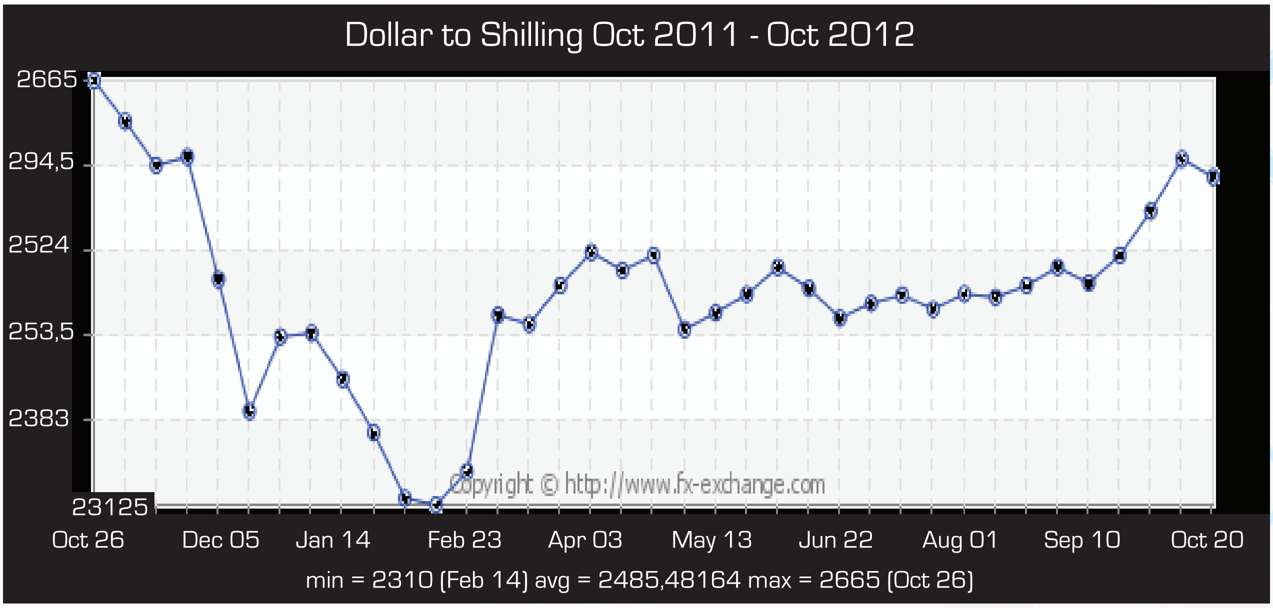
> "One year later, in July 1990, Government took a bold step in the foreign exchange management policy to legalize the parallel market and commission the Foreign exchange bureau."

November 01, 2004, Bank of Uganda issued an upgraded 5,000-Shilling note with upgraded features.

In 1995, a new denomination of 10,000 was introduced. It was later upgraded, and on January 02, 2006, the upgraded 10,000 shilling Banknote was put in circulation.

In 1999, Bank of Uganda issued out a new 20,000 banknote. It was also upgraded, and on November 01, 2004, the upgraded 20,000-shilling note was issued.

On December 01, 2003, Bank of Uganda issued out a new 50,000-Shilling note.
2010 Issue . The latest family of currency was issued in May 2010. It has the following notes: 50,000, 20,000, 10,000, 5000, 2000 and 1000. The coins have not changed from the 1987 issue coins until October, 2012 when the Central bank introduced the 50 years jubilee commemoration Shs1000 coin.



Currency trends

Underpinned by tight liquidity in the market the Uganda shilling has continued to drop further against the US dollar pulsating between 2545/55 in the last two months With a dismal 2550/60 the Central Bank intervened to give it some short term relief.

Some forex traders said the market had some strong dollar buying interest from offshore players as they cut down on their exposure ahead of September inflation figures which came in at 5.4% from the revised 11.4% in August. Those dealing in commercial banks said corporate activity remains subdued but it is expected to improve with further easing by the monetary policy committee which should translate into commercial banks lowering their lending rates as well to spur economic growth.

Experts agree the future of the shilling will be determined by central bank's lending rates. The central bank of Uganda will set the Central Bank Rate (CBR) for October to 13% from 15% in september.

The Ugandan shilling fell against the dollar as expectations of a sharp cut in domestic interest rates grew after year-on-year inflation rate tumbled in September on the back of a drop in food costs. Official statistics showed headline inflation dropped to 5.4 percent this in September from a revised 11.9 percent and analysts said the sharp decline signaled the central bank was likely to trim its policy rate by as much as 200 basis points.

Policymakers are scheduled to set the Central Bank Rate (CBR) for October which currently stands at 15 percent according to the monetary policy statement, issued to the press by Professor Emmanuel Tumusiime-Mutebile, Governor Bank of Uganda. Mutebile said the reduction was influenced by the continued disinflationary pressures. Annual headline and core inflation fell sharply to 5.4% and 4.8% respectively in September from 11.9% and 11.4% in August, the Uganda Bureau of Statistics reported on Sept. 28. The October CBR cut brings the cumulative fall in the rate, since February this year to 10 percentage points.

Mutebile said he expected the reduction in the CBR to influence commercial banks to cut their interest rates, something that banks have not done in the past. “However the reduction in the CBR has not been passed through fully to commercial banks’ lending rates,” Mutebile said. “I hope that in October, we will see a significant reduction in bank lending rates for all borrowers,” he added. According to Bank of Uganda data, commercial banks’ average weighted rates jumped to 26% in Sept, 2012 from 21% in July last year.

> “Shilling continues to choke under Euro pressure as Central Banks Chops rate to 13%”

The jump was caused by the central bank’s monetary policy tool-the CBR which was hiked to 23% up from 13% in October and July, 2011. The bank raised the rate to discourage access to bank credit and curb inflation. The central bank has been rolling back last year’s sharp rises in interest rates for four straight months to try to jumpstart a slowing economy after a battle with inflation in 2011.

But the rate cuts have depressed yields on government securities, potentially putting pressure on the shilling - also a part of last year’s slide and something likely to give the bank pause for thought. Analysts said the shilling is likely to weaken at a much faster pace in the medium term as commercial banks’ lending rates decline in line with the easing cycle, stimulating demand in the economy. “The big drop in inflation is eroding confidence in the shilling,” said Faisal Bukenya, head of market making at Barclays Bank.

FOREX innovations

Innovation per se is widely regarded as the single most important ingredient in today's economies. Forex Bureaus in Uganda have come to realize this, and as such have continuously strived to innovate in all aspects of their businesses including; management, divisions, operations, and customers. They have therefore developed a seamless structured management approach beginning with their boards and CEO-levels leadership, connecting all the way through technology investment and implementations, and it seems, for them this has been a journey not a destination. They have therefore continuously engaged in invention, re invention, and discovery in face of the highly competitive Forex trading environment.

It is important to note that, innovation is different from creativity, as it pulls multiple threads together for consumers i.e quality, usefulness, coolness, look, feel, price, and life-enhancement. While creativity may be unique and even admired, it may not captivate others in a big enough way to change the marketplace or, it may not offer benefits that shift the market. However, the innovations that have been made have captivated the market place in a big enough way. The Forex trading market in Uganda has advanced dramatically, to the point where it seems impossible to envision foreign exchange trading any other way, and to get here, a number of innovation were made. Products have grown increasingly sophisticated and the different bureaus have continued to invest in market-leading technology to suit the evolving needs of global market participants.
Two decades after liberalization that paved way for formal foreign exchange business the changing face of the industry signals better days ahead for customers. Not only has the number of retails grown but also come with many industrious sweeteners. Initially Kampala had about five core retail foreign exchange bureaus ie. Hydrey, Express, Crane, Give and Take, Downtown, and Orient Forex Bureau among others.

