



# **FINANCIAL INTELLIGENCE AUTHORITY**

## **Guidelines on Identifying Suspicious Transactions (For all accountable persons)**

**28<sup>th</sup> April, 2016**

## **GUIDANCE NOTE 3 – GUIDELINES TO ALL ACCOUNTABLE PERSONS UNDER THE ANTI-MONEY LAUNDERING ACT, 2013, WITH RESPECT TO IDENTIFYING SUSPICIOUS TRANSACTIONS**

### **Preamble**

These guidelines are hereby issued by the Financial Intelligence Authority pursuant to *s.20 (d) of the Anti-Money Laundering Act, 2013*. These Guidelines take immediate effect, and are specifically for the purpose of providing indicators to accountable persons for the identification of suspicious transactions.

A suspicious transaction is defined in *s.1 of the Anti-Money Laundering Act, 2013*, as a transaction which is inconsistent with a customer's known legitimate business or personal activities or with the normal business for that type of account or business relationship, or a complex and unusual transaction or complex and unusual pattern of transaction.

The guidelines offer indicators to assist persons involved in business to identify those situations where transactions should raise questions or give rise to a sense of discomfort, apprehension or mistrust. They are therefore merely examples of factors that may be helpful when evaluating transactions. The list is not exhaustive and does not cover every possible situation. These indicators should not be viewed in isolation and should always be taken into consideration in conjunction with all other circumstances pertaining to a particular transaction.

The guidelines are provided as general information only and are not intended to act as a substitute for your own assessment, based on your judgement, knowledge as well as on the specific circumstances of the transaction.

**These guidelines are issued to accountable persons as listed in the second schedule of the *Anti-Money Laundering Act, 2013*;**

1. Advocates as defined in the Advocates Act, Notaries licensed and certified under the Notaries Public Act, Accountants as defined in the Accountants Act, and other independent legal professionals and accountants.<sup>1</sup>
2. A board of executors or a trust company or any other person that invests, keeps in safe custody, controls, or administers trust property within the meaning of the Trustees Act.
3. Casinos (which also includes internet casinos).
4. Real estate agents.
5. Dealers in precious metals and gems.
6. Trust and company service providers not covered elsewhere in this Schedule which as a business provide any of the following services to third parties—
  - (a) acting as a formation agent of legal persons;
  - (b) acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
  - (c) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
  - (d) acting as (or arranging for another person to act as) a trustee of an express trust;
  - (e) Acting as (or arranging for another person to act as) a nominee shareholder for another person.
7. A financial institution as defined in the Financial Institutions Act.
8. A broker, dealer or investment advisor licensed under the Capital Markets Authority Act.
9. An insurance company licensed under the Insurance Act.
10. Registrars of Companies.
11. Registrars of Land.

---

<sup>1</sup>This refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to 'internal' professionals that are employees of other types of business nor to professionals working for government agencies

12. The Uganda Investment Authority.

13. All licensing authorities in Uganda.

14. Any other person who conducts the business of:

- (a) acceptance of deposits and other repayable funds from the public including private banking;
- (b) lending including, inter alia, consumer credit, mortgage credit, factoring with or without recourse, and finance of commercial transactions;
- (c) financial leasing (not including financial leasing arrangements in relation to consumer products);
- (d) the transfer of money or value;<sup>2</sup>
- (e) issuing and managing means of payment e.g., credit and debit cards, cheques, traveller's checks, money orders, bankers' drafts, electronic money;
- (f) financial guarantees and commitments;
- (g) trading in:
  - (i) Money market instruments (cheques, bills, CDs, derivatives, etc.),
  - (ii) foreign exchange,
  - (iii) exchange, interest rate and index instruments,
  - (iv) transferable securities,
  - (v) commodity futures trading;
- (h) participation in securities issues and provision of financial services related to such issues;
- (i) individual and collective portfolio management;
- (j) safekeeping and administration of cash or liquid securities on behalf of other persons;
- (k) otherwise investing, administering or managing funds or money on behalf of other persons;

---

<sup>2</sup> This applies to financial activity in both the formal and informal sector, e.g. Alternative remittance activity. It does not apply to any natural or legal person that provides other persons solely with message or other support systems for transmitting funds.

(l) underwriting and placement of life insurance and other investment related insurance , including non-life insurance business;<sup>3</sup>

(m) Money and currency changing.

15. Non-governmental organizations, churches and other charitable organizations.



---

<sup>3</sup> This applies to both insurance undertakings and to insurance intermediaries (agents and brokers).

