



**THE FINANCIAL INTELLIGENCE
AUTHORITY (FIA)**

**MONEY LAUNDERING AND
TERRORIST FINANCING NATIONAL
RISK ASSESSMENT REPORT**

March 2017





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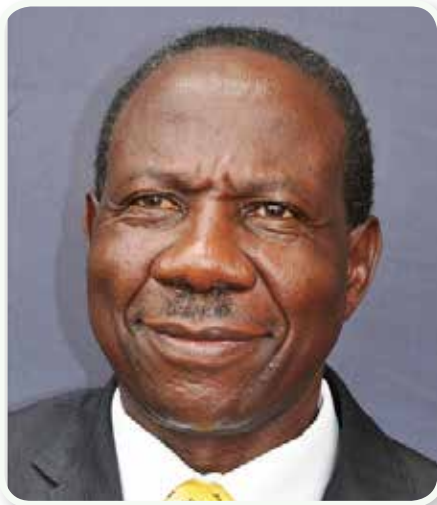
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GLOSSARY

ADF	Allied Democratic Force
AF	Asset Forfeiture
AMISOM	African Union Mission to Somalia
AML/CFT	Anti-money laundering and combating the financing of terrorism
AMLA	Anti-Money Laundering Act
ATA	Anti-Terrorism Act
BNI	Bearer Negotiable Instruments
BOU	Bank of Uganda
CAR	Central African Republic
CCP	Contained Control Programme
CDD	Customer Due Diligence
CI	Credit Institutions
CID	Criminal Investigation Department
CIS	Collective Investment Schemes
CMA	Capital Markets Authority
CRB	Credit Reference Bureau
DNFBPs	Designated Non-Financial Businesses and Professions
DPMS	Dealers in Precious Metals and Stones
DPP	Directorate of Public Prosecution
DRC	Democratic republic of Congo
ECDD	Enhanced Customer Due Diligence
ESAAMLG	East and South African Anti-Money Laundering Group
ESO	External Security Organisation
FATF	Financial Action Task Force
FD	Fixed Deposits

FDI	Foreign Direct Assistance
FIA	Financial Intelligence Agency
HMO	Health Management Organisation
ICAO	International Civil Aviation Organisation
ICC	International Criminal Court
IG	Inspectorate of Government
INTERPOL	International Police
ISO	Internal Security Organization
KYC	Know-Your-Customer
LEA	Law Enforcement Agency
LRA	Lord's Resistance Army
MDI	Micro Deposit Taking Institutions
MER	Mutual Evaluation Report
MFI	Micro-Finance Institutions
ML	Money Laundering
MLCO	Money Laundering Control Officer
MMSP	Mobile Money Service Providers
MOF	Ministry of Finance
MOFPED	Ministry of Finance, Planning and Economic Development
MOJ	Ministry of Justice
MoU	Memorandum of Understanding
MVTS	Money Value Transfer Services.
NIRA	National Identification Registration Authority
NPO	Non-Profit Organisation
NRA	National Risk Assessment
OAG	Office of the Auditor General
ODA	Official Development Assistance

OFI	Other Financial Institutions
PEP	Politically Exposed Persons
RBA	Risk-Based Approach
SACCO	Savings and Credit Cooperatives
SIB	Systematically Important Banks
STR	Suspicious Transaction Report
SUGAR	Strengthening Uganda's Anti-corruption Response
TF	Terrorism Financing
UBOS	Uganda Bureau of Statistics
UN	United Nations
UNBS	Uganda National Bureau of Standards
UNODC	United Nations Office on Drug and Crime
UNSCR	United Nations Security Council Resolutions
UPF	Uganda Police Force
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
USE	Uganda Securities Exchange
VSLA	Village Savings and Loan Associations
WB	World Bank



FOREWORD

This report presents an overview of the systemic money laundering and terrorist financing (ML/TF) risks, threats and vulnerabilities with a potential to harm Uganda's economy. It is our first National Risk Assessment (NRA) on money laundering and terrorist financing. The NRA was a Government-wide exercise that is intended to enhance and deepen the understanding and awareness of the ML/TF risks in the country. This is in compliance with the Financial Action Task force (FATF) recommendation 1, which requires countries to identify, assess and understand the ML/TF risk and apply a risk based approach to ensure that the measures to prevent/mitigate ML/TF risks are commensurate with the risks identified.