These pioneered retail transactions after acquiring licenses from Central Bank but business initially took a down beat trend with low demand for foreign money. Most business of the time mainly transacted with commercial banks and some used the illegal money transfer operations and business was transacted manually.

The introduction of the computers marked the beginning of the industry in the making. Then came the money counting machines to sort the headache of counting large volumes. Now Forex Bureaus began shaping up with a corporate image. Competition took shape moving a notch higher with the introduction of manual exchange rate display boards. Today most Bureaus use electronic boards a step away from the manual system.

Technological advancements have also seen the introduction of RTGS to improve security and turn around time for their customers. RTGS (Real time gross settlement systems) facilitate clients transacting business to pay their service providers instantly. Such systems have gone a long way in advancing the sector. Technology has also eased the day to day operations of the Forex bureaus in areas like reporting systems (Electronic reporting to BOU) and real time analysis of rates with the reuters Platform. As such, they can realistically determine the rates as the market forces dictate.

Forex bureaus have also undertaken vigorous advertising campaigns, and displaying their daily rates in leading newspapers. But slowly retail dealers gained ground as Ugandans started embracing cross boarder business beyond East Africa importing from China and Dubai. By the 1990s the government further expanded the scope of foreign exchange transactions by granting counter licenses for retails to handle money remittances from abroad. This according to one Forex Bureau Managing Director changed the dynamics in the industry. In essence this meant Ugandans from abroad could remit money to their relatives without much bureaucracy, as was the case in the past. Services have therefore been diversified to include exchanges of a wide variety of currencies, travellers cheques and transfers.

Operations have also been significantly improved. Services have not been brought closer to the customers, with the different Bureaus opening up branches in the different areas, but also, the nature, competitiveness and quality of the service have improved. Customers are therefore spoilt for choice. For Instance, the Association of Forex Traders and Money Remitters has constantly engaged the Owners, Managers and other employees of these businesses, empowering them through trainings to professionalize the sector.

The Era of third Party transfers

In 1995 Western Union introduced its services in Uganda a developed that further changed the dynamics in the foreign exchange industry. Western Union leadership in technology has fostered global growth and innovation. Today they offer an array of financial services, including money transfer, prepaid services, and services for businesses.
Because of the demand for remittances such investors were looking for virgin markets and Uganda offered such platform. Shortly
after that Money gram also hit the market with similar services serving customers online, by phone and from Agent Locations worldwide. Today almost all Forex Bureaus are attached to one of the two third party money agents. However t is important to note that all this happened after central bank authorized the bureaus to also transfer money through banks, third parties and also directly to customers upon acquiring the license.

Those involved in cross boarder business for instance clearing agents quickly embraced the system. Businessmen then started paying suppliers abroad with the advent of this service. Until now foreign exchange transactions have spurred businesses some even operating 24hours as demand for the services continues to soar.

Forex traders in Uganda have also realised that Sustained innovation is powered by people who come together to share ideas, compare observations, and brainstorm solutions to complex problems. For this, they have come together under an Umbrella organization, Uganda Forex Traders Association. This was bore out of their strong focus on innovation especially as the different Forex traders realized that they share something in common;

1. Converged disciplines: Ideas aren't isolated; they're celebrated in groups that enable the entire organization to act as one entity. Of particular importance is the convergence of business and technology management to ensure that no one unit or division is missing the opportunity to capitalize on new ideas and possibilities.

2. Cross-boundary collaboration: No enterprise operates in a vacuum. Every manager, employee, and contractor potentially has a piece of the puzzle to create a new breakthrough business opportunity.
3. Innovative business structure: Not every organization can empower an unstructured development culture, but this can be attained when you are working together.

Out of the above , Inter Bureau trading has erupted.

Inter Bureau trading takes shape
With growing volumes in foreign exchange transactions it was only inevitable for industry players to have a working relationship. Through the inter bureau trading today when a bureau is faced with scarcity of currency another can easily offset the deal after a mutual understanding. Industry players under this arrangement say this is a strategic health competition among themselves for business survival because at times one bureau may not instantly rise a certain sum required by a customer. And as the East African Member states move towards harmonizing their operation this should be one of the tactics Uganda Forex traders' standoff to competitively handle business in a bigger market.

THE Interview

Mr. Lamech Kiiza
Chairperson of Uganda Forex Bureau Association and Money Remittance Association

Mr. Kiiza. A. R. Lamech was recently elected Chairman of Uganda Forex Bureau and Money Remittance Association. He takes on this position at a time when the industry is making strides and shares with us his highlights on the foreign exchange industry history and performance.

Give a background of 50 years of the Forex industry in Uganda?

Foreign Exchange in Uganda since Independence used to be handled through the Central Bank. I remember a time during the Obote II regime where the Central Bank had introduced a system called window I and window II. Through which any person in need of foreign exchange used to apply, would be vetted allowed or rejected depending on the reason for the forex usage. Reasons for usage used to be mainly for medical treatment abroad, general family shopping, trade, school fees abroad to mention but a few.

This system was not transparent and time wasting hence there arose an alternative market called the "kibanda" market also known as the black market. There were people and streets specialized and known for dealing in the black market. These people had contacts in commercial banks and the Central Bank as well.

However with the advent of the NRM government and the liberalization of the economy in 1991, the foreign exchange act opened foreign exchange dealings to the general public, hence the introduction of forex bureau which have been growing steadily to about 200 members to date. We are now able to buy and sell forex at the counters and even do money remittances. There by bringing services closer to the common man and also affordable.

What will be some of your priorities during your tenure as chairperson of the association?

We are looking forward to organizing our members to develop a strong and competitive sector where by all our members are free to participate in a free and fair competition; our Motto is "Cooperation in Competition". We also want the Forex Sector to offer affordable services to our clients while being transparent and reliable in our dealings.

We are in advanced stages of establishing a clearing house for all our members. This will be a centralized platform where all members who will have to subscribe to the system to be able to conduct their trading, i.e.

if you have money and you need to buy, you float this amount in the clearing house and if other members have customers for it, they immediately take it off the market and vice versa. This will enable our members get real value for money because this system eliminates the middle men and it also offers the best bidders in the market.

We shall also ensure that all members play by the rules by strictly following our code of conduct and also operate professionally so as to maintain and earn the customers' confidence.

We also want to establish a forex bureau and money remitters

SACCO and maybe grow it to a commercial bank in the long run. If this is established we shall be able to conduct our business in a friendlier environment than the one we are currently operating in. The banks are offering very high charges; forex bureaus are charged as much as 2% on a transaction and yet a different client would be charged 0% on the exact type of transaction. There are some services that banks limit us from using for example the telegraphic money transfer; sometimes banks even close forex accounts. We also want the association members to be organized to International Standards and Members have to be sensitised to be ready for the East African Economic Integration.

What is the current status of the Forex industry? Is there much money coming in?

The General Economic downturn in USA and Europe has greatly affected the inflows of foreign exchange and investment in the country. We have therefore been and are dealing with reduced revenues as compared to what it used to be. The economic downturn has reduced Kyeyo's remittances (casual Labour) to the country. The out breaks of Ebola and more recently Marburg virus in different parts of Uganda have also had an impact in reduction of revenues by reducing tourists to the country.

