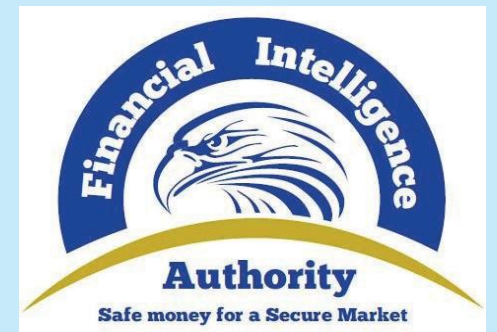


AML/CFT/CPF TRAINING FOR SENIOR MANAGEMENT & BOARD OF DIRECTORS

**Presenter: Phionah Nabaggala(CAMS)
Manager Training and Outreach
Financial Intelligence Authority**



AGENDA



- **FIA Mandate**
- **The Legal Framework on AML/CFT/CPF Key Definitions**
- **ML/TF/PF**
- **Mutual Evaluation**
- **National Risk Assessment Findings**
- **FATF 40 Recommendations**
- **Legal Obligations of Financial Institutions**
- **Offences and Penalties**
- **Role of the Board and Senior Management**
- **Conclusion**

FIA Mandate



To combat money laundering Terrorism Financing and Proliferation Financing. The objectives of the Authority include the following;

- To enhance the identification of the proceeds of crime and combating of money laundering;
- Ensure compliance with the Act;
- Enhance public awareness and understanding on matters related to money laundering.
- Make information collected by it available to competent authorities and facilitate the administration and enforcement of the laws of Uganda.

Money Laundering & Terrorism Financing



Money Laundering.

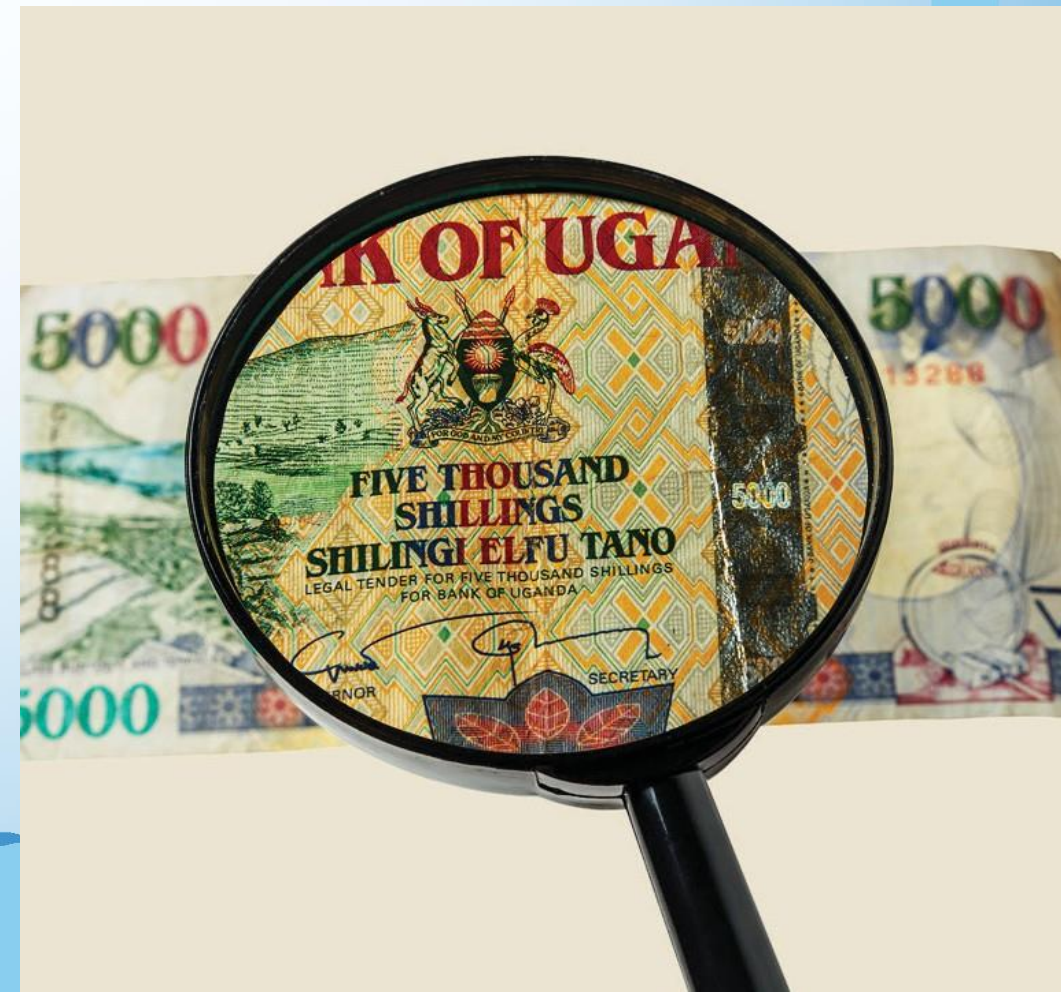
Money laundering means the ways in which criminals change dirty money and other assets into clean money or assets that there are no obvious links to the criminal origin.