To undertake this assessment, I appointed the Financial Intelligence Authority (FIA) as the lead agency to conduct the NRA. Other stakeholders from key Government Ministries, Departments and Agencies and private sector institutions also participated in the NRA exercise. This NRA report is therefore a product of extensive consultations with all key stakeholders.

The report provides details of the process of assessment and the assessment results. The data and statistics used for the report is from published and internal reports by supervisory/regulatory authorities, law enforcement agencies and different Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) stakeholders. Identifying, assessing and understanding of ML/TF risks are essential elements of the development and implementation of an effective AML/CFT regime. The NRA findings will inform the prioritization and efficient allocation of resources by authorities and also provide useful information to reporting entities to support the conduct of their own sector-risk assessments.

I take this opportunity to assure the general public that the Government of Uganda is committed to fight against money laundering and terrorism financing. AML/CFT should not be judged by the laws, and institutions we have put in place, but rather by the enforcement

of those laws and the effectiveness of supervision and compliance in reducing the vulnerability of the financial system to being used to commit and perpetuate criminal activities.

The findings of the NRA will help to guide Government's response to money laundering and terrorist financing, and will assist in implementing the risk-based Anti-Money Laundering Action Plan. By laying out the information in this way, Government has provided a framework to be used by various stakeholders for tackling AML/CFT threats and vulnerabilities.

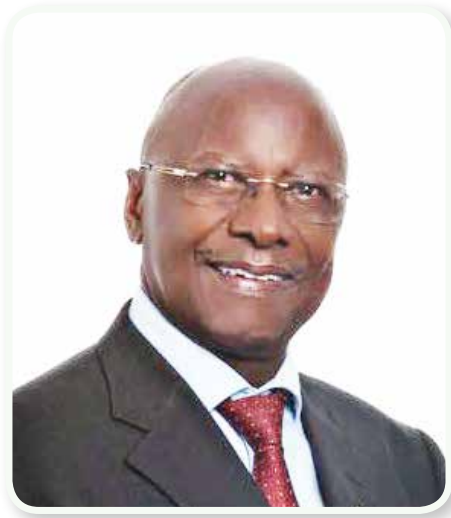
I congratulate the FIA and all the stakeholders and, particularly the NRA Working Groups, for this great achievement and I wish to reiterate Government's commitment to implement the National Risk Assessment Action Plan that was derived from this report and approved by Cabinet.

For God and my Country.



Matia Kasaija (M.P)

Minister of Finance, Planning and Economic Development.



MESSAGE FROM CHAIRMAN BOARD FINANCIAL INTELLIGENCE AUTHORITY

This is the first Uganda National Risk Assessment 2017-Anti Money Laundering/Countering Financing of Terrorism report. The report was produced by the Financial Intelligence Authority established on July 1, 2014 under Section 18 of the Anti-Money Laundering Act (AMLA), 2013, to coordinate the implementation of the country's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. The Authority as the central national agency in Uganda is responsible for the receipt and analysis of financial disclosures from accountable persons and dissemination of financial intelligence to competent authorities.

National Risk Assessment (NRA) on Money Laundering (ML) and Terrorist Financing (TF) is a comprehensive process for identifying and analyzing the main sources and drivers of the ML/TF risks of the Country. Based on NRA results, the Authority is able to develop risk based anti-money laundering and countering the financing of terrorism (AML/CFT) actions and recommend the allocation of available resources in the most effective way to control, mitigate and eliminate the identified risks.

Recommendation one (1) of the Financial Action Task Force (FATF) requires countries to identify, assess and understand the ML/TF risk and apply a risk based approach (RBA) to ensure that the measures to prevent/ mitigate ML/TF risks are commensurate with the risks identified.

NRA is a government wide activity aiming at better understanding the ML/TF risks faced by the Country. The Financial Intelligence Authority, the AML/CFT Regulator in the Country took the lead role in coordinating the NRA. Stakeholders representing key government and private sector institutions as listed under "National Risk Assessment

Working Group" participated in the NRA Process.