What are the challenges of the industry and how are you overcoming them?

Of recent there have been many robberies and break ins of Forex Bureaus and also because of the general scarcity of money in the country there has been an increase in fraud and cyber crime emerging, all this has adversely affected us in that our customers fear to go about their businesses freely and also insurance costs to our business is now higher because of these risks. However we have been working with Security agents to try and contain the problem and we have somehow gained ground but the task ahead is still great.

What is the relationship amongst the forex industry, commercial banks and central bank?

The Central Bank is the head of all financial institutions and we therefore fall under the regulatory regime of the Central Bank. The Forex bureaus by law are supposed to operate their accounts in Commercial banks.

Forex dealers have been credited for being very organized how you have been able to marshal such this solidarity?

We have been forced to get organized because of the problems we faced before due to the challenges which prevailed then. The only way to strengthen our sector was to agree to get organized to cooperate in competition. We have a code of conduct which we follow and it keeps us organized. Some time back we had individual players who used tricks to drive other members out of business this is no more.

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How competitive are you compared to other forex traders in East Africa?

Uganda was the first country in East and Central Africa to liberalize the forex business. We therefore have been a learning example to countries in the region. We are the only country at present with an active Forex Bureau and Money Remitters Association.

What is your projection of the forex industry in the next five years?

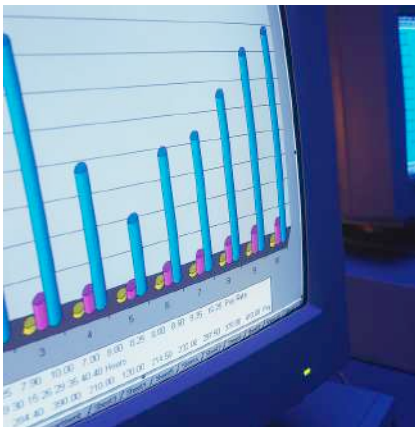
We want to become major players in the country's economy to be allowed various products similar to the commercial banks and other sub sectors, i.e. operate mobile money, to be able to receive payments of utility companies on their behalf, process payments of taxes on behalf of URA, be allowed to bid for foreign currency in Bank of Uganda whenever there is an auction.

Do you have any message to Ugandans as they mark the 50 years of independence?

I congratulate all Ugandans for making 50 years of independence. I would like to encourage the general public to use the Forex Bureaus because they are cheap and competitive in service delivery. Our association is already to receive complaints from customers. We are found at Plot 10 Buganda Road. The Uganda Institute of Bankers' Building, Room 4.

God Bless you.

ONLINE FOREX TRADING fever hits ugandans



"Many Ugandans are yearning to make an extra buck off their monthly pay. Forex trading is emerging as a new investment venture. But how many can stand this pressure in such a volatile global financial market place?"

Forex trading relates to retail traders like you and many Ugandans have joined in the far flank of this business transaction in recent times. While this can potentially turn out to be a lucrative side business it is worthy noting that it is based on speculation on the price of one currency against another. For example, if you think the euro is going to rise against the U.S. dollar, you can buy the currency pair low and then "hopefully" sell it at a higher price to make a profit.

Chances are high if you buy the euro against the dollar and the dollar strengthens you qualify for a loss. So before taking a decision to invest here it's appropriate to be aware of the risk involved in trading Forex, and not only the reward.
Forex trading today offers the most amazing potential lifestyle especially for the corporate Ugandan with a busy work schedule.

Some are investing there many with foreign companies and only wait for returns at the end of the month.
Ms Laetitia Basemera a consultant with civil society organizations who has been doing this for over 5 years. She invested shs 20 million back in 2006 and today her returns add up to about 3 million monthly. Laetitia says it's not easy to get there, but if you are determined and disciplined, you can make it happen. "However to reach your goals in the Forex market you must have the ability to take a loss without becoming emotional, have no fear, be focused and patient among other things" she said. Hamis Mugendawala a consulting fund manager says in this trade realism is key. Not to think you are going to get rich quick and understand the reality of the market and trading. One has to remain savvy. Take advantage of your trading edge when it arises and be aware of what is happening in the market at all times not over-trade and over-leverage your trading account.

According to Hamis Forex traders can take advantage of the high leverage and volatility of the Forex market by learning and mastering and effective Forex trading strategy building an effective trading plan around that strategy, and following it with ice-cold discipline. Money management is key here; leverage is a double-edged sword and can make you a lot of money fast or lose you a lot of money fast. The

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key to money management in forex trading is to always know the exact dollar amount you have at risk before entering a trade and be comfortable with losing that amount of money, because any one trade could be a loser.

Who is in the business?

The business has attracted players in the banking industry.Interbank market allows for both the majority of commercial Forex transactions and large amounts of speculative trading each day. Some large banks will trade billions of dollars, daily. Sometimes this trading is done on behalf of customers, however much is done by proprietary traders who are trading for the bank's own account. Some business companies need to use the foreign exchange market to pay for goods and services from foreign countries and also to sell goods or services in foreign countries. An important part of the daily Forex market activity comes from companies looking to exchange currency in order to transact in other countries.

Central banks including bank of Uganda can play an important role in the foreign exchange markets. They can cause an increase or decrease in the value of their nation's currency by trying to control money supply, inflation, and (or) interest rates. They can use their substantial foreign exchange reserves to try and stabilize the market. Everybody may in one way or the other been involved in this business.
If you have ever traveled to a different country and exchanged your money into a different currency at the airport or bank, you have already participated in the foreign currency exchange market.

The retail Forex trading industry is growing everyday with the advent of Forex trading platforms and their ease of accessibility on the Internet. Retail Forex traders access the market indirectly either through a broker or a bank. There are two main types of retail Forex brokers that provide us with the ability to speculate on the currency market: brokers and dealers. Brokers work as an agent for the trader by trying to find the best price in the market and executing on behalf of the customer. For this, they charge a commission on top of the price obtained in the market. Dealers are also called market makers because they 'make the market' for the trader and act as the counter-party to their transactions, they quote a price they are willing to deal at and are compensated through the spread which is the difference between the buy and sell price (more on this later).

While the Forex market is clearly a great market to trade, I would note to all beginners that trading carries both the potential for reward and risk. Many people come into the markets thinking only about the reward and ignoring the risks involved, this is the fastest way to lose all of your trading account money. If you want to get started trading the Forex market on the right track, it's critical that you are aware of and accept the fact that you could lose on any given trade you take.

Why most traders lose money
You have probably heard that most people who attempt Forex trading end up losing money. There's a good reason for this, and the reason is primarily that most people think about trading in the wrong light. Most people come into the markets with unrealistic expectations, such as thinking they are going to quit their jobs after a month of trading or thinking they are going to turn $1,000 into $100,000 in a few months. These unrealistic expectations work to foster an account-destroying trading mindset in most traders because they feel too much pressure or "need" to make money in the markets. When you begin trading with this "need" or pressure to make money, you enviably end up trading emotionally, which is the fastest way to lose your money.

Understanding Forex Trading

By: **Igal.M.Ali**

Online currency trading, also known as Forex trading is a business that once took Kampala by storm, only to end-up costing hundreds of investors billions of money in the hope of high returns. Failure factors can be attributed to both the clients and the fund manager, with the managers taking a bigger share of the blame in poorly managed client portfolios. Currency trading is a global decentralized trading of international currencies. It is no different from what you do when you exchange money in a Forex bureau. However, in online trading the transaction is completed online using special currency trading system connected to other traders through the internet brokers.