## **The Guidelines**

The Financial Intelligence Authority hereby guides as follows;

### **INDICATORS FOR SUSPICIOUS TRANSACTIONS.**

#### **PART 1 – GENERAL**

##### **1. General Indicators**

- (i) Client admits or makes statements about involvement in criminal activities.
- (ii) Client does not want correspondence sent to home address.
- (iii) Client appears to have accounts with several financial institutions in one area for no apparent reason.
- (iv) Client conducts transactions at different physical locations in an apparent attempt to avoid detection.
- (v) Client repeatedly uses an address but frequently changes the names involved.
- (vi) Client is accompanied and watched at all relevant times.
- (vii) Client shows uncommon curiosity about internal systems, controls and policies.
- (viii) Client has only vague knowledge of the amount of a deposit.
- (ix) Client presents confusing details about the transaction or knows few details about its purpose.
- (x) Client over justifies or explains the transaction.
- (xi) Client is secretive and reluctant to meet bank officials in person in regard to an account or transactions involving the client.
- (xii) Client is nervous, not in touch with the transaction.
- (xiii) Client is involved in transactions that are suspicious but seems blind to being involved in money laundering activities.
- (xiv) Client's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client shortly after opening account.
- (xv) Normal attempts to verify the background of a new or prospective client are difficult.

- (xvi) Client appears to be acting on behalf of a third party, but does not tell you.
- (xvii) Client is involved in activity out-of-keeping for that individual or business.
- (xviii) Client insists that a transaction be done quickly.
- (xix) Inconsistencies appear in the client's presentation of the transaction.
- (xx) The transaction does not appear to make sense or is out of keeping with usual or expected activity for the client.
- (xxi) Client appears to have recently established a series of new relationships with different financial entities.
- (xxii) Client attempts to develop close rapport with staff.
- (xxiii) Client uses aliases and a variety of similar but different addresses.
- (xxiv) Client spells his or her name differently from one transaction to another.
- (xxv) Client provides false information or information that you believe is unreliable.
- (xxvi) Client offers you money, gratuities or unusual favours for the provision of services that may appear unusual or suspicious.
- (xxvii) You are aware that a client is the subject of a money laundering investigation.
- (xxviii) You are aware or you become aware, from a reliable source (that can include media or other open sources), that a client is suspected of being involved in illegal activity.
- (xxix) A new or prospective client is known to you as having a questionable legal reputation or criminal background.
- (xxx) Transaction involves a suspected shell entity (that is, a corporation that has no assets, operations or other reason to exist).
- (xxxi) Client initiates a transaction that is likely to be deemed suspicious and stops midway for whatever reason for example claiming to be in a hurry and will complete transaction later but does not.
- (xxxii) Client stays in banking hall for longer durations than necessary either prior to or after making transaction.
- (xxxiii) The parties to the transaction (owner, beneficiary, etc.) are from countries known to support terrorist activities and organizations.

- (xxxiv) Use of false corporations, including shell-companies in transactions.
- (xxxv) Client and client associations are included in the United Nations 1267 Sanctions list.
- (xxxvi) Media reports that the account holder is linked to known terrorist organizations or is engaged in terrorist activities.
- (xxxvii) Beneficial owner of the account not properly identified.
- (xxxviii) Use of nominees, trusts, family member or third party accounts.
- (xxxix) Use of false identification by the client or client associations.
- (xl) Abuse of non-profit organization.

**(a) Knowledge of reporting or record keeping requirements**

- (i) Client attempts to convince an employee not to complete any documentation required for the transaction.
- (ii) Client makes inquiries that would indicate a desire to avoid reporting.
- (iii) Client has unusual knowledge of the law in relation to suspicious transaction reporting.
- (iv) Client seems very conversant with money laundering or terrorist financing activity issues.
- (v) Client is quick to volunteer that funds are “clean” or “not being laundered”.
- (vi) Client appears to be structuring amounts to avoid record keeping, client identification or reporting thresholds.

**(b) Identity documents**

- (i) Client provides doubtful or vague information.
- (ii) Client produces seemingly false, inaccurate or altered identification.
- (iii) Client refuses to produce personal identification documents.
- (iv) Client is unable to provide original personal identification documents.
- (v) Client wants to establish identity using something other than his or her personal identification documents.
- (vi) Client’s supporting documentation lacks important details such as a phone number.