The three stages of money laundering include; placement, layering, and integration.

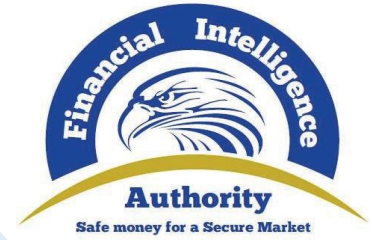
Terrorism Financing.

Willingly collecting or providing funds directly or indirectly by any means to a terrorist organization.

There has to be intention or knowledge that such funds are to be used in full or in part by a person or a terrorist organization to carry out a terrorist act.

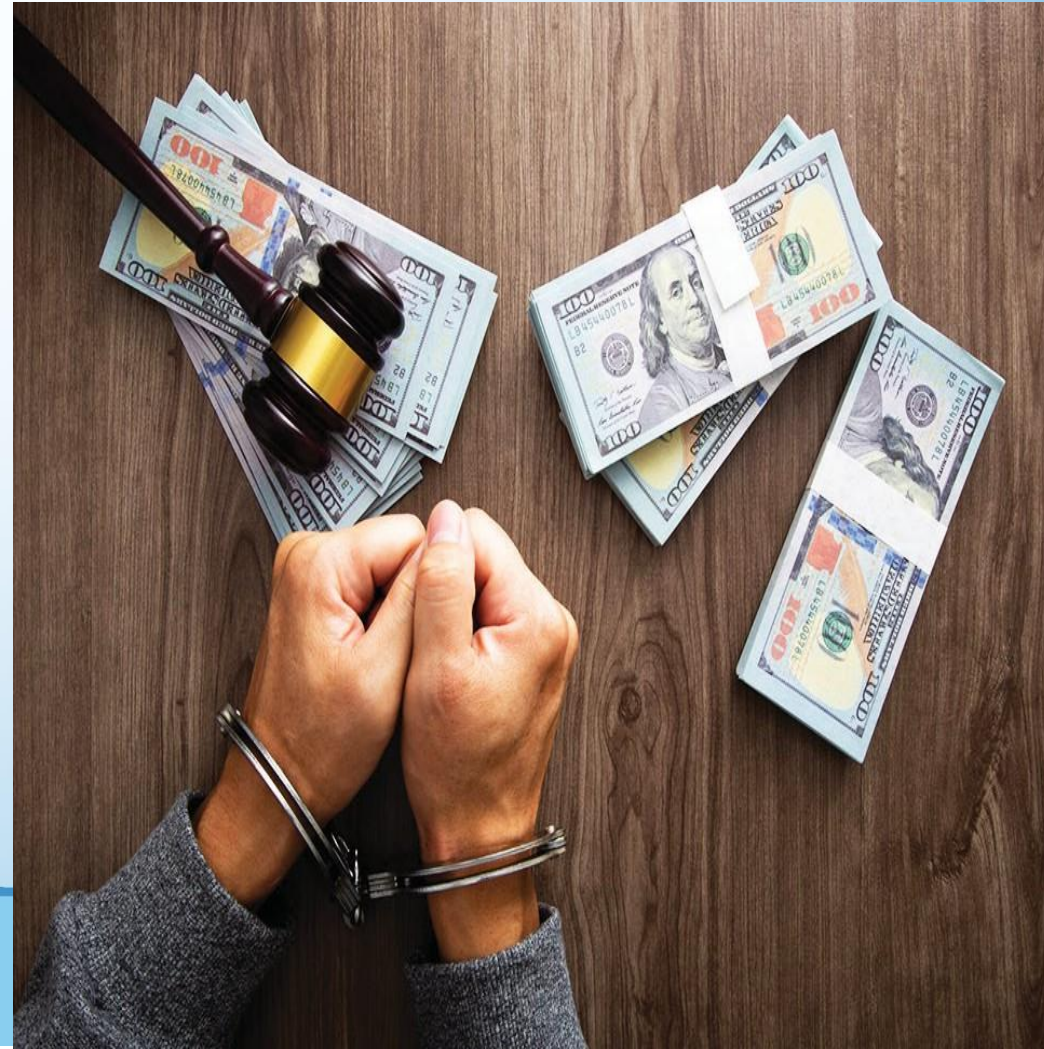


Consequences of Money Laundering



The dangers caused by ML to the economy include;

- Undermining the legitimate private sector by causing unfair competition with legitimate businesses;
- Undermining the integrity and trust in the national financial system,
- Organized criminals will undermine the democratic system of the country by compromising the political, economic and social institutions.