This report details the finding from Uganda's NRA on ML/TF risk, conducted through self-assessment by different stakeholders, using the National Money Laundering and Terrorist Financing Risk Assessment (NRA) Tool developed and provided by the World Bank. The NRA process was carried out over a period of one year.

This represents an important step for Uganda's continued compliance with the Financial Action Task Force (FATF) recommendations and the Mutual Evaluation Report 2016 by ESAAMLG (Eastern and Southern Anti-Money Laundering Group).

The objectives of the NRA were to:

- Understand the level of proceeds of crime generated in or coming into the Country and the threat posed by the terrorist financing (TF);
- Determine how vulnerable the financial institutions and designated non-financial businesses and professions (DNFBPs) are to ML and TF;
- Determine and understand the weakness in the legal framework, by considering the criminal and administrative justice system, and existing preventative systems; and
- Appreciate the most efficient way in which to allocate resources for the prevention, investigation and prosecution of ML and TF

Key elements in implementing the NRA Action Plan remain both the extent to which we understand the risk environment, and the degree to which mechanisms are in place to promote collaboration and intelligence sharing across applicable agencies. To this end the Financial Intelligence Authority will produce Typology Reports which will play an important part in maturing and refining the National Risk Assessment process and provide a forum to disseminate information to our partner agencies.

I look forward to greater cooperation with the AML/CFT stakeholders and reporting entities over the coming years to expedite the implementation of the current recommendations and the production of the next National Risk Assessment.



Leo Kibirango
Chairman Board
Financial Intelligence Authority



MESSAGE FROM THE NATIONAL CO-ORDINATOR OF THE NATIONAL RISK ASSESSMENT

The very first National Risk Assessment (NRA) carried out in Uganda was coordinated by the Financial Intelligence Authority (FIA). It was done from 2016 to July 2017 using the World Bank's NRA tool and methodology.

The purpose of the NRA was to enable Uganda as a country as well as relevant institutions to identify, assess and understand the money laundering/terrorism financing (ML/TF) risk we face. It also led to the development of an Action Plan aimed at addressing the identified risks. This will lead to an overhaul of our National AML/CFT Policy and significantly improve the AML/CFT regime. The NRA also helps relevant institutions identify those areas that are most susceptible to ML/TF and apply resources on a risk based approach so that more resources are applied to areas of high risk.

In this I would like to thank the various institutions, public and private that took part; Ministry of Finance, Planning and Economic Development, Ministry of Justice and Constitutional Affairs, Uganda Police Force, Chieftaincy of Military Intelligence, Directorate of Public Prosecutions, Inspectorate of Government, Bank of Uganda, Insurance Regulatory Authority, Capital Markets Authority, Uganda Forex Bureaus and Money Remitters Association, Internal Security Organisation, External Security Organisation, JATT and Chieftaincy of Military Intelligence. I also recognise the participation and contribution from Banks- Stanbic Bank, Barclays Bank, Diamond Trust Bank, Citibank, Centenary Bank and FINCA-Uganda; Telecoms- MTN, Airtel and UTL; Capital Markets- Uganda Stock exchange, Crested Capital, Stanlib and Pine Bridge Investment; Insurance companies- Gold Star Insurance, Britam Uganda Lion Assurance, East African Underwriters, Uganda Re-insurance; Forex Bureaus – UAE Exchange, Stanhope Forex Bureau, City Forex Bureau and Metropolitan Forex Bureau; URSB and UCC.

In particular, I would also like to extend my special thanks and appreciation to DFID, Uganda Chapter who extended financial assistance in acquiring use of the World Bank tool, as well as provision of technical assistance through its SUGAR TAF Project. Allow me also to thank the Basel Institute of Governance for its support, and in particular Ms Elena Hounta and Mr Giuseppe Lombardo, who had to make several travels to Kampala to participate in the process. Not only was this assistance rendered during the NRA but also prior to the NRA in regard to training the officers who would be taking part to prepare them for the exercise.

