

ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT)

**Training for Payment Service Providers &
Payment System Operators**



Content of the Presentation

Topic 1 (9: 45 -10 :35 am)

- 1) Money Laundering (ML) & Terrorism Financing (TF)
- 2) Why Combat ML & TF
- 3) Reactions

Topic 2 (11 00 am - 1 00 pm)

- 1) AML/CFT legal Framework
- 2) The Financial Intelligence Authority
- 3) Why payment service providers & payment system operators
- 4) Obligations under the AMLA (Reliance on 3rd parties- Slide 29)
- 5) Reactions

Content of the Presentation

Topic 3 (2 00 – 3 : 45 pm)

- 1) Continuation of Obligations under the AMLA (Money or transfer value services- Slide 30)
- 2) Offences
- 3) Penalties
- 4) Conclusion
- 5) Reactions

Definition of Money Laundering

“The process whereby proceeds of crime (often “Dirty” money) are put through a series of transactions in order to conceal the criminal origins and give them legitimate appearance as “Clean” money”.

FATF definition:

Money laundering is the processing of criminal proceeds to disguise their illegal origin.

1. Money Laundering (ML) & Terrorism Financing (TF)

Money Laundering is the process by which criminals turn illegitimately obtained property into seemingly legitimate property and it includes concealing or disguising the nature, source, location, disposition or movement of the proceeds of crime.

It is the process used by criminals through which they make “dirty” money appear “clean” or the profits of criminal activities are made to appear legitimate. Money laundering is a secondary offence resulting from the involvement of handling the proceeds of crime.

Criminal activities that lead to money laundering (i.e. predicate crimes) can include illegal arms sales, human trafficking & smuggling, Corruption & embezzlement ,insider trading, bribery, computer fraud schemes, Tax Evasion, Illegal sale of wild life products etc.

Money Laundering (ML) Cont'd

ML typically goes through 3 stages as explained below;

Stage One: Placement - During this phase, the money launderer introduces the illicit proceeds into the financial system. The illicit proceeds are brought into circulation through Financial institutions, Insurance companies, casinos, Real Estate and other legitimate businesses.

Examples of placement transactions include the following;

- Foreign exchange: Purchasing of foreign exchange with illegal funds
- Currency smuggling: Cross-border physical movement of cash or monetary instruments.
- Loans: Repayment of legitimate loans using laundered cash

Uganda Police Seizure 2021



AIGPAsan Kasingye Tweet



AIGP Asan Kasingye

@AKasingye

This evening, a team of
@PoliceUg Flying Squad
arrested a suspect from
Ibanda, that stole cash
\$90,000 from one of the
Directors of Movit co.
27,700\$ and 97,840,000/=
Ug shillings was recovered
from a hotel room he had
hired in Mbarara City.



Movit Director Theft Tweet



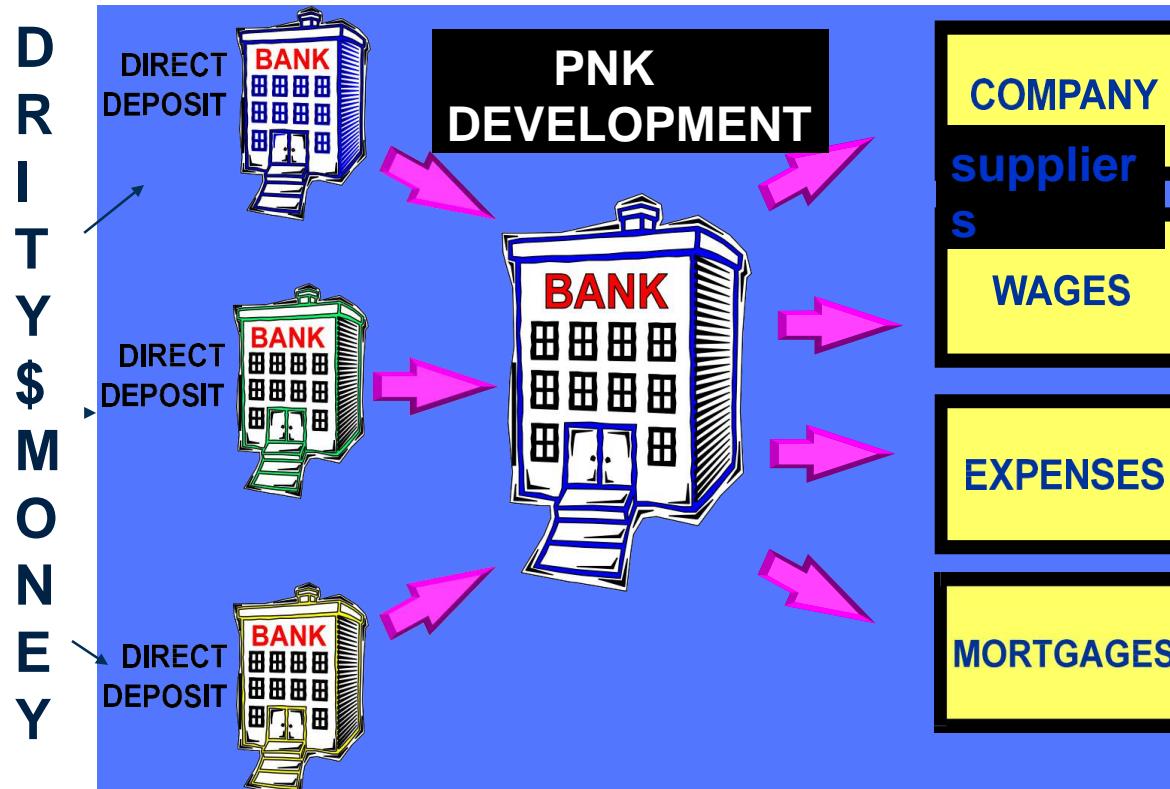
Money Laundering (ML) Cont'd

Stage Two: Layering - This stage involves converting the proceeds of the crime into another form and creating complex layers of financial transactions to obscure the source and ownership of funds.

Examples of layering transactions include;

- electronically moving funds from one country to another
- moving funds from one financial institution to another or within accounts at the same institution
- placing money in stocks, bonds or life insurance products;

Layering



Money Laundering (ML) Cont'd

Stage Three: Integration - This stage entails using laundered proceeds in seemingly normal transactions to create the perception of legitimacy. Integration is generally difficult to spot unless there are great disparities between a person's or company's legitimate employment, business or investment ventures and a person's wealth or a company's income or assets.

