



Ref: UBA/SEC/2026/043

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The Attorney General of Uganda  
Attorney General's Chambers  
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★ 14 APR 2026 ★  
**IN PRMS**

Dear Sir,

**RE: DRAFT PROTECTION OF SOVEREIGNTY BILL 2026**

We enclose herewith our concerns and recommendations regarding the draft Sovereignty Bill 2026 for your consideration.

We further draw your attention to proposals in the bill that work directly against the banking industry's response plan to support Government's ATMS strategy for tenfold GDP growth that we shared with the Ministry of Finance, Planning & Economic Development and primarily entails marshaling more capital/funding through various sources & instruments over the plan period to significantly expand private sector credit.

We recommend that Government should seriously consider the implications of this bill to the Investment Climate for Uganda and at the very least, explicitly,

- Carve-out for financial institutions licensed by the Central Bank of Uganda & Capital Markets Authority as well as Development Finance Institutions operating in Uganda from the "agent of foreigner" definition.
- Include a clear primacy clause affirming that Bank of Uganda's regulatory authority governs the banking sector supported by the Financial Intelligence Authority.
- Align foreign funding oversight with the existing AML/FIA framework rather than creating a parallel regime.
- Establish a significantly higher foreign funding threshold — or blanket exemption for transactions within the normal course of regulated banking activity.

Yours faithfully,



Wilbrod Humphreys Owor  
**Executive Director**



Cc The Chairperson & All Member CEOs  
Cc The Governor  
Cc The PSST  
Cc The Minister for Justice & Constitutional Affairs  
Cc The Speaker

UBA.  
Bank of Uganda  
MOFPED  
MJCA  
Parliament of Uganda

## THE PROTECTION OF SOVEREIGNTY BILL, 2026

### Implications and Areas of Concern for the Banking Industry in Uganda

#### 1. The "Agent of Foreigner" Definition

The Bill defines an "agent of a foreigner" very broadly to include any person whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidised by a foreigner. This definition is problematic for banks because:

- Foreign-owned or part-foreign-owned banks could technically fall within this definition, since their parent companies are foreign entities that direct, finance, and control them.
- Correspondent banking relationships — where a Ugandan bank processes transactions on behalf of a foreign bank — could constitute acting as an agent of a foreigner.
- International development finance routed through commercial banks could trigger classification of those banks as agents of foreigners.

#### 2. Restrictions on Foreign Funding (Clause 22)

Clause 22 prohibits any person or agent of a foreigner from obtaining foreign financial support exceeding 20,000 currency points (approximately UGX 400 million / USD 107,000) within twelve months without written Ministerial approval. This is deeply consequential for banking because:

- Foreign lines of credit from international financial institutions (IFC, AfDB etc.) — which are vital to bank liquidity and SME/trade finance portfolios — would require prior Ministerial approval, adding bureaucratic cost and uncertainty.
- Capital raising from foreign shareholders or private equity investors would potentially be restricted, undermining banks' ability to meet Bank of Uganda's minimum capital requirements.
- Eurobonds or international syndicated loans sought by Ugandan banks would be caught by this provision.
- The threshold is extremely low (UGX 400 million) relative to typical bank funding transactions, meaning virtually all foreign capital inflows to banks would require approval.
- The forfeiture provision in Clause 22(3) requires money obtained without Ministerial approval to be forfeited to the State. This creates an existential risk for any bank that inadvertently falls foul of this requirement.

#### 3. Supervised Institutions as Reporting Agents (Clause 25)

The Bill places supervised institutions (defined as entities licensed to facilitate cross-border money transfers) under specific obligations:

- They cannot pay out money to an agent of a foreigner without the agent first declaring the source of funds and providing proof of Ministerial authorisation (Clause 25(1)).
- They must submit monthly reports to the Minister on all funds transferred to agents of foreigners (Clause 25(2)).
- Failure to comply attracts a civil penalty of 200,000 currency points (UGX 4 billion) — a very significant fine for smaller institutions (Clause 25(3)).

Practical implications for the banking sector include:

- Banks processing international remittances, NGO payments, or diaspora transfers will face significant due diligence obligations that go beyond their existing AML/CFT frameworks.
- Monthly reporting to the Minister (Internal Affairs) — separate from existing Bank of Uganda reporting — creates dual regulatory reporting with potential conflicts.
- The obligation to verify Ministerial authorisation before processing payments creates operational delays and potential liability for payment processing errors.