This NRA will provide a benchmark for further NRAs as well as institutional risk assessments, a requirement under the Anti-Money Laundering Regulations. It is also a precursor to strengthening capacity towards a better and more efficient AML/CFT regime.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Sydney Asubo

EXECUTIVE SUMMARY

The National Risk Assessment (NRA) of the Money Laundering (ML) and Terrorism Financing (TF) risks analyzed the ML threat to which Uganda is exposed and the major predicate offenses that generate larger amounts of criminal proceeds, and the level of the TF threat that the country faces. It also examined the country's ML/TF combating ability and the vulnerabilities of the financial sector as well as designated non-financial business and professions (DNFBPs) to ML and TF abuse and financial inclusion. The NRA assessed how criminals utilize the ill-gotten funds and the methods they use to launder criminal proceeds. Furthermore, the NRA analyzed the methods with which terrorist organizations raise and move terrorist funds.

The NRA of Uganda was undertaken by a Working Group representing various government and private institutions, and coordinated by the executive director of the Financial Intelligence Authority (FIA). The assessment used a methodology developed by the World Bank and technical assistance provided by the SUGAR project. It relied on both quantitative information (statistics and data) and qualitative information, such as surveys and interviews, including with law enforcement and intelligence agencies, supervisory organs, financial and non-financial institutions, which complemented the information and data provided by the members of the Working Group.

Although the country has a legal framework in place that can be considered, overall, largely in line with the international standard, there remain some legal gaps, and a fully effective implementation of that framework is not yet achieved. In a relatively short period of time, Uganda has set up a quite comprehensive legal framework that is, with some exceptions, largely in line with the FATF standard and relevant UN Conventions. However, the system being relatively new, it is not yet implemented effectively. Capacity issues (combined with the risk of financial integrity issues) affect, to different degrees, the ability of stakeholders to prevent and repress ML and TF in an effective manner. Other material elements such as the widespread use of cash, the informal economy, and the only very recently introduced national ID system and porous borders increase the country's vulnerability to ML and TF.

Uganda subjects to AML/CFT requirements all the categories of accountable persons required by the FATF standard, but effective implementation of these requirements is uneven, and near absent in certain sectors, particularly the designated non-financial businesses and professions. Real estate, lawyers, dealers in precious metals and stones and some types of financial institutions present the highest risk to ML. Although the banking sector is the more compliant with and knowledgeable of AML/CFT requirements, and the overall ML risk that the sector is facing is medium, the inherent risk of large scale ML associated to the types of products and services that bank offer should not be underestimated. It is significant that all the ongoing ML investigations concern the use of banks products or services. The absence of a fully-fledged ML/TF risk based supervision, which affects all sectors, is particularly problematic for those sectors that present a higher risk of ML/TF.

The table below summarizes the overall ML risk in Uganda, as a combination of threat and vulnerability for each of the sectors analyzed by the NRA:

OVERALL MONEY LAUNDERING RISK IN THE JURISDICTION						
Overall Threat	H	M	M	MH	<ul style="list-style-type: none"> • Money Remitters • Casinos • Dealers in precious Metals 	<ul style="list-style-type: none"> • Forex Bureau • Real Estates • Lawyers
	MH	M	M	OFls	MH	• Banking
	M	ML	M	M	• Insurance	MH
	ML	ML	ML	<ul style="list-style-type: none"> • Securities • Accountants 	• NGOs	M
	L	M	ML	ML	M	M
		L	ML	M	MH	H
Overall Vulnerability						

Analysis of the ML threat

The analysis of the ML threat showed that, at domestic level, the most proceeds-generating predicate offences are corruption¹, fraud², tax crimes³, and counterfeiting of goods. It is interesting to note that, in terms of largest numbers of reported/detected cases fraud is the most reported/detected crime, followed by tax crimes and corruption.

This difference can be explained by the fact that in many instances corruption (such as the paying of a bribe to access services) is considered as a "way of life" in Uganda and therefore often goes without being reported. However, the analysis suggests that the number of reported corruption cases is far below the instances of corruption.