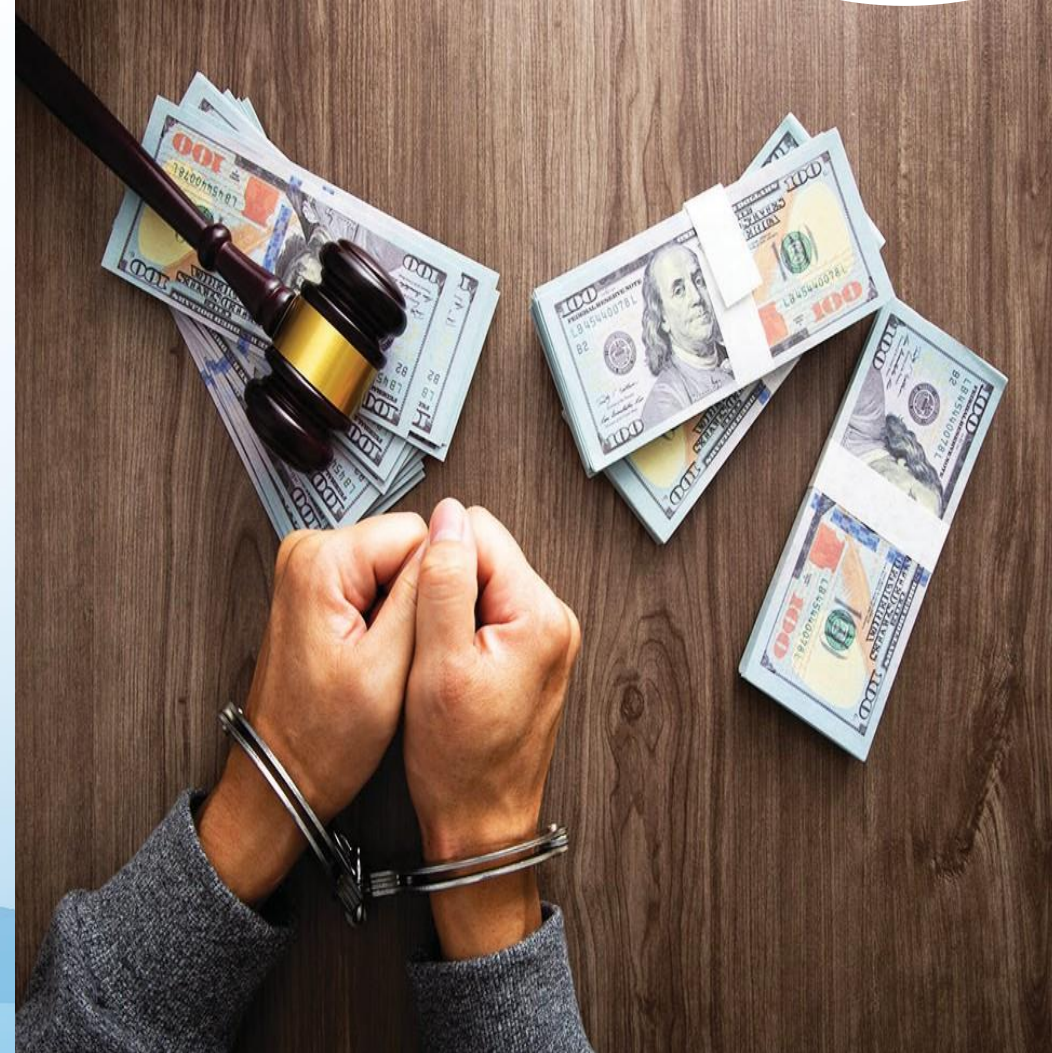


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Consequences of Money Laundering



- Distorts economy by reducing tax revenue and disrupting economic development.
- Risks of privatization efforts; and
- Reputational risk to comply with regional and global obligations to which a country has committed itself – FATF, FSRB (ESAAMLG), United Nations.



Proliferation Financing



Section 9B of the Anti-Terrorism (Amendment) Act

2022

A person or organisation;

- makes available an asset;
 - provides a financial service;
 - conducts a financial transaction,
- And the person knows that the asset, financial service or financial transaction is intended to facilitate the manufacture, production, possession, acquisition, development, transportation, supply, sale of:

- **nuclear weapons;**
- **chemical weapons;**
- **biological weapons**



AML/CFT/PF Legal Framework

International and Domestic Context



International Standards

FATF Recommendations and the Immediate Outcomes.

Domestic Legal Framework:

Anti Terrorism Act, 2002

Anti Terrorism Amendment Act, 2015, 2017, 2022.

Anti Terrorism Amendment Regulations, 2023

Anti Money Laundering Act, 2013(as amended)

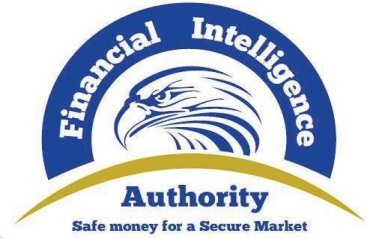
Anti Money Laundering Amendment Regulations 2023

Other pertinent Laws e.g Financial Institutions Act, Insurance Act, Capital Markets Authority Act,. NGO Act.





FATF



- Financial Action Task Force (FATF) was formed in 1989 to lead international effort to combat ML/TF and other threats to the global financial system.