Examples of integration transactions include;

- purchasing luxury assets, such as property, artwork, jewelry or high-end automobiles
- getting into financial arrangements or other ventures where investments can be made in business enterprises.

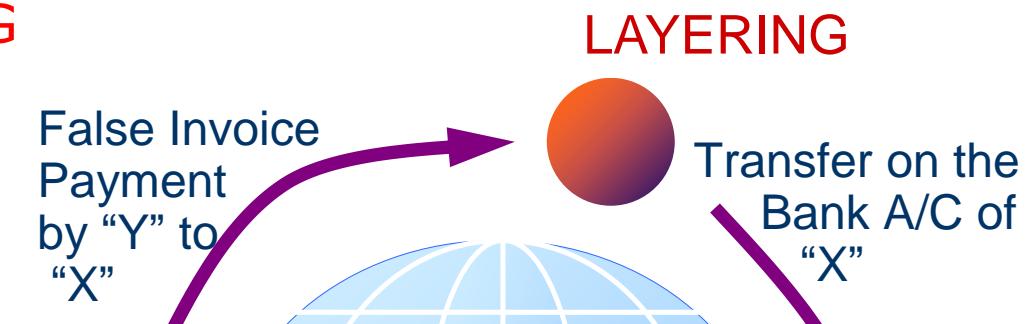


Collection of "Dirty" Money

A TYPICAL MONEY LAUNDERING SCHEME



Purchase of Property & Luxury Assets with "Clean" Money



False Invoice Payment by "Y" to "X"

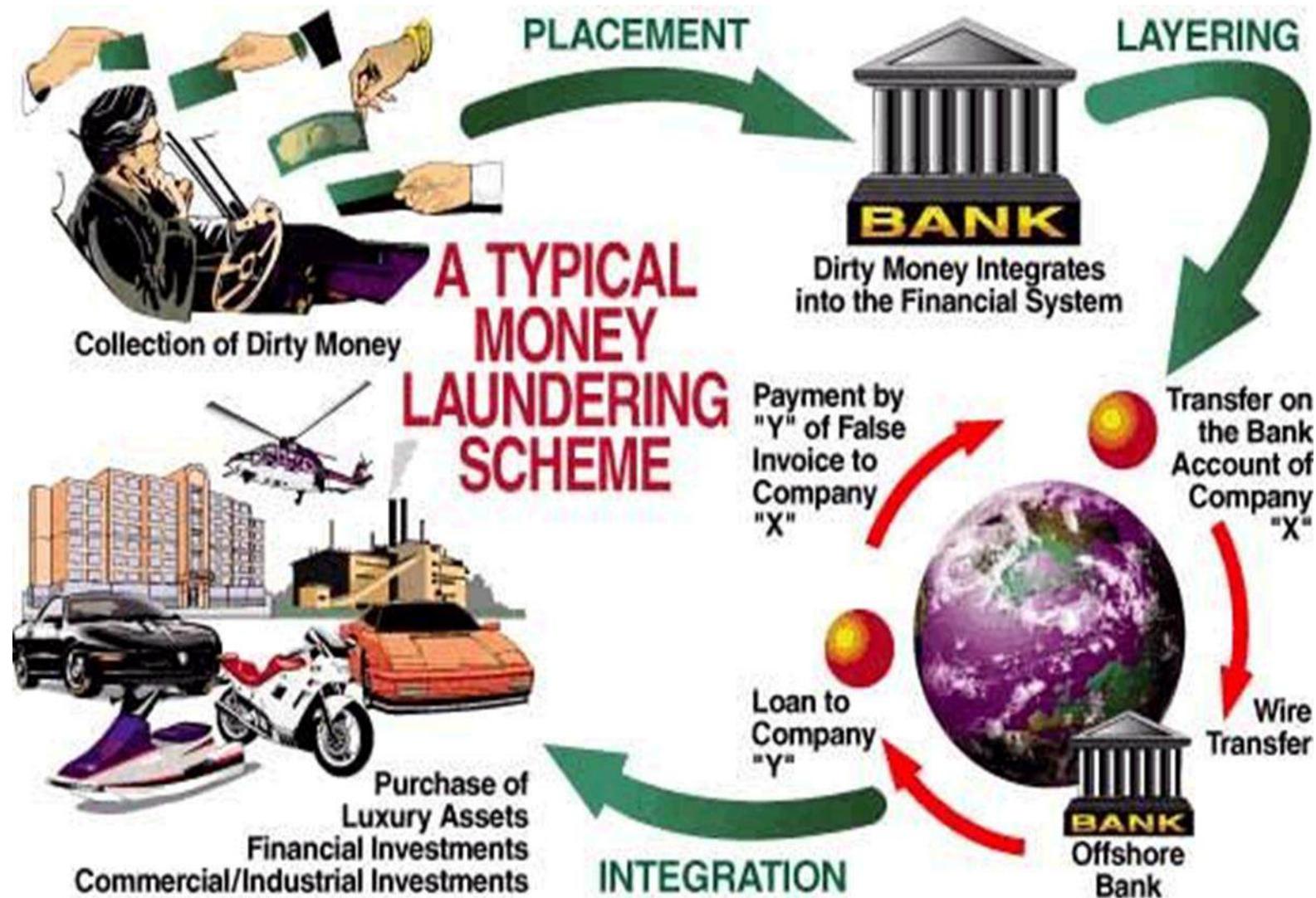
Loan to "Y"

INTEGRATION

Offshore Bank



Typical Money Laundering Scheme



Anti Money Laundering (AML)

Anti-Money Laundering refers to a set of laws, regulations, and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income. Though Anti-Money-Laundering (AML) laws cover a relatively limited range of transactions and criminal behaviors, their implications are far-reaching.

Terrorism Financing

Terrorism financing is the act of providing support to terrorists or terrorist organizations to enable them to carry out terrorist acts. It involves mobilizing funds, movement of funds, trainings and committing terror attacks.

The difference between terrorism financing and money laundering involves the origin of the funds i.e. the money for terrorism financing is not necessarily derived from illicit proceeds. The funds may come from legal sources, such as legitimate, or from illegal sources .