Corruption-related proceeds are posing a high ML threat to Uganda. According to a 2014 Report by the Inspectorate of Government⁴, the estimated amounts paid in

bribes in 2013 is of UGX 165,000,000,000 (USD 49,600,000). The 2014 nationwide survey on governance, undertaken in 2013, showed that at least eight of every ten Ugandans believe that

1 The term "corruption" is based on the Anti-Corruption Act, 2009 and including embezzlement, diversion of public funds, bribery, causing financial loss etc.)
 2 The term "fraud" includes cybercrime, obtaining money by false pretences, visa fraud, identity theft, pyramid schemes etc.
 3 It includes tax evasion and tax fraud.
 4 Tracking Corruption Trends in Uganda: using the Data Tracking Mechanism.

corruption is a serious problem in the country. Embezzlement and diversion of government funds are the main proceeds generating crimes with regard to corruption. Funds are embezzled or diverted to the personal interests of the offenders through outright theft, misallocation, diversion to a wrongful purpose of interest to the offender and other conducts.

Fraud and tax crimes proceeds also pose a high ML threat to Uganda. The 2015 Crime and Safety Report by Overseas Security Advisory Council on Uganda states that there has been an increase in financial fraud cases involving credit cards, personal checks, and counterfeiting. One of the largest fraud cases involved six ex-employees of MTN, who were charged with defrauding the company of UGX 10,000,000,000 (USD 3,400,000),⁵ by creating and stealing e-money that was not backed by physical cash in MTN's bank account⁶. Among tax crimes, mis-invoicing appears to be generating significant amounts of proceeds: a study published by Global Financial Integrity in May 2014⁷ over the period 2002-2011 for Uganda, shows that the mis-invoicing of imports is by far the primary method through which capital is illicitly transferred out of the country. The under-invoicing of exports totals UGX 887,400,000,000 (USD 261,000,000), paling in comparison to cumulative import over-invoicing of UGX 27,200,000,000,000 (USD 8,130,000,000) (\$813 million per year on average).

At external/trans-national level – that is the predicate offences committed outside Uganda and the proceeds laundered in or through Uganda – the most proceeds-generating predicate offences are smuggling, wildlife offences, drug trafficking and human trafficking.

Smuggling of gold and timber, and, to a lesser degree, of diamonds, are a significant source of proceeds. Most of the gold is smuggled from Eastern DRC and Central African Republic, through Uganda⁸ and other countries, to UAE, India, Lebanon and South Sudan. Uganda is estimated to lose about UGX 2,000,000,000 (USD 588,235,000) annually in wildlife offences ranging from commercial poaching to hunting for daily subsistence. As regards drug trafficking, the 2014 Annual Crime and Road Safety Report indicates that Uganda is primarily a transit country for narcotics and psychotropic substances especially cocaine and heroin. The report indicates that these substances originate mainly from eastern Asian countries and are transited through Uganda to other Africa countries, Europe and America. Within Uganda, cannabis is commonly grown and consumed in various parts of the country. As early as 2009, reports indicated that cannabis and heroin were being trafficked through Entebbe International Airport. Africa is a major source of cannabis seized in Europe and Uganda in particular is a major producer.⁹ Data on

5 <http://www.cgap.org/blog/fraud-uganda-how-millions-were-lost-internal-collusion>

6 At one point, audit reports revealed that the discrepancy totaled 146 billion UGX, roughly \$50 million, in falsely created e-money.

7 *Hiding in Plain Sight- Trade Mis-invoicing and the Impact of Revenue Loss in Ghana, Kenya, Mozambique, Tanzania, and Uganda: 2002-2011.*

8 The "UN Final Report of the Group of Experts on the Democratic Republic of the Congo" noted that gold continued to be smuggled from the Democratic Republic of the Congo to Uganda and smuggled gold continued to be purchased by Kampala-based businessmen, including the directors of sanctioned entities Uganda Commercial Impex (UCI) and Machanga Limited.

9 *Laundering the Proceeds of Illicit Trafficking in Narcotic Drugs and Psychotropic Substances (ESAAMLG Region), 8th September, 2011*

human trafficking indicates that Uganda is both a source and a destination country for trafficked persons.¹⁰ Uganda was noted to be a destination for trafficking victims from Somalia, Rwanda, Burundi, South Sudan and Tanzania. Uganda was also noted to be a source country for victims trafficked to South Africa, Kuwait, DRC, Malaysia, India, UAE, Iraq, China and Saudi Arabia among others.

The analysis of the threat at sectorial level and the analysis of the most common ML methods show that the real estate sector poses the highest ML threat.