In principle, currency is exchanged for various reasons mainly to carry out transactions across borders and to profit from a gain or loss of one currency over the other. For example, say you have 1million Uganda shillings and anticipate a gain of the US dollar over the week, you essentially buy dollars at the prevailing rate and should the dollar gain over the period, you convert back the dollars to shillings and you will have more than the 1 million shillings you used to purchase the dollars. Financial centers around the world and large financial banks such as HSBC, RBS, Bank of America, Citi Bank, Deutsche Bank, etc function as brokers between a wide range of different types of buyers and sellers around the clock, with the exception of weekends when banking activity in these locales remains closed.

Whereas currency trading can be a very lucrative business, many people approach it with the wrong understanding.Professionals know that it is problematic to look at the business as a get rich quick scheme. Most people fail due to lack of a basic understanding of finance and investment in particular.
In general trading currencies online is a leveraged investment scheme, and just like every leveraged investment, the potential for risk and profit is magnified. So if you win you win big, and when you lose, you could lose more than your total investment. So investors, don't just be lured by "high returns" conduct your due diligence on fund performance history and its managers. Good Forex managers should have a history of not less than 3 years, regardless of the size of their portfolio. Statistics show that close to 98% of retail Forex traders lose their money. Retail Forex traders are individual traders; just like you, with small accounts of less than $100,000. However, with proper training, even holders of accounts as small as a few thousand dollars can make a meaningful income trading online.

In conclusion, whereas online trading is misunderstood by many, it has a strong potential for profit. Butwithout proper training, it is impossible to benefit from it. Most brokers provide training information which, in principle, is sufficient for educating new traders. But nothing matches the experience of working with a professional in a one-on-one interaction. With only a few of such experienced traders in Uganda, many people fall victims to dishonest individuals. So it is important to conduct full due diligence about potential online currency trading prospects; cross-check with several people conversant with the matter, and never rush to make decisions about finance.

Q & A

Housing Finance Bank's M-Cash product increases access to financial services

Mr. Paul Musoke is the Deputy Managing Director at the Housing Finance bank. He talked to Forex News about how Housing Finance Bank is extending financial services to the unbanked majority in Uganda through the MCash product and technology.

1. Tell us about the latest innovations in Housing Finance Bank

In addition to a number of new traditional banking products like the Vehicle and Asset Finance that we have introduced since we became a commercial bank four years ago, our most notable innovations include the Warehouse receipt financing product which was first offered at Housing Finance Bank in conjunction with the Uganda Commodities Exchange.

This year we have introduced Custodial Services; a product which will allow the bank to play an active role in the management and safe keeping of pension funds in the soon to be liberalized and vibrant pension sector. This role is highly leveraged to the bank's core business of mortgage finance in line with the soon to be enacted pension legislation.

Our most notable innovation is the recently introduced Mcash product which is a virtual account that is easily accessible from anywhere and by everyone in the country.

2. What is MCash and how different is it from other similar products on the market?

MCash is an easy-to-use, secure and universally accessible virtual account. It allows the customer to save, transfer money and make payments to anyone with an MCash account.

This account enables the customer to hold an electronic wallet that can be accessed through the phone, MCash POS terminals, Interactive Voice Response on telephone No. 0204 000 400 / 0312 217700 and online at www.mcash.ug, allowing customers to transact through proximity agents located across the country and merchant locations.

The product is unique in the sense that it's financially inclusive, accessible to everybody irrespective of geographical location, literacy and income levels. Thus, it brings a lot of people into the financial sector.

Mcash allows for multi authentication levels through biometrics like finger prints, Mcash card or phone in addition to a pin

3. What has been the reception of the product in the market so far?

We have so far been able to enroll about 20,000 customers onto the platform in the

last two months and the number is growing steadily. We also have 100 agents countrywide

4. How do you plan to consolidate the product with the already tight competition in the industry?

What we have in Mcash is a unique product which offers users a number of benefits including being able to save, make payments and transfers between accounts. This multiplicity of transactions on the platform enables us to compete favorably.

Mcash as a bank product is regulated by Bank of Uganda which ensures the security of the deposits made by customers onto the platform.

We are in partnership with TeleBM an American money transfer company that enables money transfers from North America to Uganda and this can be accessed from any Housing Finance bank branch and any Mcash agent.

5. Who qualifies to use this product?

Everybody in Uganda is eligible no matter what their economic status is, or geographical location or literacy levels. Thus, the innovation is very user-friendly, all inclusive and non discriminatory irrespective of literacy levels and age group of the user.

The Mcash platform is network agnostic and you don't have to be limited to a specific network to access it.

In addition, even if one doesn't have a phone, they can still access the Mcash platform through the POS terminals

6. With the recent challenges of security of transactions, what has Housing Finance Bank put in place to improve the product security?

The network is built with a multi layered firewall to detect and stop unauthorized access to the platform.

At the client level, access is restricted through multi authentication methods including safe to use biometric access using fingerprint identification, an NFC (near field communication) card in addition to a unique PIN. An sms notification is also sent to a customer's phone for every transaction that happens on their Mcash account.

In addition a mini statement can be accessed electronically and our POS terminals to enable monitoring of the account.

7. What has Housing Finance Bank put in place to avoid system failures that have been a big concern for the consumers?

The Mcash platform is "network agnostic", that is to say that is not dependant on one or a specific network. Thus, if one is down, then the platform can run on the next available network.

8. Why this product when clients can use their ATMs, or access their account numbers at branches near them?

According to statistics, approximately only 20% of Ugandans have a bank account, implying, therefore, that 80% of Ugandans remain unbanked. This is as a result of reliance on physical branches and the relatively high cost of banking. As a bank that believes in helping people realize their financial dreams, we are offering the all-inclusive MCash account that will enable the majority of Ugandans to have access to financial services.

The MCash account has been developed so that all people in Uganda, and especially the unbanked; no matter where they are or their literacy and income levels can conveniently access financial services.

Furthermore, this product combines security and ease of use that enables the client transact at their convenience

Also, MCash takes banking to the next frontier, facilitating mass cashless transaction possibilities through merchant setup and e-commerce.

9. How wide is your network potential to ensure product availability for the consumer?

We hope to grow the network to 300 agents and 100 merchants by the end of year and further grow the agent network to 1000 agents countrywide by the end of 2013. This we envisage will ensure adequate countrywide availability and access to the product in addition to the bank's branch network.

10. Do you have any other message to Ugandans out there?

We would like to inform fellow Ugandans that Housing Finance Bank is offering a unique innovative product that has a huge potential to bring a majority of Ugandans into the financial sector, many of whom have eluded the sector over the last 50 years. Join us in a profitable partnership as agents or merchants to make this financially inclusive product a success.

EUROZONE crisis

will cost world's poorest countries $238bn

The euro zone debt crisis will heavily affect the world's poorest countries according to the Overseas Development Institute. The world's poorest countries will receive a $238bn (£152bn) hit from Europe's sovereign debt crisis as the knock-on effects from weak growth and austerity in the single currency zone affect trade, aid, investment and remittances, one of the UK's development institutes said early this year in a research report. A study by the Overseas Development Institute showed export-dependent emerging nations were vulnerable to a prolonged downturn in Europe triggered by fears of a break-up of monetary union. Research found weaker demand in Europe for imports from low and low-to-middle income countries would have a marked impact on growth. In what it called a "bombshell" for poor nations, the ODI said the cumulative output loss in 2012 and 2013 would amount to $238bn.