Terrorists use techniques like those of money launderers to evade authorities' attention and to protect the identity of their sponsors and of the ultimate beneficiaries of the funds.



Raising Funds in the Stock Market

Legitimate Funds Enter Banking System on an “NGO” Account



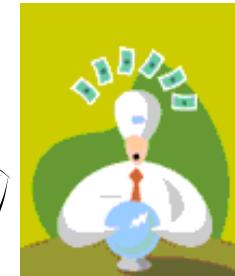
B A N K

Funds Drawn are Disguised as for NGO Activity



Terrorist Attack on Nairobi – 1998

Financing Terrorism Activity



Planning use of Legitimate Funds for Terrorism Activity

2001

A TYPICAL TERRORISM FINANCING SCHEME



FUNCTIONS OF TF

OPERATIONAL

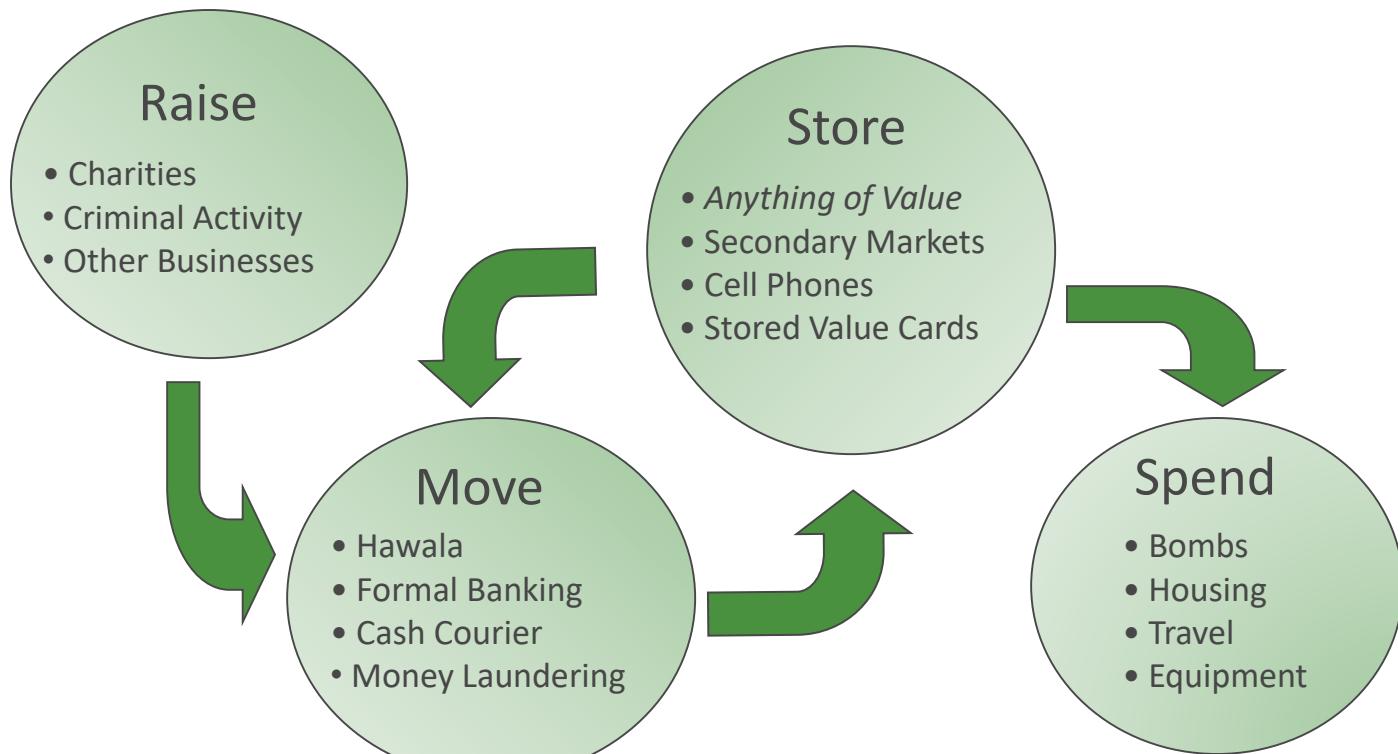
- To buy equipment
- To execute attacks
(costs for explosives, arms, and vehicles)

LOGISTICAL

- Recruitment
- Personal upkeep, salaries, travel, and accommodation

SOCIAL

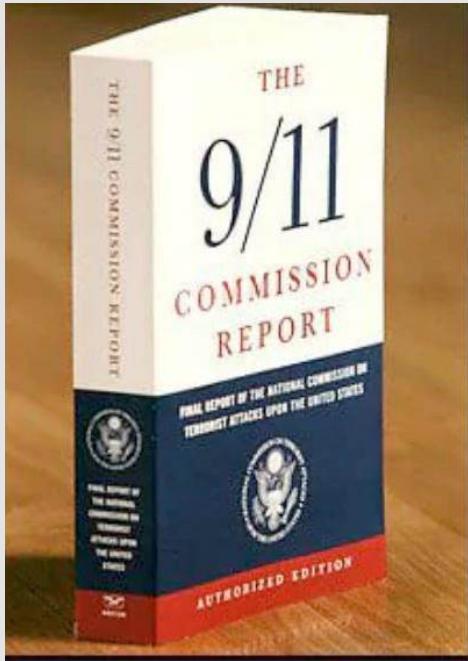
- To provide social services, particularly to deprived communities
- To build support for terrorist groups



Examples not exhaustive

UNCLASSIFIED//FOUO

THE \$500,000 PRICE TAG FOR 9/11



The operation was so efficient that the hijackers returned \$26,000 to al Qaeda in the days prior to the attacks.