- It has produced the FATF 40 Recommendations which are global minimum standard for an effective AML system for all countries.
- FATF develops, promotes policies, and monitors implementation of the standards for purposes of combating ML/TF both at national and international level.



FATF

FATF Recommendations



- Recommendation 1: Assessing risks & applying a risk-based approach .
- Recommendation 2: National cooperation and coordination
- Recommendation 3: Money laundering offence
- Recommendation 4: Confiscation and provisional measures
- Recommendation 5: Terrorist Financing
- Recommendation 6: Targeted financial sanctions related to terrorism and terrorist financing
- Recommendation 7: Targeted financial sanctions related to proliferation
- Recommendation 8: Non Governmental Organizations
- Recommendation 9: Financial institution secrecy laws
- Recommendation 10: Customer due diligence
- Recommendation 11: Record-keeping

Continued....

FATF Recommendations



Recommendation 12: Politically exposed persons

Recommendation 13: Correspondent banking

Recommendation 14: Money or value transfer services

Recommendation 15: New technologies

Recommendation 16: Wire transfers

Recommendation 17: Reliance on third parties

Recommendation 18: Internal controls and foreign branches and subsidiaries

Recommendation 19: Higher-risk countries

Recommendation 20: Reporting of suspicious transactions

Recommendation 21: Tipping-off and confidentiality

Continued....