The European Union is the biggest economic unit in the global economy and is the largest export market for countries in the developing world. The ODI said a 1% drop in global export demand could hit growth in poor countries by up to 0.5%, with Mozambique, Kenya, Niger, Cameroon, Cape Verde and Paraguay most at risk from the eurozone crisis. Many developing countries, including the world's poorest region, Sub-Saharan Africa, have enjoyed growth in recent years, partly due to the strong demand for their raw material and commodities from China and other fast-growing nations. Author Isabella Massa said: "There are three broad ways in which the eurozone crisis will affect developing countries – through financial contagion, as a knock-on effect of fiscal consolidation in Europe to meet austerity needs, and through a drop in the value of currencies pegged to the euro."

The ODI report says, Côte d'Ivoire relies on exports to the EU for over 17% of its GDP, while in Mozambique and Nigeria the figure was about 14% and 10% respectively. Tajikistan was most dependent on remittances in 2010, with up to 40% of GDP coming from citizens abroad.

Liberia and Democratic Republic of the Congo were dependent on foreign direct investment in 2010, with inward FDI as a share of GDP equal to over 25% and 20% respectively. Niger followed with a value of inward FDI as a share of GDP equal to 17%. Robert Zoellick, outgoing president of the World Bank, warned developing countries that they needed to prepare for a renewed wave of global financial turbulence stemming from Europe, and said they should put their finances in order so they had scope to ease policy.

The Bank has already penciled in an easing of growth rates in the developing world this year to 5.3%.

Massa said: "Poor countries are vulnerable to the euro crisis not only because of their exposure (due to dependence on trade flows, remittances, private capital flows and aid) but also because of their weaker resilience compared to 2007, before the onset of the global financial crisis.

"The ability of developing countries to respond to the shock waves emanating from the euro area crisis is likely to be constrained if international finance dries up and global conditions deteriorate sharply."

In order to weather the crisis, the ODI advised developing countries should continue to focus on the goals of solid public finances and economic stability as long-term goals, but should also "spur aggregate domestic demand, promote export diversification in both markets and products, improve financial regulation, endorse long-term growth policies, and strengthen social safety nets.

"For their part, multilateral institutions should ensure that adequate funds and shock facilities are put in place in a coordinated way to provide effective and timely assistance to crisis-affected countries." The ODI report said that the ability of developing countries to respond to the shock waves emanating from the euro area crisis was likely to be constrained if flows of international finance dried up and if the global economy took another turn for the worse.

"The escalation of the euro crisis and the fact that growth rates in emerging BRIC (Brazil, Russia, India and China) economies, which have been the engine of the global recovery after the 2008–9 financial crisis, are now slowing down make the current situation really worrying for developing countries."

Source; *The Guardian*.

Uganda Euro-shock waves The Ugandan shilling

Although it has shown resilience in the recent month against the dollar traders say they expected it to stay under pressure due to the euro zone crisis and lower offshore investor interest in government securities due to falling yields. Like other frontier

Market currencies, the shilling has come under downward pressure in recent weeks as investors worried about a possible Greek exit from the euro zone and fled to the dollar. The euro zone crisis is dragging on one hand and the locally we have inflation coming down and debt yields easing off all these cloud the outlook for the shilling," said Ahmed Kalule, a trader at Bank of Africa.

The outlook for the local currency would depend on whether the euro zone debt crisis eases and risk appetite picks up. Uganda's central bank has said it would act decisively to prevent any pressures emanating from the euro zone, a key export market for the east African country, from sapping the shilling.

Fish exports

Fish prices have sharply dropped by 20 per cent in August. Prices of Uganda's second lead export—fish— have sharply fallen as the commodity suffers the ripple effects of the Euro zone crisis. Information from industrial players shows that the fish price per unit value at the export market has dropped by 20 per cent. The current price of each kilogramme of fish exported costs $3.90 (Shs9, 555) down from $5.50 (Shs13, 475)—a price it cost a year ago. In an interview with Prosper, Chairman Uganda Fish Exporters and Processors' Association, Mr Philip Borel, said: "The Euro zone crisis is hitting hard on the industry. We are seeing a sharp drop in the prices yet we have no choice but to keep in business."


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Anti-money laundering BILL;

"Makes Long walk to Parliament Again"

After what appeared to be hitting a dead end, the long awaited anti money laundering bill finally made it to parliament. The Bill tabled on September 24. 2012 seeks to create Money Laundering Intelligence Unit within Bank of Uganda and mechanisms under which the government can share information with other countries. It seeks to among others allow authorities to seize illicit funds entering the economy and institute criminal proceedings against the offenders.

It also seeks to set up a taskforce involving all stakeholders such as insurers, banks, police, and business community, Ministry of Finance, among others. The government said more amendments would be communicated in due course. Central Bank's Legal Counsel (Ag) Titus Mulindwa warned that money laundering distorts the economy. "Pirates' money has inflated the Kenyan economy and other countries are trying to fight back," Mr Mulindwa said. "This is not a political law. Money laundering is not a crime in Uganda and this is dangerous. If we don't act, criminals will overtake our banks. Even Switzerland is no longer a safe haven for ill-gotten wealth."

The threat

Money laundering continues to pose a big threat to Uganda's financial industry should there be any other delays with the Anti-Money Laundering Bill by parliament. Government last tabled the Anti-Money Laundering (AML) Bill 2009 in parliament in April 2012 and it was reported that it was sent to the Finance Committee for scrutiny. Almost 3 years down the road the bill returned to the floor of the house with new additions.
The lack of law has left Uganda vulnerable to money laundering, terrorist financing, and other illicit financial transactions. Uganda is the only country in the East African region that is yet to pass a comprehensive and punitive law to deal with the proceeds of money ill gotten from criminal activities such as corruption, drug-trafficking, bribery, fraudulent public procurement processes and financing terrorism activities among others.
Money laundering is the process of engaging in financial transactions that conceal or disguise the identity, source, location and destination of the money. Centenary Bank managing director Fabian Kasi called upon legislators to pass the law urgently so that Uganda is at par with the rest of the world, since financial systems are being globalised. Mr Kasi says that enacting the law would be a positive move by government and a key step in the country's fight against money laundering. "A law could be the first step before banks can then be expected to deploy IT infrastructure and software to curb money laundering," said an industry expert who asked not to be named because he is not authorised to speak on behalf of the central bank.
He added: "If you do not have a law in place and you are trying to convince management to deploy computer software, it's impossible."

Monies obtained through illegal activities always find their way back into the economy through laundering, a process of "cleaning up dirty money" and redirecting it back into the economy as "bona fide funds". The lack of such a law only serves to abet crime and ensure that monies obtained from criminal activity easily end up in the pockets of the persons responsible for the criminal activities as "clean money". The bill provides specific measures to detect money laundering, deter the vice and facilitate investigation and prosecution of money laundering offences. Money laundering is said to be on an increase in the East African region. Mr Robert Nyamu, Deloitte's director forensic and litigation support recently told journalists in Uganda that East African countries lost $48.3 milllion in fraud and money laundering, and out of that Uganda's share is about 25 per cent (about Shs12 billion).

He added: "That amount could even be higher because banks and other financial institutions do not report most fraud related cases as they prefer to deal with them internally."
"Actual fraud statistics are difficult

to determine because of several unreported fraud cases. The above figure is therefore expected to be significantly understated," says Mr Nyamu, Director - Deloitte Forensic at an anti-money laundering seminar in Kampala recently.