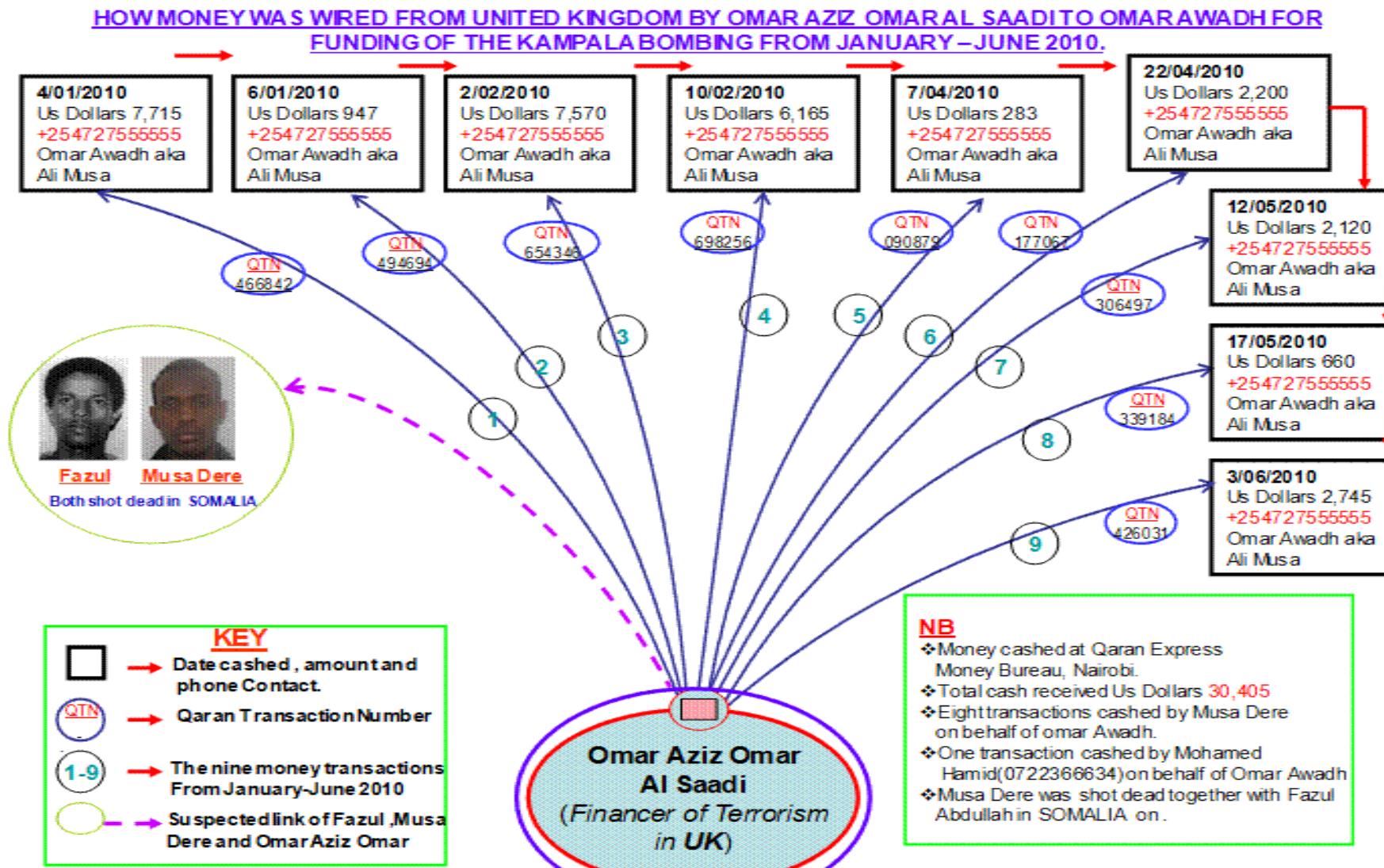
U.S. officials believe groups like al Qaeda and ISIS don't spend lavishly on attacks.

The twin truck bombings of U.S. embassies in Kenya and Tanzania, which killed more than 200 people in 1998:

\$10,000



Funding of Kampala 2010 Terrorist bombing



Why people engage in Financing of Terrorism

- Political - unpopular, repressive or corrupt government.
- Social - absence of middle class or large-scale discrimination.
- Ethnic discrimination or dominance by one tribe or clan and suppression of other tribes.
- Economic exploitation - extreme poverty, high unemployment.
- Perceived inequalities in the distribution of wealth and political power have led some terrorists to attempt to overthrow democratically elected governments.
- Ideological - violent opposing political philosophies.
- Geopolitical - large foreign population and/or border disputes.
- Religious persecution - religious strife, or religious violence.
- Foreign Influences - foreign support of dissident activities.

PROLIFERATION FINANCING (PF)

The ²⁴ financing of the proliferation of weapons of mass destruction (WMD) is a big concern to global security.

Proliferation is the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations. It includes technology, goods, software, services or expertise.

PF is the use of funds or financial services for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and means of delivery and related materials (technologies and dual-use goods used for non- legitimate purposes) in contravention of national laws or international obligations.

Counteracting the Financing of Terrorism (CFT)

- CFT involves investigating, analyzing, deterring and preventing sources of funding for activities intended to achieve Terrorist goals and the threat of violence against civilians.
- By tracking down the source of the funds that support terrorist activities, LEA may be able to prevent some of those activities from occurring.
- CFT addresses the problem from the money side by detecting suspicious financial transactions and tracking down all the individuals and organizations involved in those transactions.
- Individuals and organizations who finance terrorism need to conceal how the money will be used and where it originated.

2. Why Combat ML And TF?

1. ML & TF can **damage a country's reputation** in international financial markets causing severe macroeconomic consequences on the country.
2. **National Security Threat** that affects the long-term security and stability of the country
3. Organized criminals will **undermine the democratic system**, can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or other bribes to public officials and indeed governments.
4. Dampening effect on foreign investments; ML & TF can have a dampening effect on foreign direct investment. Investors may not wish to invest in a country whose commercial and financial sectors are perceived to be compromised and subject to the influence of organised crime.

Why Combat ML And TF? Cont'd

5. Social costs: Significant social costs and risks are associated with money laundering. Money laundering is integral to maintaining the profitability of crime. It also enables drug traffickers, smugglers and other criminals to expand their operations. This drives up the cost of government expenses and budgets due to the need for increased law enforcement and other expenditures (e.g., increased healthcare costs for treating drug addicts) to combat the serious consequences that result.

6. Distorts economy by reducing tax revenue, causing unfair competition with legitimate business, damaging financial system etc .

7. Loss of life and destruction of property

Successful Financing of Terrorism encourage acts of terrorism and war to prevail in society leading to significant loss of life and destruction of property.