- (vii) Client inordinately delays presenting corporate documents.
- (viii) All identification presented is foreign or cannot be checked for some reason.
- (ix) All identification documents presented appear new or have recent issue dates.
- (x) Client presents different identification documents at different times.
- (xi) Client alters the transaction after being asked for identity documents.

**(c) Cash transactions**

- (i) Client starts conducting frequent cash transactions in large amounts when this has not been a normal activity for the client in the past.
- (ii) Client frequently exchanges small notes for large ones.
- (iii) Client uses notes in denominations that are unusual for the client, when the norm in that business is different.
- (iv) Client consistently makes cash transactions that are just under the reporting threshold amount in an apparent attempt to avoid the reporting threshold (for example between UGX 19,000,000 and UGX 20,000,000).
- (v) Client presents uncounted funds for a transaction. Upon counting, the client reduces the transaction to an amount just below that which could trigger reporting requirements.
- (vi) Client conducts a transaction for an amount that is unusual compared to amounts of past transactions.
- (vii) Client asks you to hold or transmit large sums of money or other assets when this type of activity is unusual for the client.
- (viii) Shared address for individuals involved in cash transactions, particularly when the address is also for a business location, or does not seem to correspond to the stated occupation (for example, student, unemployed, self-employed, etc.).
- (ix) Stated occupation of the client is not in keeping with the level or type of activity (for example a student or an unemployed individual makes daily maximum cash withdrawals at multiple locations over a wide geographic area).
- (x) Cash is transported by a cash courier.
- (xi) Large transactions using a variety of denominations.

#### **(d) Economic purposes**

- (i) Transaction seems to be inconsistent with the client's apparent financial standing or usual pattern of activities.
- (ii) Transaction appears to be out of the normal course for industry practice or does not appear to be economically viable for the client.
- (iii) Transaction is unnecessarily complex for its stated purpose.
- (iv) Activity is inconsistent with what would be expected from declared business.
- (v) A business client refuses to provide information to qualify for a business discount.
- (vi) No business explanation for size of transactions or cash volumes.
- (vii) Transactions of financial connections between businesses that are not usually connected (for example, a company dealing in food products transacting with a company dealing in electronic gadgets).
- (viii) Transaction involves non-profit or charitable organization for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity of the organization and the other parties in the transaction.

#### **(e) Transactions involving accounts**

- (i) Opening accounts when the client's address is outside the local service area.
- (ii) Opening accounts in other people's names.
- (iii) Opening accounts with names very close to other established business entities.
- (iv) Attempting to open or operating accounts under a false name.
- (v) Account with a large number of small cash deposits and a small number of large cash withdrawals.
- (vi) Funds are being deposited into several accounts, consolidated into one and transferred outside the country.
- (vii) Client frequently uses many deposit locations outside of the home branch location.
- (viii) Multiple transactions are carried out on the same day at the same branch but with apparent attempt to use different tellers.
- (ix) Activity far exceeds activity projected at the time of opening of the account.

- (x) Opening of multiple accounts, some of which appear to remain dormant for extended periods.
- (xi) Account that was reactivated from inactive or dormant status suddenly sees significant activity.
- (xii) Reactivated dormant account containing a minimal sum suddenly receives a deposit or series of deposits followed by frequent cash withdrawals until the transferred sum has been removed.
- (xiii) Large transfers from one account to other accounts that appear to be pooling money from different sources.
- (xiv) Multiple deposits are made to a client's account by third parties.
- (xv) Deposits or withdrawals of multiple monetary instruments, particularly if the instruments are sequentially numbered.
- (xvi) Frequent deposits of bearer instruments (for example, cheques, money orders) in amounts just below a determined threshold.
- (xvii) Unusually large cash deposits by a client with personal or business links to an area associated with illegal activity.
- (xviii) Regular return of cheques for insufficient funds.
- (xix) Correspondent accounts being used as "pass-through" points from foreign jurisdictions with subsequent outgoing funds to another foreign jurisdiction.
- (xx) Multiple personal and business accounts are used to collect and then funnel funds to a small number of foreign beneficiaries, particularly when they are in locations of concern, such as countries known or suspected to facilitate money laundering activities.

**(f) Transactions involving areas outside the country.**

- (i) Client and other parties to the transaction have no apparent ties to Uganda.
- (ii) Transaction crosses many international lines.
- (iii) Use of a credit card issued by a foreign bank that does not operate in Uganda by a client that does not live and work in the country of issue.
- (iv) Cash volumes and international remittances in excess of average income for migrant worker clients.