Mr This e-mail address is being protected from spambots. You need JavaScript enabled to view it Anthony Gitonga, head of risk and compliance at Kenya's I&M Bank says prior to the enactment of the law in East Africa's largest economy in 2010, about $91.25 million had been laundered into the country in the past two decades. "Almost all of the laundered cash and transactions take place online, with 80 per cent going through bank systems while 20 per cent are done in cash or undeclared cash. Most of the transactions are also done through wire transfers," Mr Gitonga explains.
Hanuman Tripathi, Infrasoft Technologies group managing director, says that the current volume of cash money laundered globally ranges between $300 billion to 1.5 trillion, as there has been no anti-money laundering systems to detect and stop suspicious wire transfers.

Mr David Kaahwa, Head of Compliance, Standard Chartered Bank says the lack of an AML law is significantly impacting operations of commercial banks and that countries which already have the law in place will consider the financial services industry in Uganda to be high risk. This, he adds, can lead to more scrutiny of cross border transactions for instance funds flows in and out of Uganda and this can impact customer service and ultimately the business community.

> "A law could be the first step before banks can then be expected to deploy IT infrastructure and software to curb money laundering,"

"The lack of an enabling law against money laundering means that banks which want to take initiatives against money laundering activities for example reporting suspected cases of money laundering to law enforcement can't do so because they are not protected by law," Mr Kaahwa says. The vice chairman of the Finance Committee in parliament, Mr Robert Kasule Sebunya however, says that the committee is waiting for the Finance Minister to introduce the bill to the committee and get the process started.

He could, however, not commit on when the bill will be passed into law. In the bill, persons who convert, transfer or transport property suspected to be proceeds from crime, or assist another person to benefit from such transaction are liable payment of a fee not exceeding Shs2 billion or face 15 years in jail or both, upon conviction.
The bill also targets the concealing or disguising of the nature, source, location and movement of the proceeds of crime.
The law could also enable the identification, tracing, freezing as well as seizure and confiscation of proceeds of crime. If passed into law, financial institutions will be required to pay special attention to complex and unusual transactions, as well as transactions made on behalf of persons whose identity is not established and to examine as far as possible and seek information as to the origin and destination of the money, the background and purpose of the transaction or business relationship and identity of the transacting parties including any ultimate beneficiary. Persons carrying out monetary transactions exceeding Shs50 million will also be required to fill a form that will be maintained by a financial institution for a period of ten years.

Banks will also be required to conduct sufficient customer due diligence on prospective import/export customers before establishing the account or credit relationship on top of reporting a sudden increase in the bank balance of any of its customers to Bank of Uganda.
The fight against money laundering came to the forefront in the wake of the 9/11 attack on the United States by terrorists. Terrorists transferred money for that operation under disguise. Since then, governments have put in place stringent laws on the transfer of money. The financial industry in Uganda currently use weak and fragmented laws such as the Anti-Terrorist Act of 2002 and the Financial Institutions Act of 2004, which are said to be inadequate and don't meet international standards.

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EXCHANGE RATE :
Banks Vs Forex Bureaus

Today the foreign exchange business has seen a lot of radical dramatic shifts, resulting in a revolution in the Forex trading world. In Uganda more firms are joining the business and the old ones are opening up new trading points.
In 2001, the Forex Bureau Operators, with the support of Bank of Uganda, formed the Uganda Forex Bureau Association. With the coming into force of the Forex Bureaus and Money Remittance Regulations on February 10, 2006, which operationalized the Foreign Exchange Act 2004, money remittance firms were licensed. Consequently, the Association changed its name to Uganda Forex Bureau and Money Remittance Association (UFBMRA). The UFBMRA membership grew from 60 in 2001 to 170 in 2011, and they are regulated and supervised by Bank of Uganda.

In 2002 UFBMRA launched its Code of Conduct to promote self-regulation for 'cooperation in competition'. The number of forex bureaus licensed by BOU was 26 in 1991, 79 in 2003 and 180 by September 2011 and the number has kept on growing. BOU has also licensed 30 Money Remitters in addition to Money Gram and Western Union, and these have partnered with several commercial banks. While the Forex Bureau Operators have built a healthy relationship with commercial banks there remains a challenge especially when some of international banks closed the bank accounts of forex bureaus citing KYC and anti-money laundering concerns.

Banks and Forex Management

Since 1990 Commercial banks were permitted to open and operate foreign exchange accounts for individuals and companies; banks were no longer required to surrender foreign exchange holdings to BOU. In November 1993 the Interbank Foreign Exchange Market (IFEM) started, and this allowed the exchange rate to be determined by the market governed by the forces of supply and demand. By 1995 the parallel market was effectively infused into the Interbank Foreign Exchange market and by June 2011 a total of 22 commercial banks were active in the IFEM with bank Purchases of US$906.9m, interbank Sales of US$931m and Cross Currency trading of US$ 143.01m. Uganda's foreign exchange reserves have also risen from US$19 m in the 1980s to US$303m in 1991, US$416m in 1996, US$ 1.134billion in 2004, US$2.686billion in Oct 2010 and US$2.583 in July 2011. The Bank of Uganda only comes into the IFEM on two fronts, one to sterilise/ sell US dollars for liquidity management and two to intervene on the buy or sale side to remove spikes in the exchange rate and restore stability.

Battle Lines

Since Uganda depends a lot on imports and the variability of the forex market there is an inside battle between forex bureaus and main stream banks in the forex exchange market. There is no clear cut difference between forex bureaus and commercial banks. Perhaps one can only say that the banks pose a more corporate image than the bureaus. Therefore they can slightly challenge the supremacy of well established forex bureaus that are profiting from the business.

Survival Of The Fittest

As the silent battle rages on majority of the players have resorted to survival of the fittest, massive investments into innovations in the forex movement in Uganda with small players trading on behalf of big players. In addition to the low levels of

> "Some forex bureaus have the capacity to transact foreign exchange volumes equivalent to what commercial banks handle on any given day"

exports, decline in foreign remittances from Ugandans working a board (kyeyo) the business has under gone transformation through investments in service packaging, good market reputations, latest foreign exchange rates information, and giving major importers who need forex so much quality services to always retain them as long time clients.

Business Edge

Some forex bureaus have low operational costs because of their specialized services. Therefore, they can afford to earn lower margins and run their businesses based on turn -over while banks with their higher operational costs based on their wider service offering, lower margins may not make a lot of Economic sense to them and hence charge relatively higher rates. Having stayed for a long time in business and serving nearly the same high transactional clients on a day to day basis, clients negotiate with forex bureaus for lower rates based on volumes; however banks may consider relatively higher volumes than forex bureaus for a client to be offered a discount rate. For example a forex bureau may offer a discount for a purchase of USD 5,000 but banks may initiate their discount at USD 20,000 hence forex bureaus being more flexible on rates.

Banks may offer higher exchange rates owing to specialized services like RTGS- (Real time gross settlement systems) that facilitate clients doing business as a way of paying their service providers instantly. Well as there are a few forex bureaus that offer specialized services, their rates might be slightly higher than others.

It is important to note therefore that the flexibility that the Forex Bureaus have owing to the technological advancements, Quicker decision making and KYC (Know Your Customer) avenues, have continuously and effectively been able to compete with the Commercial banks in the Forex trading market and many a times even providing better services and rates.

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HISTORY - Foreign currencies

History of the Euro Currency. The Euro was launched (or better said "introduced" as an accounting currency) on 1 January 1999 in accordance with the Maastricht Treaty. In 1999, several European nations adopted a single currency called the euro to strengthen and stabilize the continent's economy. While some goals of the euro have been realized, some remain out of reach.