Why Combat ML And TF? Cont'd

8. **Risk of international sanctions:** In order to protect the financial system from money laundering and terrorist financing, the US, the UN, the EU and other governing bodies may impose sanctions against the country, entities or individuals, terrorists and terrorist groups, drug traffickers and other security threats.

FATF also maintains a list of jurisdictions identified as high-risk and non-cooperative. These are countries whose AML/CFT regimes have strategic deficiencies and are not at international standards. As a result, FATF calls on its members to implement counter-measures against the jurisdiction, such as financial institutions applying enhanced due diligence to business relationships and transactions with natural and legal persons from the identified jurisdiction in an attempt to persuade the jurisdiction to improve its Anti-Money Laundering /Countering Financing of Terrorism regime.

3. AML/CFT legal Framework

ML/TF is a transnational crime and requires international cooperation to ensure that the global financial system is protected from organized criminals.

Financial Action Task Force (FATF) was formed in 1989 to lead international effort to combat ML/TF. It is an inter-governmental policy-making body that sets international standards on AML/CFT and fosters action against ML/TF.

FATF Recommendations (They are 40 in number and are recognized as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

The Recommendations set minimum standards of action for countries to implement according to their particular circumstances and constitutional frameworks.

AML/CFT legal Framework cont'd

Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is an intergovernmental body whose mandate is to promote the effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other threats to the integrity of the international financial system. Uganda is a member.

2. Anti-Money Laundering Act, 2013 (as amended) It was enacted to
 - provide for the prohibition and prevention of money laundering;
 - Provide for the establishment of a Financial Intelligence Authority and a Financial Intelligence Authority Board in order to combat money laundering activities;
 - to impose certain duties on institutions and other persons, businesses and professions who might be used for money laundering purposes;

AML/CFT legal Framework Cont'd

- to make orders in relation to proceeds of crime and properties of offenders; to provide for international cooperation in investigations, prosecution and other legal processes of prohibiting and preventing money laundering; to designate money laundering as an extraditable offence; and to provide for other related matters.

The AMLA has regulations i.e. the Anti-Money Laundering Regulations, 2015 and the Anti-Money Laundering (Exchange of Information) Regulations, 2018

3. Anti-Terrorism Act, 2002 (as amended).It was enacted to

- suppress acts of terrorism,
- provide for the punishment of persons who plan, instigate,

AML/CFT legal Framework Cont'd

- support finance or execute acts of terrorism
- prescribe terrorist organizations and to provide for the punishment of persons who are members of, or who profess in public to be members of, or who convene or attend meetings of, or who support or finance or facilitate the activities of terrorist organizations.
- provide for investigation of acts of terrorism and obtaining information in respect of such acts including the authorizing of the interception of the correspondence of and the surveillance of persons suspected to be involved in acts of terrorism; and to provide for other connected matters.

The Anti-Terrorism Act (as amended) has regulations i.e. the Anti-Terrorism Regulations, 2016

4. The Financial Intelligence Authority (S.18)

The Financial Intelligence Authority (FIA) is a semi autonomous government agency established under section 18 of the Anti-Money Laundering Act (AMLA), 2013 to combat Money laundering and Terrorist Financing in Uganda.

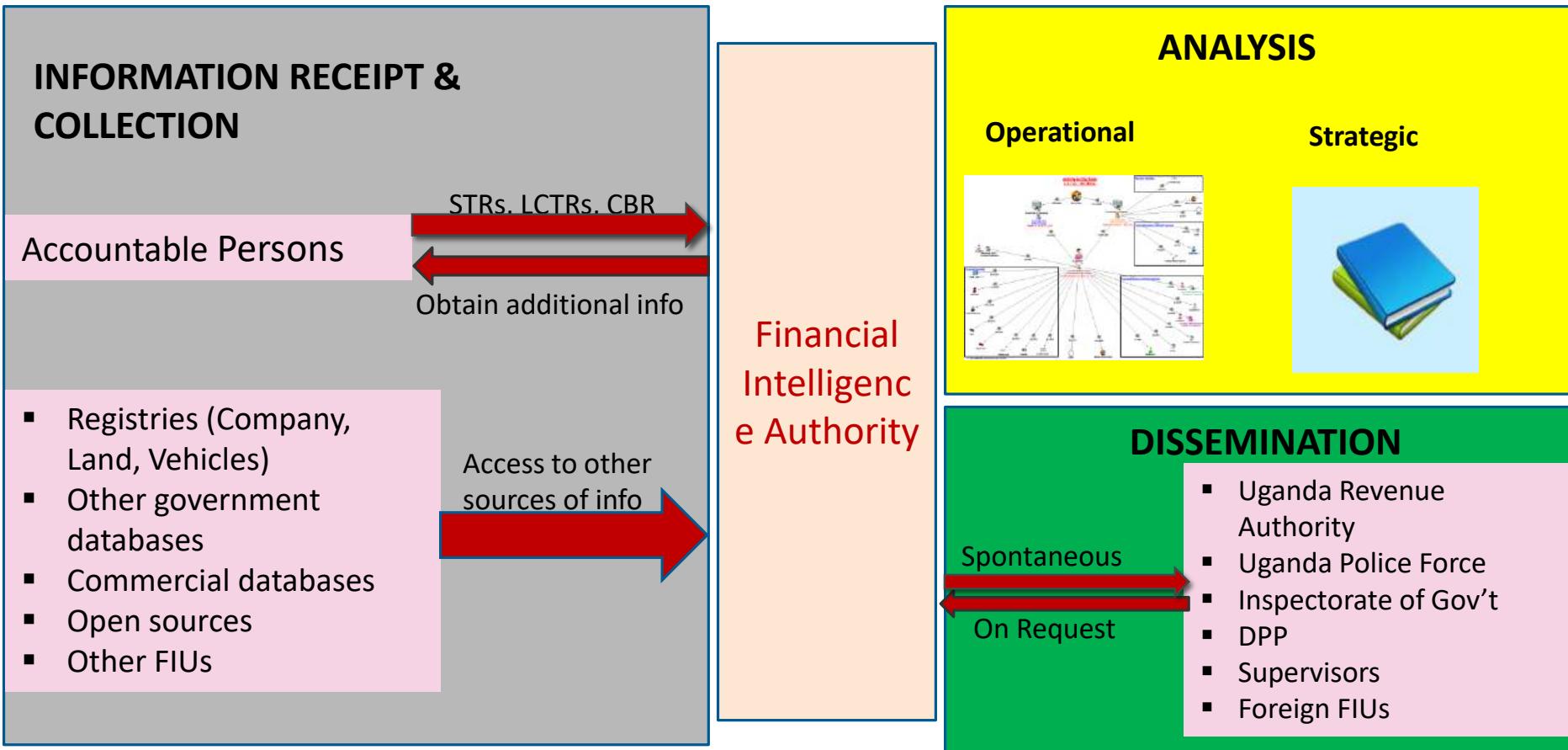
It is the central national agency, for receipt and analysis of financial disclosures from Accountable persons and dissemination of such intelligence to competent authorities and LEA's