- (v) Transactions involving high-volume international transfers to third party accounts in countries that are not usual remittance corridors.
- (vi) Transaction involves a country known for highly secretive banking and corporate law.
- (vii) Transactions involving countries deemed by the Financial Action Task Force as requiring enhanced surveillance.
- (viii) Foreign currency exchanges that are associated with subsequent wire/ electronic transfers to locations of concern, such as countries known or suspected to facilitate money laundering activities.
- (ix) Deposits followed within a short time by wire/electronic transfer of funds to or through locations of concern, such as countries known or suspected to facilitate money laundering activities.
- (x) Transaction involves a country where illicit drug production or exporting may be prevalent, or where there is no effective anti-money-laundering system.
- (xi) Transaction involves a country known or suspected to facilitate money laundering activities.

## **PART 2 – INDUSTRY-SPECIFIC INDICATORS.**

In addition to the general indicators outlined above, the following industry-specific indicators may point to a suspicious or unusual transaction, whether completed or attempted. Depending on the services you provide, you may need information about indicators in more than one of the following guidelines.

### **2. Financial Institutions**

The following indicators are for your consideration if you are an institution that opens/maintains accounts and holds deposits on behalf of individuals or entities.

#### **(1) Personal transactions**

- (a) Client appears to have accounts with several financial institutions in one geographical area.
- (b) Client has no employment history but makes frequent large transactions or maintains a large account balance.
- (c) The flow of income through the account does not match what was expected based on stated occupation of the account holder or intended use of the account.

- (d) Client makes one or more cash deposits to general account of foreign correspondent bank (i.e., pass-through account).
- (e) Client makes frequent or large payments to online payment services.
- (f) Client runs large positive credit card balances.
- (g) Client uses cash advances from a credit card account to purchase money orders or to wire/electronically transfer funds to foreign destinations.
- (h) Client takes cash advance to deposit into savings or cheque account.
- (i) Large cash payments for outstanding credit card balances.
- (j) Client makes credit card overpayment and then requests a cash advance.
- (k) Client visits the safety deposit box area immediately before making cash deposits.
- (l) Client wishes to have credit and debit cards sent to international or domestic destinations other than his or her address.
- (m) Client has numerous accounts and deposits cash into each of them with the total credits being a large amount.
- (n) Client deposits large endorsed cheques in the name of a third-party.
- (o) Client frequently makes deposits to the account of another individual who is not an employer or family member.
- (p) Client frequently exchanges currencies.
- (q) Client frequently makes automatic banking machine (ATM) deposits just below the reporting threshold.
- (r) 18. Client's access to the safety deposit facilities increases substantially or is unusual in light of their past usage.
- (s) Many unrelated individuals make payments to one account without rational explanation.
- (t) Third parties make cash payments or deposit cheques to a client's credit card.
- (u) Client gives power of attorney to a non-relative to conduct large transactions.
- (v) Client has frequent deposits identified as proceeds of asset sales but assets cannot be substantiated.

- (w) Client acquires significant assets and liquidates them quickly with no explanation.
- (x) Client acquires significant assets and encumbers them with security interests that do not make economic sense.
- (y) Client requests movement of funds that are uneconomical.
- (z) High volume of wire/electronic transfers are made or received through the account.

## **(2) Corporate and business transactions**

Some businesses may be susceptible to the co-mingling of illicit funds with legitimate business income. This is a very common method of money laundering. These businesses include those that conduct a significant part of their business in cash, such as restaurants, bars, parking lots, convenience stores and vending machine companies. On opening accounts for the various businesses in your area, you would likely be aware of those that are mainly cash based. Unusual or unexplained increases in cash deposits made by those entities may be indicative of suspicious activity. Below are some of the examples:

- (a) Accounts are used to receive or disburse large sums but show virtually no normal business-related activities, such as the payment of salaries, invoices, etc.
- (b) Accounts have a large volume of deposits in bank drafts, cashier's cheques, money orders or electronic funds transfers, which is inconsistent with the client's business.
- (c) Accounts have deposits in combinations of monetary instruments that are atypical of legitimate business activity (for example, deposits that include a mix of business, payroll, and social security cheques).
- (d) Accounts have deposits in combinations of cash and monetary instruments not normally associated with business activity.
- (e) Business does not want to provide complete information regarding its activities.
- (f) Financial statements of the business differ noticeably from those of similar businesses.
- (g) Representatives of the business avoid contact with the branch as much as possible, even when it would be more convenient for them.
- (h) Deposits to or withdrawals from a corporate account are primarily in cash rather than in the form of debit and credit normally associated with commercial operations.
- (i) Client deposits large amounts of currency wrapped in currency straps.