Investigations of predicate offences that have yielded proceeds disclose that the perpetrators invest in or acquire real estate, both for their own benefit and/or for the generation of legitimate income. Of the Designated Non-Financial Businesses and Professions (DNFBPs) in addition to the aforementioned real estate agents, lawyers, casinos and dealers in precious metals and stones pose the higher ML threat.

The threat analysis concerning the financial sector presents different degree of ML threat, with securities posing the lowest ML threat and other financial institutions such as money lenders, money for value transfers and forex exchange the highest, with banks posing a medium-high risk to ML. The Banking sector accounts for the highest number of STRs; however, this is primarily because an anti-money laundering regime for the Banking sector was in place even before the Anti Money Laundering Act was enacted in 2013. As a result, the banking sector (especially foreign owned banks) have a (relatively) more robust AML regime in comparison to other accountable persons, resulting in a higher number of STRs. It should be noted, on the other hand, that the ongoing ML prosecutions involve the use of banks, which increases the threat for this sector. Also, trade finance and the data suggesting significant mis-invoicing, increase the threat for the banking sector, through which trade transactions are usually settled.

Analysis of the terrorism and TF threat and national vulnerability

The NRA indicates that the overall threat of terrorist financing is Medium High (MH), as a combination of the external threat, which carries a higher risk rating (High) versus the internal threat, which is lower (Medium). All terrorist organizations that pose a risk to Uganda are based outside the country.

errorist threats are mainly external, emanating from the region. Terrorist organizations majorly have a regional or international outlook, although their agenda may target Uganda locally. Of the terrorist groups operating from within the region - Allied Democratic Force (ADF), the Lord Resistance Army (LRA), Al -Shabaab, Boko Haram, Al- Qaeda and ISIL - the ones that pose

¹⁰ Ministry of Internal Affairs, Annual Report on The Trend of Trafficking in Persons in Uganda, 2013

the highest risk to Uganda are: the Al-Shabaab, the ADF and the LRA. Al-Shabaab planned several attacks on Uganda, including the July 2010 attack that left several people dead in a twin bomb blast in Kampala. The attack was financed by funds wired from UK through Karan Forex Bureau based in Nairobi Kenya and received by one of the terrorist who proceeded to Kampala to carry out the attack.

The volume of terrorist financing is estimated at USD 100 million-total for all terrorist groups in the region. The main funding sources include extortion, misuse of non-profit organizations (NPO), remittances, natural resources/wild life crimes, ransoms, piracy and trade. In particular, Al-Shabab's main sources of funding include extortion (including in the form of illegal taxation), trade, foreign remittances, donations, migrant smuggling, wild life crimes and piracy; LRA's main sources of funds include wildlife crime, minerals, extortion and looting; and ADF's main sources of funds include; trade, real estate business, wildlife crime, illegal mining, state sponsorship and NPOs donations.

Typologies of funding terrorist organizations and acts include domestic and foreign financing of domestic acts of terrorism as well as domestic financing of foreign acts of terrorism and terrorist organizations. Domestic financing of domestic acts of terrorism include: local fundraising, trade (both legal& illegal) which finance ADF operations in the country. Domestic financing of foreign acts of terrorism include: local fundraising and trade (both legal& illegal) financing ADF and Al-Shabaab foreign operations. It is believed that many businesses operated by the Somali community in Uganda, e.g. money exchange and remittance companies and petrol stations send money to Somalia which can be taxed by Al-Shabaab when received within territories under its control. According to the analysis, foreign financing of domestic acts of terrorism outweighs domestic financing of domestic acts of terrorism. Foreign financing of domestic acts of terrorism include Al-Shabaab and ADF funding their operations in the country.

The analysis of the sectorial TF risk shows some risk in the banking sector, although the higher risk lies with other types of financial institutions (such as FOREX and MTV firms), real estate and in some financial inclusion products. There has only been one case of alleged TF related to a bank¹¹, but no reported instances of assets held by UN-designated individuals or entities. However, it cannot be ruled out that the baking sector may be abused by terrorist financiers, and its risk of TF is considered medium. Insurance and Securities firms present a lower inherent TF risk. Currently, in the financial sector, the higher TF risk is posed by less regulated/supervised types of financial institutions, particularly FOREX and MTVs. The risk of TF for DNFBPs is generally low, with the exception of the real estate sector, as tterrorist groups can take advantage of real estate as a channel to finance their activities. The TF risk of the non-governmental organizations (NGOs) is medium, although there are some NGOs that are currently being investigated for their involvement in TF.