Objectives of the FIA

The objectives of the FIA as per Sec. 19 of the AMLA are listed hereunder;

- To enhance the identification of proceeds of crime and the combating of money laundering.
- To ensure compliance with the Anti-Money Laundering Act, 2013 (as amended).
- To ensure public awareness and understanding of matters related to money laundering.
- To make information collected by the FIA available to competent authorities and to facilitate the administration and enforcement of laws in Uganda.
- To exchange information with similar bodies regarding money laundering and similar offences.

Role of Financial Intelligence Authority



5. Why Payment service providers & System Operators

- Number 14 (d) of the second schedule to the Anti-Money Laundering Act (AMLA), 2013 lists any other person who conducts the business of ; the transfer of money or value issuing and managing means of payments e.g. credit and debit cards, cheques, travellers' checks, money orders, bankers' drafts, electronic money is an accountable person.
- The nature of business of Payment Service Providers & Payment System Operators fall under the one or both categories and therefore have obligations to meet. The nature of the business makes the Service providers and system operators vulnerable to ML & TF.
- PSP & O provide lower cost option for persons that need to send money quickly to another person as funds can be picked up by a recipient in a relatively short timeframe, as opposed to waiting for domestic or international wire transfers that may take several days to process in some cases. The financial service provided is often cheaper than more conventional banking services.

6. Obligations under AMLA

1. R.4 - Registration with FIA using Form 1 (Schedule).

- Attach a certificate of incorporation & copy of the license issued by Bank of Uganda.

Once you register, the FIA is able to support you through training, issuing guidance and any other information which may be relevant to your nature of business.

2. R.6 – Appointment of a money Laundering Control Officer (MLCO) using Form 3 (Schedule)

- Attach a copy of the National id in case of a Uganda or passport in case of a foreigner.
- The MLCO should occupy a senior managerial position and possess sufficient professional experience and competence in the business of the accountable person.

Obligations under AMLA cont'd

- An internal auditor or CEO or someone of similar rank cannot be appointed as MLCO except where the accountable person is a sole proprietorship or a single member company.
- Notify the FIA within **15 days** when a person ceases to be the MLCO using Form 3.

3. R. 7 – Role of the MLCO

- Acts as the liaison person between the accountable person and the Authority in matters relating to coordination and compliance to anti-money laundering and combating terrorism financing.
- Develops and implements systems, mechanisms and procedures to ensure that the staff of the entity immediately report any suspicious money laundering or financing of terrorism activity

Obligations under AMLA cont'd

- Notifies the Authority, on behalf of the entity, of any suspicious money laundering or financing of terrorism activity.
- Is responsible for ensuring compliance with AML/CFT policies and standards and ensures that Senior management and staff are trained on AML/CFT matters.
- Maintaining of a log of any suspicious transactions, including details where it was decided not to make a report to FIA
- Ensuring that the company has AML/CFT Policy and is regularly updated.
- Ensuring staff are trained on AML /CFT issues

Note: The MLCO is the person responsible for overseeing a firm's anti-money laundering activities and program and is key in the implementation of AML/CFT strategies and policies.

Obligations under AMLA cont'd

R.11 - Internal control measures.

The entity is required to develop, adopt and implement internal control measures, policies and procedures for the prevention of money laundering and financing of terrorism. These include;

- monitoring systems for complex, unusual or large transactions or suspicious activities;
- enhanced due diligence procedures with respect to persons and business relations and transactions carrying high risk;
- monitoring systems for persons in jurisdictions that do not have adequate systems to combat money laundering or terrorism financing;

Obligations under AMLA cont'd

- maintenance of a manual to facilitate compliance with procedures, processes and working methods relating to antimony laundering under the Act or these Regulations;
- systems relating to carrying out of independent audits to review and verify compliance with and effectiveness of the measures taken in accordance with the Act and the Regulations
- training programmes for the purposes of continuous training of employees, managers and directors of the entity.

Obligations under AMLA cont'd

4. Customer Due Diligence of all clients - S.6 AMLA (as amended)

R. 13 Objectives of Due diligence

- to verify the identity of a customer or person using reliable, independently sourced documents.
- to identify and verify the identity of beneficial owners
- to ascertain, in the case of legal person, the ownership and control structure of a customer or person.
- to obtain information relating to the purpose and nature of the business relationship
- to ensure that any transaction being conducted is consistent with the accountable person's knowledge of the customer

Obligations under AMLA cont'd

Customer Due Diligence- cont'd

R. 15 - emphasizes the use of simplified Due Diligence (SDD) for low risk customers and EDD for the high risk customers.

Note that simplified CDD never means a complete exemption or absence of CDD measures. Also SDD measures are not acceptable whenever there is a suspicion of ML or TF, or where specific higher-risk scenarios apply.

R.19 to 26 – provides guidance on the manner of establishing identity of different kinds of persons and customers (Natural persons who are citizens or residents (19),foreign nationals (20), local entities and other bodies (21), Foreign entities or bodies (22),partnerships (23), Trustees (24), Beneficiaries in a legal person or legal arrangement (25) and Beneficiaries in life insurance related business (26).

Obligations under AMLA cont'd

R. 27 - Establishing authority of person acting for another

- the person acting for another is required to provide proof of that person's authority to act in that capacity on behalf of the person, partnership, trust or legal arrangement. Documentation like powers of Attorney can be furnished at the counter and verification of such information is very important

R. 16(6) - Where an accountable person relies on a third party to perform some due diligence measures, the responsibility for customer due diligence measures remains with the accountable person that is relying on the third party. It should therefore be noted that reliance on 3rd parties should be to the extent that you are satisfied that they have conducted CDD to the standards acceptable to you.