- (j) Client makes a large volume of seemingly unrelated deposits to several accounts and frequently transfers a major portion of the balances to a single account at the same bank or elsewhere.
- (k) Client makes a large volume of cash deposits from a business that is not normally cash intensive.
- (l) Client makes large cash withdrawals from a business account not normally associated with cash transactions.
- (m) Client consistently makes immediate large withdrawals from an account that has just received a large and unexpected credit from abroad.
- (n) Client makes a single and substantial cash deposit composed of many large bills.
- (o) Small, single-location business makes deposits on the same day at different branches across a broad geographic area that does not appear practical for the business.
- (p) There is a substantial increase in deposits of cash or negotiable instruments by a company offering professional advisory services, especially if the deposits are promptly transferred.
- (q) There is a sudden change in cash transactions or patterns.
- (r) Client wishes to have credit and debit cards sent to international or domestic destinations other than his or her place of business.
- (s) There is a marked increase in transaction volume on an account with significant changes in an account balance that is inconsistent with or not in keeping with normal business practices of the client's account.
- (t) Asset acquisition is accompanied by security arrangements that are not consistent with normal practice.
- (u) Unexplained transactions are repeated between personal and commercial accounts.
- (v) Activity is inconsistent with stated business.
- (w) Account has close connections with other business accounts without any apparent reason for the connection.
- (x) Activity suggests that transactions may offend securities regulations or the business prospectus is not within the requirements.
- (y) A large number of incoming and outgoing wire/electronic transfers take place for which there appears to be no logical business or other economic purpose, particularly when this

is through or from locations of concern, such as countries known or suspected to facilitate money laundering activities.

### **(3) Electronic funds transfers (EFTs)**

If you are involved in the business of electronic funds transfers (EFTs) or the remittance or transmission of funds, consider the following indicators;

- (a) Client is reluctant to give an explanation for the remittance.
- (b) Client orders wire/electronic transfers in small amounts in an apparent effort to avoid triggering identification or reporting requirements.
- (c) Client transfers large sums of money to overseas locations with instructions to the foreign entity for payment in cash.
- (d) Client receives large sums of money from an overseas location and the transfers include instructions for payment in cash.
- (e) Client makes frequent or large funds transfers for individuals or entities that have no account relationship with the institution.
- (f) Client receives frequent funds transfers from individuals or entities who have no account relationship with the institution.
- (g) Client receives funds transfers and immediately purchases monetary instruments prepared for payment to a third party which is inconsistent with or outside the normal course of business for the client.
- (h) Client requests payment in cash immediately upon receipt of a large funds transfer.
- (i) Client instructs you to transfer funds abroad and to expect an equal incoming transfer. Immediately after transferred funds have been cleared, the client moves the funds to another account or to another individual or entity.
- (j) Client shows unusual interest in funds transfer systems and questions the limit of what amount can be transferred.
- (k) Client transfers funds to another country without changing the currency.
- (l) Large incoming wire/electronic transfers from foreign jurisdictions are removed immediately by company principals.
- (m) Client sends frequent wire/electronic transfers to foreign countries, but does not seem to have connection to such countries.

- (n) Wire/electronic transfers are received from entities having no apparent business connection with client.
- (o) Size of funds transfers is inconsistent with normal business transactions for that client.
- (p) Rising volume of remittances exceeds what was expected from the client when the relationship was established.
- (q) Several clients request transfers either on the same day or over a period of two to three days to the same recipient.
- (r) Different clients request transfers that are all paid for by the same client.
- (s) Several clients requesting transfers share common identifiers, such as family name, address or telephone number.
- (t) Several different clients send transfers that are similar in amounts, sender names, test questions, free message text and destination country.
- (u) A client sends or receives multiple transfers to or from the same individual.
- (v) Stated occupation of the client or the client's financial standing is not in keeping with the level or type of activity (for example a student or an unemployed individual who receives or sends large numbers of wire/electronic transfers).
- (w) Migrant remittances made outside the usual remittance corridors.
- (x) Personal funds sent at a time not associated with salary payments.
- (y) Country of destination for a wire/electronic transfer is not consistent with the nationality of the individual client.
- (z) Client requests transfers to a large number of recipients outside Uganda who do not appear to be family members.
- (aa) Client does not appear to know the recipient to whom he or she is sending the transfer.
- (bb) Client does not appear to know the sender of the transfer from whom the transfer was received.
- (cc) Beneficiaries of wire/electronic transfers involve a large group of nationals of countries associated with terrorist activity.
- (dd) Client makes funds transfers to free trade zones that are not in line with the client's business.