First, participating countries fixed their domestic currencies to the euro. This means that their currencies were not allowed to fluctuate against the euro or against each other. In its history, euro was launched as an electronic and cash currency and became legal tender on 1 January 2002.

On July 1, 2002, the German Mark, French Franc, Italian Lira and other currencies ceased to exist, and on the same day, also the European Central Bank begun running the monetary policy of the countries which were using the common currency.

When looking at the history of euro, we can see that attempts to create a single currency go back some 20 years. Before 1999, the Euro was a basket of the 11 legacy currencies. We can trace in the history of Euro that European currencies have always fluctuated against the dollar, even as debates have raged about the euro. The euro became the single currency of 12 European states in 2002.

History of the United States Dollar

The United States dollar is a tried-and-tested currency of preference in international commerce and transcontinental trade since the dawn of the exclusive monetized currency.
As the national currency of the United States of America, the US dollar today comes in either paper currency in different kinds of notes or hard currency (i.e. coins) in a variety of denominations.

US coins in popular circulation include the cent (1¢), nickel (5¢), dime (10¢), and quarter (25¢), while the half dollar (50¢) and one dollar ($1) coins are rarely used. On the other hand, US paper money in wider circulation includes the $1, $5, $10, $20, $50 and $100 bill. Monetized banknotes of higher value (i.e. $500, $1,000, $5,000, $10,000 and $100,000) are considered collectors' items. The $2 note that features former US President Abraham Lincoln is rare. Typically denoted by the standard green colour for which the paper currency is widely recognized, the greenback proudly features images of the US founding fathers or former United States presidents.

The United States dollar could still give the rest of the most commanding world currencies today a run for their money. With year-end averages of the Euro at €1.33, Pound sterling at £0.64, Canadian dollar at $1.0042, and Mexican peso at $12.39 in 2010 against the USD, it is projected to maintain a competitive advantage against currencies of their closest trading partners this year.

The US dollar still holds on to the unique distinction of being the bench mark unit of currency in international commerce for valuable commodities such as petroleum and gold. Although its value in the international exchange market has been moderately fluctuating in the last few years, the US dollar is still the world's primary international reserve currency, accounting for more than twice the volume of Euro deposits in central banks and private holdings around the world.

The History of the British Pound

The British Pound, the pound sterling, or more commonly, the pound, is the currency used in the United Kingdom. The pound sterling holds the title of the oldest currency still in use today. Its origins date back to around 760 during the reign of King Offa of Mercia. King Offa introduced the silver penny, which quickly spread in through the Anglo-Saxon kingdoms and became the standard coin in what is now known as England.

The early pennies, from about 760 to 1158, were struck from fine silver. However, in 1158, King Henry II introduced new coinage struck from 92.5% silver, which became known as the sterling pound. These new sterling silver coins were much more durable than the previous fine silver coins, which in turn allowed them to last longer in circulation. Silver pennies were often the sole coinage used from the eighth century to thirteenth century. It was very common to break off parts of a penny to make change, but sometimes the half penny and farthing were struck.

British currency was exclusively silver until the introduction of the gold noble in 1344. The percentage of silver in the coinage continued to fluctuate throughout the Tudor reign, but silver remained the basis for legal tender. Paper money was introduced in 1694 and soon the legal basis changed to gold. The shilling was introduced in 1487 and the pound in 1489, both extremely important coins in the history of the British Pound.

During the Napoleonic and Revolutionary wars, the legal tender was the notes issued by the Bank of England and their value was based on gold. During 1816, gold was officially adopted as the standard and silver coinage was reduced to silver “tokens”, meaning they were no longer worth their weight in silver. As other countries, during the 19th and 20th centuries, adopted the gold standard, it became very easy to determine conversion rates between different countries. This revolutionized trading and international economy.

While the British Pound has seen many variations during the centuries, it has remained a staple and oftentimes the strongest currency in the world. By not choosing to join the European Union and adopt the Euro, the United Kingdom has made a brave and controversial decision, but it remains the highest worth currency in the world. While its worth does fluctuate because it is traded on the free market, it is always one of the highest value currencies in the world.

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UGANDA 1962 - 2012

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UGANDA'S Independence Story

For the last 45 years, the independence monument has imposingly stood in this rather isolated part of town and yet many people still wonder the significance of its presence in this place.

But with much of our independence history holed up in the archives, it probably is one of the most outstanding relics of Uganda's freedom from the bondage of colonialism. This monument was made from cement, sand, iron bars and wire mesh. It is the work of Gregory Maloba, a Luhya sculptor from Kenya who studied and taught art at Makerere University from 1939- 1965. He executed this work in the months preceding October 9, 1962- the day of Uganda's independence says Dr. George Kyeyune, the dean, Makerere University school of Industrial and Fine Arts.

Kyeyune says that Maloba was commissioned to execute this work following his long experience as both a student and teacher of sculpture in the country and his well-documented track record in art at that time. This project also came at a time when Makerere had gained stature as the leading art school in East Africa. Being one of few lecturers of sculpture at Makerere, he was perhaps the best-qualified person to take on this project he says.
He was assisted by John Kisaka, one of his graduate students, now a retired teacher.

Kyeyune says that Maloba does not say how much he was paid for the work. He is also non committal about the actual commissioning of the work. I doubt if it was the outgoing protectorate government that assigned him to execute it, he says.

Mayanja Nkangi, a member of the first independence cabinet says: This was one of the ideas of the new independence government, He says.

Sunada K. Sanyal, an American scholar who studied Maloba's work and history suggests that this monument was influenced by this sculptor's strong Christian background and the spiritual convictions of Margaret Trowel, his mentor.

The Christian image of the Virgin and child is a possible source of inspiration for the independence monument despite its secular content and context,â€, he says.
Having seen the sketch, Kyeyune says the monument was not completed.

It was supposed to have two human figures at each side, each playing a trumpet, perhaps as a sign of jubilation Nevertheless, this monument turned out to be of much artistic and symbolic significance to Uganda. The female of the independence monument grows like a tree, said Cecil Todd, one time head of Makerere University School of industrial and fine art.

Indeed, it is the tree of life that Maloba presents from the enormous triangle of the mothers planted feet emulating a powerful trunk to the universe form of the raised arms of the child signifying sprouting branches as its continuous flow of life across generations, says Sanyal. He adds, this image joyfully celebrates life and self determination. It displays the irresistible forces of life and freedom.

For all its historical importance, the independence monument is still an abstract concept in the minds of many Ugandans: Dr. Kyeyune sums it up well: It is an accomplished piece of work technically and aesthetically, but one that has not yet found a place in people's consciousness.