Obligations under AMLA cont'd

R.33 - Money or transfer value services

An accountable person who offers money or value transfer services as a product, through an agent, shall ensure that the agent -

- is licensed or registered
- has in place anti-money laundering and combating of terrorism financing policies and systems
- has implemented effective systems to monitor and ensure compliance with anti-money laundering and combatting terrorism financing policies and that such systems are regularly updated.

The accountable person shall maintain an up to date record of its agents and the record shall be accessible by any competent authority.

Obligations under AMLA cont'd

R. 29 - Politically exposed persons

- Enhanced Due Diligence should be applied in respect of a business relationship or transaction with Politically Exposed Persons (PEPs)

A PEP is an individual who is or has been entrusted with a prominent public function in Uganda or another country, and includes a head of state or head of government, senior politician, senior government official, judicial or military official, senior executive of a state owned corporation, and important party officials; and

a person who is or has been entrusted with a prominent function by an international organization, and includes a member of senior management, director, deputy director or member of a board and includes a related person of the individual.

Obligations under AMLA cont'd

The following measures should be taken where a person or customer is a politically exposed person—

- (a) obtain written approval from senior management to transact or establish a business relationship with that person;
- (b) take adequate measures to establish the source of wealth and the source of funds involved in the proposed business relationship or transaction;
- (c) obtain information on the immediate family members or close associates of the person who may have transaction authority over the account;
- (d) determine the purpose of the transaction or account and the expected volume and nature of account activity;

Obligations under AMLA cont'd

- (e) review public sources of information on the politically exposed person;
- (f) conduct enhanced ongoing monitoring of the business relationship, once the account has been established.

Obligations under AMLA cont'd

Risk assessment - S.6A of the AMLA (as amended)

R.8 requires accountable persons to conduct regular ML/TF risk assessments in order to; Identify, Assess, Monitor, Manage and Mitigate risks associated with money laundering and terrorism financing, taking into account all relevant risk factors. Report to be furnished to FIA with 48 hours after conducting assessment.

The risk assessment is intended to identify products, services, geographic locations and points of customer interaction that are most susceptible to ML/TF activities.

R.9 - Risk assessment measures in respect of new technologies and products. Must conduct anti-money laundering and terrorism financing risk assessment prior to the introduction of -

Obligations under AMLA cont'd

- a new product;
- a new business practice including a new delivery mechanism in relation to a product or service;
- a new technology for both new and pre-existing products or services

Most common areas to consider when conducting a ML/TF risk assessment include;

- Country/geographic risk
- Customer risk
- Product/service risk
- Agent risk

Obligations under AMLA cont'd

Customer risk – Need to determine whether a particular customer poses higher risk. Categories of customers whose business or activities may indicate a higher risk include;

- Politically Exposed Person or his/her family members or close associates and where beneficial owner of a customer is a politically exposed person.
- Non face-to-face customer, where doubts exist about the identity of such customer.
- Customer who uses agents or associates where the nature of the relationship or transaction(s) makes it difficult to identify the beneficial owner of the funds.
- Customer knows little or is reluctant to disclose details about the payee (address/contact info, etc.)
- Customer gives inconsistent information (e.g. provides different names).

Obligations under AMLA cont'd

- Suspicion that the customer is acting on behalf of a third party but not disclosing that information or is being controlled by someone else (his/her handler). For example, the customer picks up a money transfer and immediately hands it to someone else or someone else speaks for the customer, but puts the transaction in his/her name.
- Customer who has been the subject of law enforcement sanctions (in relation to proceeds generating crimes)
- Customer who offers false/fraudulent identification, whether evident from the document alone, from the document's lack of connection to the customer, or from the document's context with other documents (e.g. use of identification cards or documents in different names without reasonable explanation).

Obligations under AMLA cont'd

Product/service risk – You need to be mindful of the risks associated with new or innovative products or services not specifically offered by the service provider, but that make use of the provider's systems to deliver the product or service. Determining the risks of products and services could include a consideration of their attributes and could include factors such as:

- Products or services that may inherently favour anonymity or products that can readily cross international borders, such as cash, online money transfers, stored value cards, money orders and international money transfers by mobile phone.
- Products or services that have a very high or no transaction limit.
- The global reach of the product or service offered.
- Products or services that permit the exchange of cash for a negotiable instrument, such as a stored value card or a money order.

Obligations under AMLA cont'd

Agent risk- This agent risk analysis should include such factors as the following:

- Agents representing more than one MVTS provider.
- Agents located in a higher-risk jurisdiction/country or serving high-risk customers or transactions.
- Agents determined to have “politically exposed person” status.
- Agents conducting an unusually high number of transactions with another agent location, particularly with an agent in a high risk geographic area or corridor.
- The transaction volume of the agent is inconsistent with either overall or relative to typical past transaction volume.
- Transaction pattern indicating value of transactions just beneath any applicable CDD threshold.

Obligations under AMLA cont'd

Potential risk factors with prepaid cards

- Anonymous cardholders
- Anonymous funding
- Anonymous access to funds
- High value limits and no limits on the number of cards individuals can acquire
- Global access to cash through ATMs
- Offshore card issuers that may not observe laws in all jurisdictions
- Substitute for bulk-cash smuggling

Obligations under AMLA cont'd

S.8 of the AMLA - Recording and reporting large cash transactions (UGX 20,000,000) to FIA.

- Recording and Reporting cash and monetary transactions exceeding 1,000 currency points (20,000,000/=) in form A to the FIA.
- Multiple cash and monetary transactions which all together exceed the prescribed amount and are undertaken by or any one person in one day shall be treated as a single transaction.
- Large cash transactions report should be filed on a weekly basis. Transactions of the previous week to be filed by Tuesday of the following week

Obligations under AMLA cont'd

S.9 of the AMLA (as amended) - Reporting of suspicious transactions

- Accountable persons have a responsibility to monitor customer activity for any suspicious financial activities.
- Must monitor and report suspicious transactions in Form B as soon as after forming the suspicion but not later than two working days. This should be submitted to the FIA with documentation forming the basis of the suspicion.
- A suspicious transaction is a transaction which is inconsistent with the customers' known legitimate business or personal activities or with the normal business for that type business relationship, or a complex and unusual transaction or a complex and unusual pattern of transactions

Obligations under AMLA cont'd

A Suspicious Transaction is a transaction whether or not made in cash which, to you acting in good faith;

- Appears to be made in circumstances of unusual or unjustified complexity; or
- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to have no economic rationale or bona fide purpose; or
- Gives rise to a reasonable ground to suspect that it may involve terrorism financing.