- (ee) Client conducts transactions involving countries known as narcotic source countries or as trans-shipment points for narcotics or those are known for highly secretive banking and corporate law practices.

#### **(4) Loans**

If you are involved in the business of providing loans (including mortgages) or extending credit to individuals or corporations, consider the following indicators;

- (a) Client suddenly repays a problem loan unexpectedly.
- (b) Client makes a large, unexpected loan payment with unknown source of funds, or a source of funds that does not match what you know about the client.
- (c) Client repays a long term loan, such as a mortgage, within a relatively short time period.
- (d) Source of down payment is inconsistent with borrower's background and income.
- (e) Down payment appears to be from an unrelated third party.
- (f) Down payment uses a series of money orders or bank drafts from different financial institutions.
- (g) Client shows income from "foreign sources" on loan application without providing further details.
- (h) Client's employment documentation lacks important details that would make it difficult for you to contact or locate the employer.
- (i) Client's documentation to ascertain identification, support income or verify employment is provided by an intermediary who has no apparent reason to be involved.
- (j) Client has loans with offshore institutions or companies that are outside the ordinary course of business of the client.
- (k) Client offers you large deposits or some other form of incentive in return for favourable treatment of loan request.
- (l) Client asks to borrow against assets held by another financial institution or a third party, when the origin of the assets is not known.
- (m) The loan transaction does not make economic sense (for example, the client has significant assets, and there does not appear to be a sound business reason for the transaction).

- (n) Customer seems unconcerned with terms of credit or costs associated with completion of a loan transaction.
- (o) Client applies for loans on the strength of a financial statement reflecting major investments in or income from businesses incorporated in countries known for highly secretive banking and corporate law and the application is outside the ordinary course of business for the client.
- (p) Down payment or other loan payments are made by a party who is not a relative of the client.

### **3. Non-profit Organizations (including registered charities)**

- (a) Inconsistencies between apparent modest sources of funds of the organization (e.g., communities with modest standard of living) and large amounts of funds raised.
- (b) Inconsistencies between the pattern or size of financial transactions and the stated purpose and activity of the organization.
- (c) Sudden increase in the frequency and amounts of financial transactions for the organization, or the inverse, that is, the organization seems to hold funds in its account for a very long period.
- (d) Large and unexplained cash transactions by the organization.
- (e) Absence of contributions from donors located in Uganda.
- (f) The organization's directors are outside Uganda, particularly if large outgoing transactions are made to the country of origin of the directors and especially if that country is a high-risk jurisdiction.
- (g) Large number of non-profit organizations with unexplained links.
- (h) The non-profit organization appears to have little or no staff, no suitable offices or no telephone number, which is incompatible with their stated purpose and financial flows.
- (i) The non-profit organization has operations in, or transactions to or from, high- risk jurisdictions.

### **4. Life Insurance Companies, Brokers And Agents**

If you provide life insurance or annuities as your main occupation or as one of the many services that you offer, consider the following indicators. For insurance companies that provide loans.

- (a) Client wants to use cash for a large transaction.

- (b) Client proposes to purchase an insurance product using a cheque drawn on an account other than his or her personal account.
- (c) Client requests an insurance product that has no discernible purpose and is reluctant to divulge the reason for the investment.
- (d) Client who has other small policies or transactions based on a regular payment structure makes a sudden request to purchase a substantial policy with a lump sum payment.
- (e) Client conducts a transaction that results in a conspicuous increase in investment contributions.
- (f) Scale of investment in insurance products is inconsistent with the client's economic profile.
- (g) Unanticipated and inconsistent modification of client's contractual conditions, including significant or regular premium top-ups.
- (h) Unforeseen deposit of funds or abrupt withdrawal of funds.
- (i) Involvement of one or more third parties in paying the premiums or in any other matters involving the policy.
- (j) Overpayment of a policy premium with a subsequent request to refund the surplus to a third party.
- (k) Funds used to pay policy premiums or deposits originate from different sources.
- (l) Use of life insurance product in a way that resembles use of a bank account, namely making additional premium payments and frequent partial redemptions.
- (m) Client cancels investment or insurance soon after purchase.
- (n) Early redemption takes place in the absence of a reasonable explanation or in a significantly uneconomic manner.
- (o) Client shows more interest in the cancellation or surrender of an insurance contract than in the long-term results of investments or the costs associated with termination of the contract.
- (p) Client makes payments with small denomination notes, uncommonly wrapped, with postal money orders or with similar means of payment.
- (q) The first (or single) premium is paid from a bank account outside the country.

