

Structure of the Modern Banking System

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Learning Objectives

- Identify financial institutions & their roles
- Differentiate bank vs non-bank institutions
- Understand financial market segments
- Explain Uganda's financial architecture & regulators
- Draw lessons from the Crane Bank case

Financial Institutions

- Commercial Banks: deposits, credit, forex
- Credit Institutions
- Development Banks: long-term project finance (UDB)
- MDIs: small business & rural lending

Role

- ✓ Mobilize savings
- ✓ Allocate capital
- ✓ Support consumption, trade & investment

Non-Bank Financial Institutions

- Insurance companies (IRA)
- Pension funds (URBRA)
- Capital markets: USE, brokers, asset managers (CMA)
- SACCOs & MFIs (UMRA)

Financial Market Segments

- Money Market – short-term liquidity (T-bills, interbank loans)
- Capital Market – equities, government & corporate bonds
- Foreign Exchange Market – BoU oversight, USD/UGX

Uganda's Financial System Architecture

Tier I: Commercial Banks

Tier II: Credit Institutions

Tier III: Microfinance Deposit-taking Institutions

Tier IV: SACCOs & MFIs (UMRA)

Regulatory Bodies in Uganda

- Bank of Uganda (BoU): monetary policy, Tier I–III banks
- Insurance Regulatory Authority (IRA): insurance firms
- Capital Markets Authority (CMA): securities & brokers
- Uganda Retirement Benefits Regulatory Authority (URBRA): pensions
- Uganda Microfinance Regulatory Authority (UMRA): Tier IV MFIs/SACCOs
- Financial Intelligence Authority (FIA): AML/CTF oversight

Case Study – Crane Bank Collapse (2016–2017)

- Background: Founded 1995, Uganda's 3rd largest bank
- Problems: Non-performing loans >30%, insider lending, poor governance
- Resolution: BoU takeover (Oct 2016), assets sold toDFCU (Jan 2017)
- Lessons: governance discipline, stronger supervision, depositor protection

To be Discussed in Class

Key Takeaways

- Banking system = multi-layered institutions
- Non-banks deepen financial inclusion & risk-sharing
- Markets allocate resources across economy
- Uganda's architecture: Tiers I–IV + regulators
- Crane Bank collapse shows importance of governance & regulation

Discussion Questions

- Why do banks fail despite regulation?
- The conversation around the deposit insurance scheme?
- How can SACCO oversight be strengthened?