Obligations under AMLA cont'd

Below are some of the indicators of a suspicious transaction in your day to day dealings:-

Suspicious Background;

- Positive match of name and date of birth with person on various watch/wanted lists
- Account of publicly known criminals

Value of Transactions;

- Multiple transactions of value just under the reporting threshold
- Unexplained large value transaction inconsistent with client's apparent financial standing

Obligations under AMLA cont'd

Nature of Transactions

- Doubtful source of funds
- Doubtful overseas fund transfer
- Doubtful foreign remittance to non relatives
- Doubtful cash deposits in an acct at multiple locations

In accordance with S.15 of the AMLA when a report is made or information furnished in good faith, the accountable person , its employees, officers , directors and agents shall not be criminally or civilly or administratively liable for complying with this part (immunity from Liability)

Obligations under AMLA cont'd

Transaction Monitoring

R. 36 requires to continuously monitor transactions and the business or account activity of the customers on a continuous basis. The monitoring may be conducted on a risk sensitive basis.

R.11 requires accountable persons to develop, adopt and implement internal control measures, policies and procedures for the prevention of money laundering and financing of terrorism which include;

- monitoring systems for complex, unusual or large transactions or suspicious activities.
- monitoring systems for persons in jurisdictions that do not have adequate systems to combat money laundering or terrorism financing;

Obligations under AMLA cont'd

Sanctions screening

R. 53 - wire transfer to or from a person or entity designated by the United Nations Security Council under any United Nations Security Council Resolution relating to the combatting of terrorism or terrorism financing is prohibited.

- Providers/operators shall screen customer names against domestic and international sanctions watch lists/ blacklists.

Obligations under AMLA cont'd

Training

R.11 (2) (d) requires accountable persons to put in place training programs for the purposes of continuous training of employees, managers and directors, so as to keep those persons up to date in all anti-money laundering and combating of terrorism financing aspects.

R.11 (2) (6) requires accountable persons to have awareness programmes for the purposes of ensuring that employees, managers and directors of the accountable person are sufficiently knowledgeable about—

- the procedures relating to combating of terrorism and terrorism financing;
- the provisions of the Act and the Regulations;
- any policies, directives, codes or guidelines issued by the accountable person relating to anti-money laundering and combating of terrorism financing;

Obligations under AMLA cont'd

- The training can be physical or virtual and will include both formal training courses and ongoing communications that serve to educate employees and maintain their ongoing awareness about AML/CFT requirements, such as emails, newsletters, periodic team meetings, intranet sites and other means that facilitate the sharing of information.
- There should be a training plan
- The trainings should be tailored to the different roles
- Training logs should be maintained by the MLCO.
- The training material should be regularly updated to reflect changes in the regulatory environment.
- There should be periodic refresher training for existing employees

Obligations under AMLA cont'd

Record Keeping

S. 7 of the AMLA (as amended)- record keeping; The section requires accountable persons to establish and maintain for at least ten years all necessary books and records relating to

- the identity of a person obtained in accordance with customer due diligence measures
- all transactions both domestic and international, carried out by it and correspondence relating to the transactions as is necessary to enable the transaction to be readily reconstructed at any time by the Authority or other competent authority.
- all reports made to the Authority under the Act including any accompanying documentation
- any enquiries relating to money laundering and financing of terrorism made by the Authority.

Obligations under AMLA cont'd

Annual Compliance report

R. 45 – Annual Compliance Report; All accountable persons are required at the end of each calendar year to submit to the FIA a compliance report setting out the level of compliance to the act and the regulations together with a copy of their AML/CFT policy by the thirty first day of January of the following calendar year.

The FIA developed a template for the Annual Compliance report and it can be accessed on the FIA website; www.fia.go.ug under Reporting-Annual Compliance Reporting.

Obligations under AMLA cont'd

Independent Audit

R.43 –Independent Audit; requires accountable persons to carry out periodic independent audits to assess its compliance with the requirements of the Act and the Regulations.

- The FIA will notify accountable persons on when to carry out an independent audit and a detailed scope of work to be followed by the accountable person will be communicated.
- The accountable persons can still carry out internal audits to assess their compliance to the AMLA and the regulations

7. Offences

Money Laundering (S.3 & S.116)

Tipping-off (117)

Falsification, concealment, Destruction of documents (S.118)

Failure to identify persons (S.119)

Failure to keep records (S.120)

Facilitating Money laundering (S.121)

Destroying or tampering with records (S.122)

Refusal, Omission, Neglect or Failure to give assistance to FIA (S.123)

Offences cont'd

Failure to report cash transactions (S.124)

Failure to report suspicious or unusual transactions (S.125)

Failure to report conveyance of cash into or out of Uganda (S.126)

Failure to send a report to authority (S.127)

Failure to comply with orders made under the Act (S.128)

Contravening a restraining order (S.129)

Misuse of information (S.130)

Obstructing an official in performance of functions (S.131)

Influencing testimony (S.132)

Offences cont'd

General non-compliance with requirements of this Act and Conducting transactions to avoid reporting duties (S.133)

Unauthorized access to computer system or application or data S.134)

Unauthorized modification of contents of computer system (S.135)

8. Penalties

For breach of S.3 & S.116)

a) Natural Persons;

Fine \leq 100,000 currency Points (UGX 2,000,000,000)

Imprisonment \leq 15 year

Or both.

b) Legal Persons

Fine \leq 200,000 currency Points (UGX 4,000,000,000)

Penalties Cont'd

Offences mentioned in Sections 117 to 135 are punishable;

Natural Persons

Fine \leq 33,000 Currency Points (UGX. 660,000,000)

Imprisonment \leq 5 years

Or both

Legal Persons

Fine \leq 70,000 Currency Points (UGX 1,400,000,000)

If continuing offence, then Fine \leq 5,000 Currency Points (UGX 100,000,000) per day the offence continues.

9. Conclusion

- It is important that you comply with the AMLA and regulations for your own good, for the good of your entities and for the good of our country.
- Need to work together to combat money laundering/terrorist financing in Uganda

Thank you