- (r) Client accepts very unfavourable conditions unrelated to his or her health or age.
- (s) Transaction involves use and payment of a performance bond resulting in a cross border payment.
- (t) Repeated and unexplained changes in beneficiary.
- (u) Relationship between the policy holder and the beneficiary is not clearly established.

## **5. Securities Dealers**

If you are involved in the business of dealing in securities, segregated fund products or any other financial instruments, including portfolio managers and investment counsellors, consider the following indicators;

- (a) Accounts that have been inactive suddenly experience large investments that are inconsistent with the normal investment practice of the client or their financial ability.
- (b) Any dealing with a third party when the identity of the beneficiary or counterparty is undisclosed.
- (c) Client attempts to purchase investments with cash.
- (d) Client uses securities or futures brokerage firm as a place to hold funds that are not being used in trading of securities or futures for an extended period of time and such activity is inconsistent with the normal investment practice of the client or their financial ability.
- (e) Client instructs that monies received through the sale of shares be deposited into a bank account rather than a trading or brokerage account which is inconsistent with the normal practice of the client.
- (f) Client frequently makes large investments in stocks, bonds, investment trusts or other securities in cash or by cheque within a short time period, inconsistent with the normal practice of the client.
- (g) Client makes large or unusual settlements of securities in cash.
- (h) Transfers of funds or securities between accounts not known to be related to the client.
- (i) Several clients open accounts within a short period of time to trade the same stock.
- (j) 10. Client is an institutional trader that trades large blocks of junior or penny stock on behalf of an unidentified party.
- (k) Unrelated clients redirect funds toward the same account.

- (l) Trades conducted by entities that you know have been named or sanctioned by regulators in the past for irregular or inappropriate trading activity.
- (m) Transaction of very large value.
- (n) Client is willing to deposit or invest at rates that are not advantageous or competitive.
- (o) All principals of client are located outside Uganda.
- (p) Client attempts to purchase investments with instruments in the name of a third party.
- (q) Payments made by way of third party cheques are payable to, or endorsed over to, the client.
- (r) Transactions made by your employees, or that you know are made by a relative of your employee, to benefit unknown parties.
- (s) Third-party purchases of shares in other names (i.e., nominee accounts), transactions in which clients make settlements with cheques drawn by, or remittances from, third parties.
- (t) Unusually large amounts of securities or stock certificates in the names of individuals other than the client.
- (u) Client maintains bank accounts and custodian or brokerage accounts at offshore banking centres with no explanation by client as to the purpose for such relationships.
- (v) Proposed transactions are to be funded by international wire/electronic payments, particularly if from countries where there is no effective anti-money laundering system.

## **6. Money Services Businesses**

If you are involved in the money services business, including foreign exchange dealers, money remitters, issuers' of traveller's cheques, consider the following indicators;

- (a) Client requests a transaction at a foreign exchange rate that exceeds the posted rate.
- (b) Client wants to pay transaction fees that exceed the posted fees.
- (c) Client exchanges currency and requests the largest possible denomination bills in a foreign currency.
- (d) Client knows little about address and contact details for payee, is reluctant to disclose this information, or requests a bearer instrument.
- (e) Client wants a cheque issued in the same currency to replace the one being cashed.

- (f) Client wants cash converted to a cheque and you are not normally involved in issuing cheques.
- (g) Client enters into transactions with counter parties in locations that are unusual for the client.
- (h) Client instructs that funds are to be picked up by a third party on behalf of the payee.
- (i) Client makes large purchases of traveller's cheques not consistent with known travel plans.
- (j) Client makes purchases of money orders in large volumes.
- (k) Client requests numerous cheques in small amounts and various names, which total the amount of the exchange.
- (l) Client requests that a cheque or money order be made out to the bearer.
- (m) Client requests that a large amount of foreign currency be exchanged to another foreign currency.