#### **4. Declaration of Sources of Funding (Clause 21)**

Clause 21 requires agents of foreigners receiving any foreign funding to submit a declaration of the source of funds to the Minister. While this overlaps with existing Anti-Money Laundering Act obligations, it creates several concerns:

- Banks already conduct Know Your Customer (KYC) and source-of-funds checks under the AML framework supervised by the Financial Intelligence Authority (FIA). This Bill creates a parallel, potentially conflicting regime supervised by the Ministry of Internal Affairs.
- The public inspection of funding declarations (Clause 21(2)) — available to any member of the public upon payment of a fee — raises confidentiality and data protection concerns that conflict with banking secrecy obligations.
- Criminal liability (up to 5 years imprisonment) for false statements adds personal criminal exposure for bank compliance officers who process declarations.

#### **5. Economic Sabotage Clause (Clause 13)**

Clause 13 criminalises publishing information or participating in any act that "weakens or damages the economic system or viability of the country, causing economic disruption, insecurity or instability." This provision is broadly and vaguely worded, and for banks it raises concerns around:

- Credit rating communications — analyst reports or bank advisories that flag Uganda's economic risks could be construed as economic sabotage.
- Investor briefings that disclose sovereign risk concerns to foreign shareholders or creditors.
- Whistleblowing by bank staff on financial sector vulnerabilities.

- Treasury and FX market communications where banks signal currency or liquidity pressures.
- The absence of a clear definition of what constitutes "weakening the economic system" creates significant legal uncertainty for financial institutions engaged in normal market commentary and investor relations activities.

## **6. Influencing Government Policy (Clauses 2(2)(f) & (g))**

The Bill captures as a regulated activity anyone who "influences the development of the policy of Government" or "influences the public to oppose the policy of Government." This directly threatens:

- Banking industry associations (e.g. Uganda Bankers Association) that receive any foreign funding and engage in policy advocacy on financial regulation.
- Foreign-funded financial sector reform programmes (e.g. World Bank, IMF) where banks or their associations participate in policy dialogue.
- Banks that receive donor-funded technical assistance to improve compliance, governance, or financial inclusion, as these could be deemed agents of foreigners influencing policy.

## **7. Registration Requirement (Clause 14)**

Any entity falling within the "agent of a foreigner" definition must register with the Department of Peace and Security and obtain a certificate before operating. For banks this means:

- Foreign-owned banks may be required to obtain a separate registration certificate from the Ministry of Internal Affairs — in addition to their Bank of Uganda licence — creating dual licensing complexity.
- Registration certificates are only valid for two years and are subject to suspension or revocation, potentially creating business continuity risks if a certificate is suspended mid-operation.
- The suitability inquiry (Clause 16) — which includes assessing mental and physical health of directors — goes beyond normal corporate governance standards and could deter qualified foreign executives from taking up board or management positions in Ugandan banks.
- Certificates can be revoked if the holder is deemed to "pose a security threat" (Clause 20(2)(f)) — a subjective standard that could be applied to banks during episodes of political tension.

## **Potential Effects of this Bill in its current form.**

### **(i) Chilling Effect on Foreign Direct Investment**

The combined effect of these provisions is likely to deter foreign investment into the banking sector, at a time when Uganda's banks need foreign capital to meet Basel III-

aligned capitalisation requirements and fund the credit needs of a growing economy in line with ATMS which plan the banking industry has already laid out in support of Government.

**(ii) Correspondent Banking Relationships at Risk**

International banks that serve as correspondent banks to Ugandan institutions may become more cautious about maintaining relationships if they fear being classified as foreign principals whose Ugandan counterparts are deemed "agents." This could worsen Uganda's already fragile correspondent banking situation and increase the cost of international transactions.

**(iii) Conflict with Bank of Uganda's Regulatory Framework**

The Bill vests significant oversight powers in the Minister of Internal Affairs, which conflicts with the operational independence of the Bank of Uganda as the primary prudential and conduct supervisor of the banking sector. This creates a risk of regulatory fragmentation and conflicting instructions to supervised institutions.

**(iv) Engagement with Development Finance Institutions**

Uganda currently engages with several development finance institutions with programme conditionalities and technical assistance. Activities funded under these programmes — including financial sector reforms — could technically be caught by the Bill's restrictions, potentially jeopardising access to concessional financing and development support.