FATF Recommendations



Recommendation 22: DNFBPs: Customer due diligence

Recommendation 23: DNFBPs: Other measures

Recommendation 24: Transparency and beneficial ownership of legal persons

Recommendation 25: Transparency and beneficial ownership of legal arrangements.

Recommendation 26: Regulation and supervision of financial institutions

Recommendation 27: Powers of supervisors

Recommendation 28: Regulation and supervision of DNFBPs

Recommendation 29: Financial intelligence units

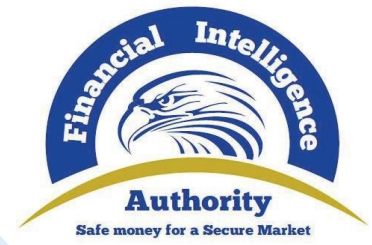
Recommendation 30: Responsibilities of law enforcement and investigative authorities

FATF Recommendations



- Recommendation 31: Powers of law enforcement and investigative authorities
- Recommendation 32: Cash couriers
- Recommendation 33: Statistics
- Recommendation 34: Guidance and feedback
- Recommendation 35: Sanctions
- Recommendation 36: International instruments
- Recommendation 37: Mutual legal assistance
- Recommendation 38: Mutual legal assistance: freezing and confiscation
- Recommendation 39: Extradition
- Recommendation 40: Other forms of international cooperation

Mutual Evaluation



Technical Assessment and Effectiveness Compliance

Technical Assessment.

Seeks to assess how the country has addressed all the FATF 40 Recommendations in their Laws

Effectiveness compliance

FATF looks at the adequacy of the AML/CFT system, whether the laws are impactful.



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Mutual Evaluation



Mutual Evaluation Findings

Rating	2016 MER Rating	2018 Re-rating	2020 Re-rating
Compliant	4	12	14
Largely Compliant	1	1	5
Partially Compliant	14	19	15
Non Compliant	21	8	6
Total	40	40	40

INTERNATIONAL CO-OPERATION REVIEW GROUP (ICRG) Action Plan



- Adopt a National Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) Strategy.
- Seek international cooperation in line with the country's risk profile.
- Develop and implement risk-based supervision of Financial Institutions and Designated Non-Financial Businesses & Professions (DNFBPs);
- Ensure that competent authorities have timely access to accurate basic and beneficial Ownership information for legal entities;
- Demonstrate that Law Enforcement Agencies (LEAs) and judicial authorities apply the Money Laundering (ML) offence consistent with the identified risks;

INTERNATIONAL CO-OPERATION REVIEW GROUP (ICRG) Action Plan



- Establish and implement policies and procedures for identifying, tracing, seizing and confiscating proceeds and instrumentalities of crime;
- Address the technical deficiencies in the legal framework to implement Proliferation Financing (PF) related to targeted financial sanctions;
- Implement a risk-based approach for supervision of its Non-Profit Organization (NPO) sector to prevent Terrorism Financing abuse.

Domestic Context



National Risk Assessment



Findings

Sectors	Risk Score
Banks	High
Securities	Medium
Insurance	Medium
Real Estate	High
Casinos	High
Lawyers	High
Accountants, Auditors, Tax Advisors	Medium-Low
Dealers in Precious Metals & Stones (DPMS)	High
Money Value Transfer Services (MVTs)	High
Forex Bureaus	Medium

