Rwenzori Towers (Wing B)
4th Floor, Plot 6, Nakasero Road
Kampala, Uganda
P.O Box 9853, Kampala
Tel: +256 417 892 600
E-Mail: fia@fia.go.ug

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TO ALL FINANCIAL INSTITUTIONS

HIGH RISK JURISDICTIONS

RECOMMENDATION 19 OF THE FATF STANDARDS
REGULATION 44 OF THE AML REGULATIONS, 2015.

International Standard

The Financial Action Task Force (FATF) an international body that identifies deficiencies in Jurisdictions and sets international standards to combat money laundering, counter terrorist financing and Proliferation Financing (AML/CFT/CPF) has issued a public statement updating its lists of jurisdictions with strategic AML/CFT/CPF deficiencies following its plenary meeting in June 2022.

Recommendation 19 of the FATF standards states that;

Financial Institutions should apply enhanced due diligence measures to business relationships and transactions with natural and legal persons and financial institutions from countries for which this is called for by the FATF. The type of enhanced due diligence measures applied should be effective and proportionate to the risks.

Countries should be able to apply proportionate counter measures when called upon to do so by the FATF. Countries should also be able to apply counter measures independently of any call by the FATF to do so. Such counter measures should be effective and proportionate to the risks

National Requirement

Regulation 44 of the Anti-Money Laundering Regulations, 2015 provides for High risk countries and states that;

The Authority shall identify high-risk countries in respect of money laundering and terrorism financing and shall prescribe, by notice in the Gazette, measures to be applied by accountable persons in respect of a person or customer from, or transactions involving, those countries

(1) For the purposes of sub regulation (1), the measures shall include—

(a) applying specific elements of enhanced due diligence such as obtaining additional information on the customer, purpose of transactions, nature of the business relationship and the source of funds or wealth of the customer;

(b) obtaining senior management approval to continue the relationship;

(c) increased monitoring of transactions;

(d) reviewing, amending and if necessary, terminating of correspondent banking relationships.

(2) The Authority may also require a supervisory authority to take certain actions with respect to countries identified as high risk including—

(a) imposing additional reporting requirements on accountable persons;

(b) refusing the establishment in Uganda of subsidiaries or branches or representative offices of accountable person from that country;

(c) prohibiting accountable person from establishing branches or representative offices in the country identified by the Authority;

(d) requiring accountable persons to limit business relationships or financial transactions with the country or persons in that country;

(e) increasing supervisory examinations or external audit requirements for branches and subsidiaries in Uganda of accountable persons from the country identified; and

(f) requiring increased external audit requirements by accountable persons of their branches and subsidiaries located in the country identified.

Explanation

Therefore, Regulation 44 establishes the FIA as the responsible party to provide notification on countries, and prescribes measures to be undertaken by accountable persons in respect of the flagged countries. However, there is no mechanism in place to ensure that financial institutions are advised of concerns about the weaknesses in the AML/CFT systems of other countries.
On 17th June, 2022, the FATF added Gibraltar to its list of the Jurisdictions under Increased Monitoring.

Accordingly, the Financial Intelligence Authority (FIA) informs all financial institutions to consider the FATF's stance toward these jurisdictions when reviewing their obligations and risk-based policies, procedures, and practices and are called upon to apply enhanced due diligence and in the most serious cases, apply counter measures to protect the international financial system from money laundering, terrorist financing and proliferation financing risks emanating from the identified countries.

In addition to the above, all financial institutions are hereby reminded of their obligations to comply with the due diligence obligations for foreign financial institutions (correspondent relationships) as required under S.6(f)(v) of the Anti-Money laundering Act, 2013 (as amended).

Statements issued by FATF

As part of the FATF's listing and monitoring process to ensure compliance with its international standards, the FATF issued two statements:

(1) Jurisdictions under Increased Monitoring - which publicly identifies jurisdictions with strategic deficiencies in their AML/CFT/CPF regimes that have committed to, or are actively working with, the FATF to address those deficiencies in accordance with an agreed upon timeline as per link https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2022.html and;

(2) High-Risk Jurisdictions Subject to a Call for Action, which publicly identifies jurisdictions with significant strategic deficiencies in their AML/CFT/CPF regimes and calls on all FATF members to apply enhanced due diligence, and, in the most serious cases, apply counter-measures to protect the international financial system from the money laundering, terrorist financing, and proliferation financing risks emanating from the identified countries as per link https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-june-2022.html

High-Risk Jurisdictions Subject to a Call for Action

With respect to the FATF-identified High-Risk Jurisdictions Subject to a Call for Action, specifically, counter-measures, financial institutions must comply with the extensive restrictions and prohibitions against opening or maintaining any correspondent accounts, directly or indirectly, for North Korean or Iranian financial institutions.

Countries Removed

For jurisdictions removed from the FATF listing and monitoring process, financial institutions should take the FATF's decisions and the reasons behind the delisting into consideration when assessing risk.

If a financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing, or other violation of federal law or regulation, the financial institution must file a Suspicious Activity Report.

The list in regard to high risk jurisdictions (countries added and removed) can be obtained from the link below;
https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2022.html