## **7. Accountants**

If you are an accountant, consider the following indicators when you are carrying out certain activities on behalf of your client;

- (a) Client appears to be living beyond his or her means.
- (b) Client has cheques inconsistent with sales (i.e., unusual payments from unlikely sources).
- (c) Client has a history of changing bookkeepers or accountants yearly.
- (d) Client is uncertain about location of company records.
- (e) Company carries non-existent or satisfied debt that is continually shown as current on financial statements.
- (f) Company has no employees, which is unusual for the type of business.
- (g) Company is paying unusual consultant fees to offshore companies.
- (h) Company records consistently reflect sales at less than cost, thus putting the company into a loss position, but the company continues without reasonable explanation of the continued loss.
- (i) Company shareholder loans are not consistent with business activity.

- (j) Examination of source documents shows misstatements of business activity that cannot be readily traced through the company books.
- (k) Company makes large payments to subsidiaries or similarly controlled companies that are not within the normal course of business.
- (l) Company acquires large personal and consumer assets (i.e., boats, luxury automobiles, personal residences) when this type of transaction is inconsistent with the ordinary business practice of the client or the practice of that particular industry.
- (m) Company is invoiced by organizations located in a country that does not have adequate money laundering laws and is known as a highly secretive banking and corporate tax haven.

## **8. Real Estate Brokers And Sales Representatives**

If you are in the real estate industry, consider the following indicators when you act as an agent in the purchase or sale of real estate;

- (a) Client arrives at a real estate purchase with a significant amount of cash.
- (b) Client purchases property in the name of a nominee such as an associate or a relative (other than a spouse).
- (c) Client does not want to put his or her name on any document that would connect him or her with the property or uses different names on offers to purchase, closing documents and deposit receipts.
- (d) Client inadequately explains the last minute substitution of the purchasing party's name.
- (e) Client negotiates a purchase for market value or above asking price, but records a lower value on documents, paying the difference "under the table".
- (f) Client sells property below market value with an additional "under the table" payment.
- (g) Client pays initial deposit with a cheque from a third party, other than a spouse or a parent.
- (h) Client pays substantial down payment in cash and balance is financed by an unusual source or offshore bank.
- (i) Client purchases personal use property under corporate veil when this type of transaction is inconsistent with the ordinary business practice of the client.
- (j) Client purchases property without inspecting it.

- (k) Client purchases multiple properties in a short time period, and seem to have few concerns about the location, condition, and anticipated repair costs, etc. of each property.
- (l) Client pays rent or the amount of a lease in advance using a large amount of cash.
- (m) Client is known to have paid large remodelling or home improvement invoices with cash, on a property for which property management services are provided.
- (n) Client insists on providing signature on documents by fax only.
- (o) Client buys back a property that he or she recently sold.

## **9. Jewellers**

If you are engaged in the jewellery sector, you may consider the following indicators;

- (a) Unusual payment methods, such as the use of large amounts of cash, multiple or sequentially numbered money orders, traveller's checks, or cashier's checks, or payment from unknown third parties.
- (b) Unwillingness by a customer or supplier to provide complete or accurate contact information, financial references, or business affiliations.
- (c) Attempts by a customer or supplier to maintain a high and unusual degree of secrecy with respect to the transaction, such as a request that normal business records not be kept.
- (d) Purchases or sales that are unusual for the particular customer or supplier or type of customer or supplier.
- (e) Purchases or sales that are not in conformity with standard industry practice. For example, one money-laundering scheme observed in this industry involved a customer who ordered items, paid for them in cash, cancelled the order, and then received a large refund.

## **10. Casinos**

If you are engaged in the casino business, consider the following indicators;

- (a) Any casino transaction where an individual receives payment in casino cheques made out to third parties or without a specified payee.
- (b) Client requests a winnings cheque in a third party's name.
- (c) Acquaintances bet against each other in even-money games and it appears that they are intentionally losing to one of the party.

- (d) Client attempts to avoid the filing of a report for cash by breaking up the transaction.
- (e) Client requests cheques that are not for gaming winnings.
- (f) Client enquires about opening an account with the casino and the ability to transfer the funds to other locations when you do not know the client as a regular, frequent or large volume player.
- (g) Client purchases large volume of chips with cash, participates in limited gambling activity with the intention of creating a perception of significant gambling, and then cashes the chips for a casino cheque.
- (h) Client puts money into slot machines and claims accumulated credits as a jackpot win.
- (i) Client exchanges small denomination bank notes for large denomination bank notes, chip purchase vouchers or cheques.
- (j) Client is known to use multiple names.
- (k) Client requests the transfer of winnings to the bank account of a third party or a known drug source country or to a country where there is no effective anti-money laundering system.