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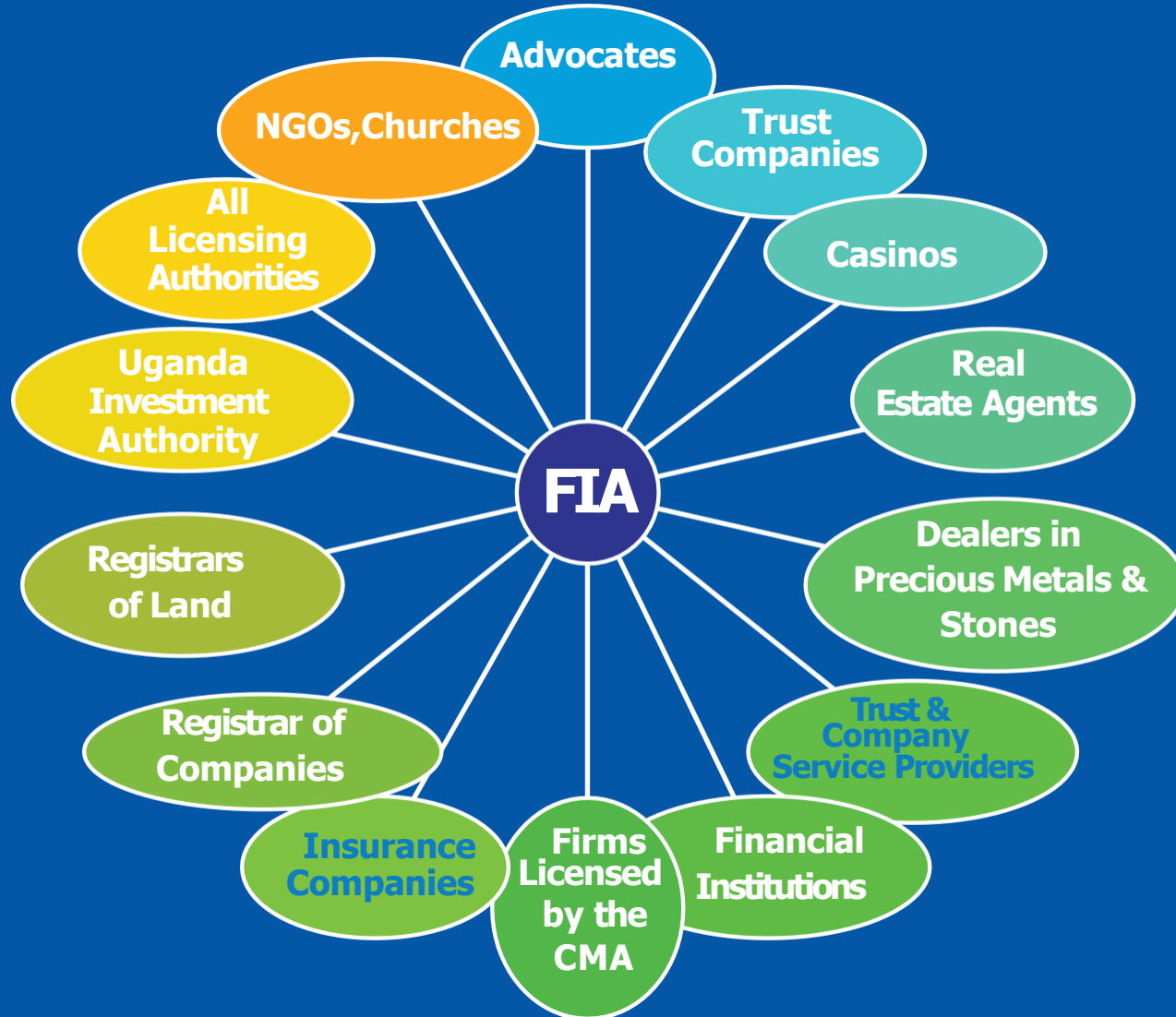
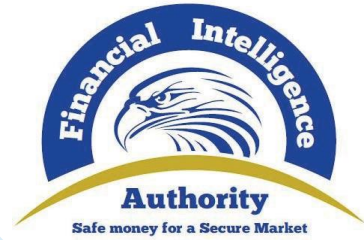
National Risk Assessment



Findings

Sectors	Risk Score
Virtual Asset Service Providers (VASPs)	High
Savings and Credit Cooperatives (SACCOs)	Medium-High
Tier IV Institutions (Credit Only MFIs and Private Money Lenders)	Medium
Microfinance Deposit - Taking Institutions (MDIs)	Medium
Money Remitters /Money Service Businesses (MSBs)	Medium