11 SID GEF/389/2014

The analysis of some of the financial inclusion-related products (in particular mobile money international remittances and mobile money person-to-person transfers) shows that the vulnerability of mobile money products to TF risk is high. This is due to the rapidity of transactions as well as well as cross-border features available for some of these products. More importantly, for those products that have transaction thresholds, they are relatively high compared to the risk of TF, as they range from 4 to 5 million UGX and they are set as daily limits (hence one can receive the upper limit amount daily thus allowing high values). Customers are also able to hold multiple SIM-cards¹² (accounts) with the same or different network operators. Although these products are subject to AML/CFT requirements, the implementation of these requirements is uneven and may present deficiencies.

The overall vulnerability to terrorist financing is Medium High (MH): while there are significant strengths in the anti-terrorism framework, more focus should be placed on TF intelligence and investigations, and effective implementation of preventive measures by accountable persons. Uganda has a solid legal framework, which was recently enhanced by the entry into force of the Anti-Terrorism Regulations. Uganda is a strong force of regional and international stability, security and counter-terrorism efforts bodies e.g. EAC, IGAD, ESAAMLG African Union (AU), COMESA, Commonwealth and UN. These memberships help in coordinating CFT activities. Uganda contributed troops to the AU mission in Somalia (AMISOM) to counter Al-Shabaab, continued to pursue LRA with neighboring countries as part of the AU regional Task Force. Uganda is also a member of the East African counter-terrorism and participates in Global Counter Terrorism forum events focused on the Horn of Africa. The quality of terrorism-related intelligence is good and domestic cooperation is smooth, which has led to the effective disruption of terrorist attacks. However, TF being a new offence, the quality of intelligence generated for this specific crime is still at formative stage, and more focus should be placed in analyzing (and investigating) FT-related activities. The process to build capacity to generate desired TF intelligence is on course, and the level of reporting of suspicious transaction related to terrorism is not commensurate to the TF risk. Issues like the cash based economy, porous borders that prevent effective control, poor implementation of cross-border transportation of currency requirements and uneven implementation in the financial and non-financial sector of AML/CFT requirements, including the recently introduced targeted financial sanctions, also contribute to increase the overall TF risk.

¹² In one case (not related to terrorism of TF though) a person was found having more than 50 sim-cards associated to mobile money.

National Vulnerability to ML

Despite a relatively solid legal framework, the establishment of the Financial Intelligence Authority (FIA) and good cooperation among AML stakeholders, Uganda's vulnerability to ML remains, overall, high. The major factors behind it are the country's low ML combating ability and the very high overall sectoral ML vulnerability. Other major vulnerabilities identified by NRA include the absence of an up to-date AML policy and widespread corruption which hinder the integrity and independence of AML stakeholders; the low level of financial integrity; ineffective performance of FIA and other LEAs due to inadequate resources (both technical and financial); the existence of a predominantly cash economy, and the poor control of the country's porous borders.

Uganda's relevant AML agencies cooperate and coordinate domestically with each other to combat ML to a satisfactory level, but the absence of a risk-based AML/CFT policy might hinder the effectiveness of the AML framework. Apart from MOUs amongst various agencies, there is no comprehensive legal framework for domestic cooperation, but there are arrangements for AML/CFT coordination, such as the Inter Agency Forum and the AML Committee, which serves as a forum, inter alia, to facilitate coordination. While the lack of a more formal legal framework has not been a hindrance to cooperation thus far, a comprehensive, risk based, AML/CFT policy would significantly enhance AML/CFT efforts and be conducive to a more effective system, particularly by allowing allocation of resources where the risks are higher.