Source; New Vision

CURRENCY NOTES - Features

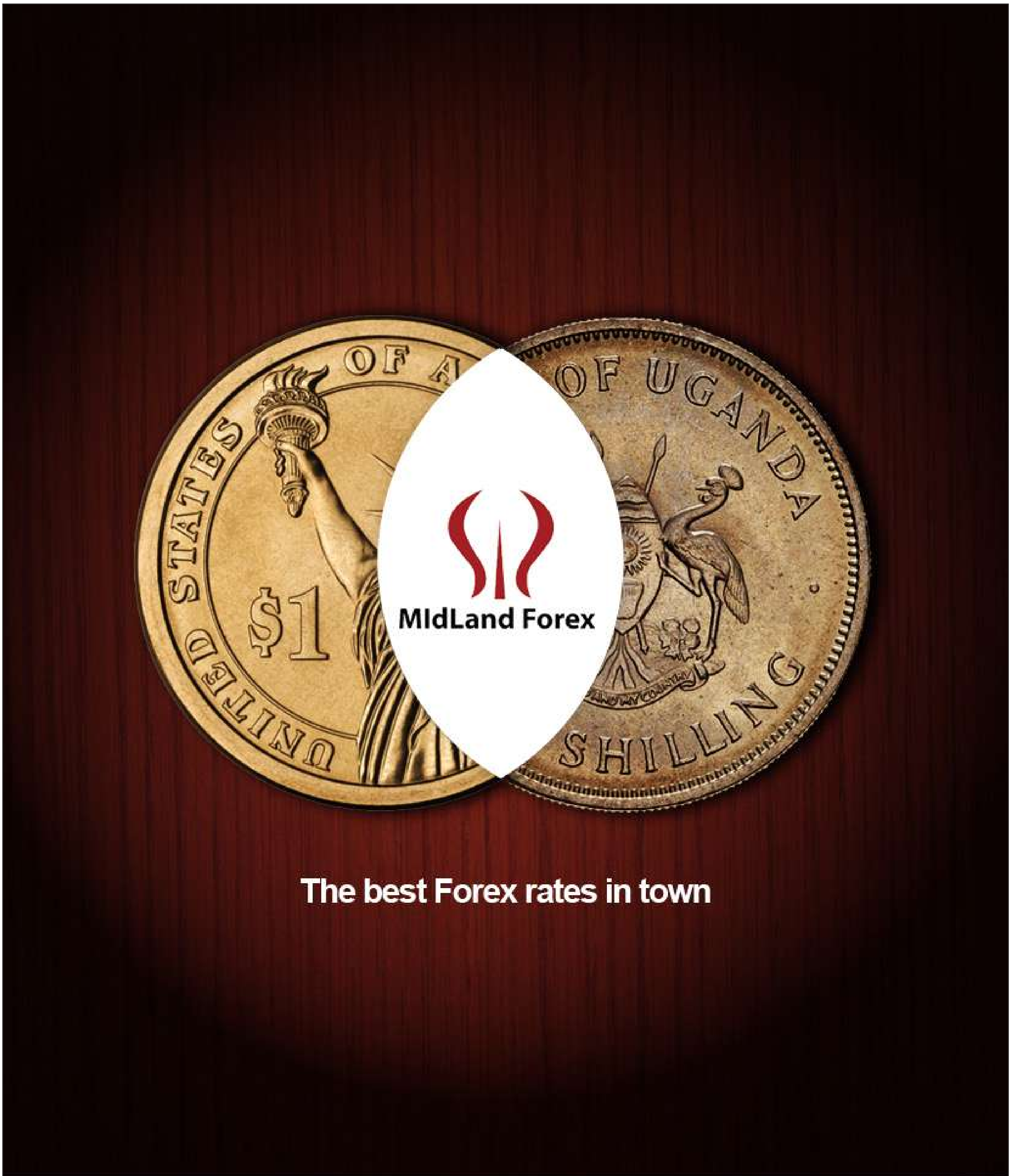
100 Euros

Under UV Light :

1. The paper it'self does not glow.
2. Fibers embedded in the paper appear, coloured red, blue and green.
3. The flag of the European Union looks green and has orange stars.
4. The signature of the ECB President turns green.
5. The large stars and small circles on the front glow. The map, brodge and value numeral on the back appear in yellow.

50 Pounds

There is no such thing as a self-made man.We are made up of thousands of others. Every one who has ever done a kind deed for us, or spoken one word of encouragement to us, has entered into the make-up of our character and of our thoughts, as well as our success. - **George Matthew Adams**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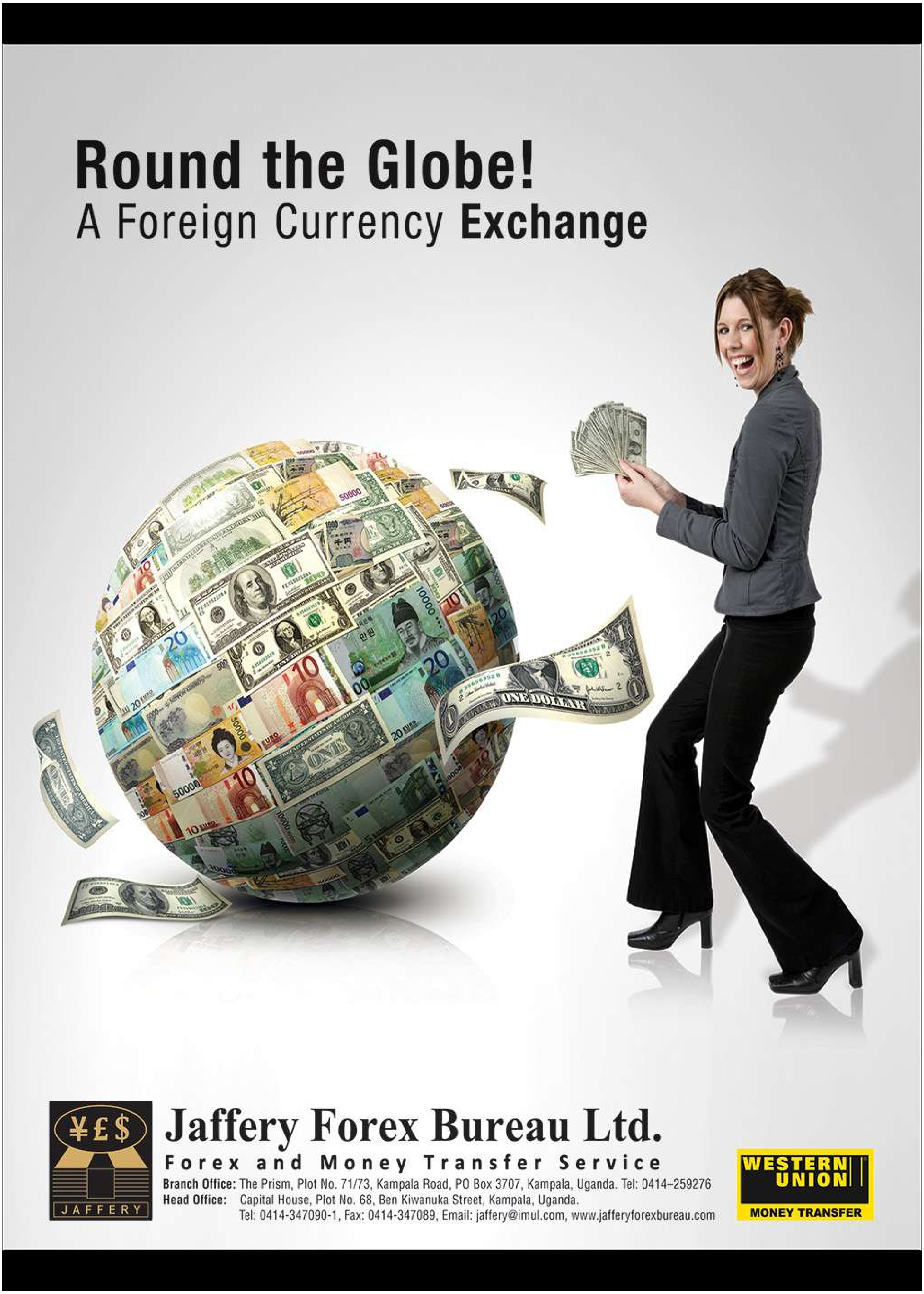

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