Accountable Persons



Legal obligations of Banks

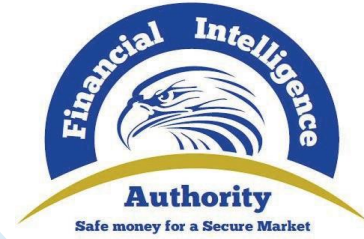


1. Registration with the **FIA - S.21(pb) of AMLA (as amended)**
2. Undertaking proper customer due diligence – **S.6 (3) & (4) of AMLA (as amended)**
3. Verification of the identity of beneficial owners – **S.6 (5) & (6) of AMLA (as amended)**
4. Developing robust AML/CFT programs – **S.6 (17) of AMLA (as amended)**
5. Maintenance of records (10 years)- **S.7 (3) of AMLA (as amended)**
6. Filing stipulated reports with the FIA (STRs and LCTRs) – **S.9 & S.8 of AMLA**



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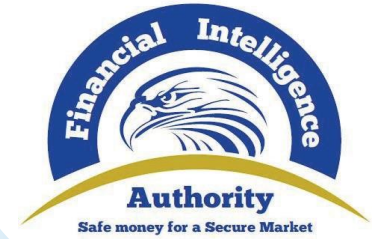
Legal obligations of Banks



7. Appointment of money laundering control officer
8. Training of staff;
9. Putting in place appropriate internal policies, procedures and controls;
10. Requiring high standards of screening employees during recruitment/hiring;
11. Ensuring that the audit function of the bank is robust enough to test the program regularly.



Inspection Findings; Common Areas of AML Concern



- Ineffective Board Oversight
- Inconsistent Compliance reporting to the Board
- Lack of an effective AML/CFT Program
- Lack of integrated systems(screen customers and monitor transactions)
- Ineffective Policies and Procedures

Sanctions Regime



Administrative Sanctions

Section 21(pa) of the AMLA 2013 (as amended) and regulation 53(3) of the AMLA regulations, give powers to FIA to impose administrative sanctions for non-compliance with directives, guidelines or requests issued by FIA. These include recommendations for dismissal of the entire Board, management team and issuance of warning letters among others.

Regulation 53 of the AML Amendment Regulations gives powers to supervisory Authorities to impose sanctions for non compliance.



Pecuniary Sanctions/Fines



Breach	Regulation	Maximum currency point	Amount (Ugx)
Failure to provide continuous training of employees, managers and director (natural person)	R.11(6)(b)	500	10,000,000
Failure to carryout due diligence (corporate person)	R.17A(a)	25,000	500,000,000
Failure to carryout due diligence (natural person)	R.17A(b)	5,000	100,000,000
Penalty for contravention of regulations 18, 19, 20, 21,22, 23, 24, 25, 26 and 27 (Corporate person)	R.27A(a)	25,000	500,000,000
Penalty for contravention of regulations 18, 19, 20, 21,22, 23, 24, 25, 26 and 27 (natural person)	R.27A(b)	5,000	100,000,000
Failure to keep records (corporate person)	R.28(7)(a)	3,750	75,000,000
Failure to keep records (natural person)	R.28(7)(b)	3,750	75,000,000
Failure to implement appropriate risk management systems to determine whether a person or customer is a PEP (corporate person)	R.29(5)(a)	12,500	250,000,000
Failure to implement appropriate risk management systems to determine whether a person or customer is a PEP (natural person)	R.29(5)(b)	5,000	100,000,000
Failure to ensure that its foreign branch or subsidiary apply due diligence measures and other measures relating AML/CFT (corporate person)	R.30(5)(a)	12,500	250,000,000

Continued....

Pecuniary Sanctions/Fines



	Regulation	Maximum Currency Point	Amount (Ugx)
Failure to ensure that its foreign branch or subsidiary apply due diligence measures and other measures relating AML/CFT (natural person)	R.30(5)(b)	5,000	100,000,000
Failure to undertake the measures before establishing correspondent financial business relationship (corporate person)	R.31(4)(a)	12,500	250,000,000
Failure to undertake the measures before establishing correspondent financial business relationship (natural person)	R.31(4)(b)	5,000	100,000,000
Failure to develop and update on a regular basis a written risk-based customer acceptance policy for ongoing business relationships or single transactions (corporate person)	R.32(4)(a)	6,250	125,000,000
Failure to develop and update on a regular basis a written risk-based customer acceptance policy for ongoing business relationships or single transactions (natural person)	R.32(4)(b)	1,250	25,000,000
Penalty for breach of regulations 33, 34, 35, 36 and 37 (corporate person)	R.37A(2)(a)	12,500	250,000,000
Penalty for breach of regulations 33, 34, 35, 36 and 37 (natural person)	R.37A(2)(b)	250	5,000,000
Failure to establish the legitimacy of the source of funds and transactions involving a person or customer (corporate person)	R.38(4)(a)	6,250	125,000,000

Continued....

Pecuniary Sanctions/Fines



Breach	Regulation	Maximum currency point	Amount (Ugx)
Failure to establish the legitimacy of the source of funds and transactions involving a person or customer (natural person)	R.38(4)(b)	250	5,000,000
Failure to report suspicious activities and certain cash transactions (corporate person)	R.39(5)(a)	37,500	750,000,000
Failure to report suspicious activities and certain cash transactions (natural person)	R.39(5)(b)	12,500	250,000,000
Failure by the supervisory authority to report suspicious activities	R.40(3)	25,000	500,000,000
Failure to maintain records for a minimum of 10 years (corporate person)	R.42(9)(a)	2,500	50,000,000
Failure to maintain records for a minimum of 10 years (natural person)	R.42(9)(b)	5,000	100,000,000
Failure to carry out periodic independent audits to assess its compliance with the requirements of the Act and Regulations (corporate person)	R.43(3)(a)	6,250	125,000,000
Failure to carry out periodic independent audits to assess its compliance with the requirements of the Act and Regulations (natural person)	R.43(3)(b)	1,250	25,000,000
Failure to apply measures in respect of a person or customer from, or transactions involving, high risk countries (corporate person)	R.44(4)(a)	5,000	100,000,000
Failure to apply measures in respect of a person or customer from, or transactions involving, high risk countries (natural person)	R.44(4)(b)	500	10,000,000

Offences and Penalties



For breach of S.3 & S.116(1)

(a) Natural Persons

- Fine \leq 100,000 curr. Pts (UGX 2,000,000,000)
- Imprisonment \leq 15 years; Or both.

(b) Legal Persons ; Fine \leq 200,000 curr. Pts (UGX 4,000,000,000)

Other offences.

a) Natural Persons

- Fine \leq 33,000 Curr. Pts (660,000,000/=)
- Imprisonment \leq 5 yrs ;Or both

b) Legal Persons ; Fine \leq 70,000 Curr. Pts (1,400,000,000/= ; If it's continuing offence, Fine \leq 5,000 Curr. Pts per day the offence continues (100,000,000/=)



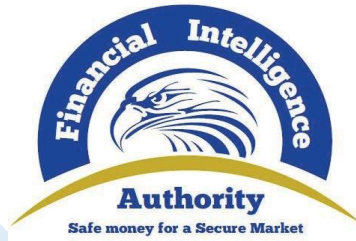
Role and Responsibility of the Board



1. Protect the Financial Institution from being used for ML purposes.
2. Be aware of the Financial Institution's AML/CFT programs and activities.
3. Support senior management in implementing AML/CFT efforts.
4. Don't ignore or downplay indications that Financial Institution clients may be involved in illegal or illicit activities.
5. Conduct an annual review and approval of all AML/CFT and related policies, along with the appointment of MLCO Officer.
6. The Board should be vigorous, independent watchdog to ensure that management implements AML/CFT measures.



Role of Management



1. Implement AML and KYC procedures approved by the board and ensure regulatory compliance on a day-to-day and long term basis
2. Ensure employees, New staff are properly trained, have access to AML and KYC policy and are equipped with appropriate tools to handle ML, and Suspicious Transactions.
3. Establish adequate internal control systems to prevent and detect suspicious transactions and money laundering activities.
4. Ensure there is timely escalation and reporting mechanism of all suspicious transactions to the FIA or IRA as per the AML/CFT Policy.
5. Establishing a culture of AML/CFT compliance with in the Organization and by ensuring that ML/TF risk is understood throughout the organisation





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Thank You!