Apart from some technical deficiencies, Uganda's AML/CFT legal framework is solid, but its implementation is not yet fully effective and commensurate to the ML risks identified by the NRA. ML and TF are criminalized largely in line with the relevant UN conventions, and preventive measures such as requirements for accountable persons to undertake customer due diligence (CDD) and reporting of suspicious transactions are in place, largely in line with the FATF standard. The country has comprehensive laws to seize, freeze and forfeit proceeds and instrumentalities of crime. However, effective implementation remains critical. There are only few ML cases being investigated and prosecuted. The number of STRs (particularly from DNFBPs) and amounts of assets frozen and confiscated are low and not commensurate to the ML risks identified by the NRA. While these issues of effectiveness are, in part, due to the AML framework being relatively new, they are also driven by more substantial deficiencies related to capacity issue of AML stakeholders.

A financial intelligence unit - the FIA - was established by the AMLA which empowers it to carry out several functions aimed at controlling and preventing ML activities, largely in line with the international standard, but legal shortcomings and resources constraints constitute a hindrance to full and effective operationalization. As noted by the FATF and the Egmont group, the powers of the Board under the AMLA may have a bearing on the operational independence of the FIA. The inability to tap into intelligence information available in large cash transaction reports due to lack of an IT system to consolidate the reports and facilitate

meaningful analysis and the lack of direct interface with other national databases like URSB, URA, Immigration, Police crime records greatly undermines the efficacy of the analysis.

Financial investigators and prosecutors do not sufficiently conduct financial investigations in the presence of proceed-generating crimes, and the judiciary lacks adequate technical capacity required to effectively adjudicate cases of ML and its predicate offences.

Although there are dedicated AML units under CID, URA and IG¹³, Uganda has inadequate capacity and resources to effectively investigate ML offenses, associated predicate offenses and the proceeds of foreign predicate offenses. As also noted in its latest mutual evaluation report (MER) Uganda's financial crime investigators and prosecutors are not well equipped in capacity. The NRA confirmed the inadequate resource allocation as per budget allocation. Judges are also not prepared to handle cases concerning financial investigations into proceed of crime. As a result, the number of ML investigations, prosecutions and convictions is low and not commensurate to the ML risks identified by the NRA.

Seizure and confiscation of ill-gotten funds is not commensurate to the criminal environment and the ML threat.

The analysis of the ML threat shows that significant amounts of criminal proceeds from certain types of crimes, such as corruption, fraud, tax crimes and smuggling are generated in Uganda (or are transferred to or passing through Uganda). Although in the case of smuggling, Authorities seize and confiscate the smuggled goods. The seizure of ill-gotten funds (or, when these funds have been transformed or converted into some other forms of property by the laundering process) is not commensurate to the amounts of proceeds generated by crimes.

Other factors that increase the national vulnerability to ML are the low level of formalization of the economy and the high use of cash, poor border controls and incomplete beneficial ownership information.

Uganda's economy is highly informal and cash-based. According to the 5th Edition of the Uganda Economic Update (Feb 2015) by the World Bank, 70% of Uganda's labour force is employed in the informal sector. According to UBOS (2014), the informal sector's contribution to GDP is more than 50%. Uganda has porous borders and lacks natural barriers which make the borders loose and difficult to man, which facilitates smuggling and cross-border transportation of cash. There is no requirement for the URSB or the companies themselves to record and maintain beneficial ownership information and such information is not available at the companies' registry, which enhances the risk of misuse of legal entities for ML.

13 *The economic and anticorruption division in CID deals with ML cases. URA has also a number of investigators (3 investigators) specialized on AML. The Directorate of Special Investigations under IG deals with corruption and ML cases*

Sectorial ML vulnerabilities: financial sector

The ML vulnerability of the banking sector is medium. There are 25 licensed commercial banks, 4 Micro Deposit-taking Institutions and 4 Credit Institutions operating in Uganda. Of all financial institutions, banks are the most comprehensively regulated and supervised and, albeit unevenly across the sector, with the highest level of implementation of AML/CFT requirements. Banks have CDD policies in place and compliance arrangements for AML. The majority of suspicious transaction reports received by the FIA comes from banks. However, the banking sector is exposed to considerable ML risk, as also evidenced by the fact that all the ongoing ML prosecutions involve the use of banks. Some banks are yet to effectively automate the suspicious transaction monitoring process, undermining their ML/TF risk management framework. Most banks have categorized their customers based on risk and the customer demand and contribution to the varied products offered. But the banks do not have a proper mechanism to assess specific ML risk at present. Bank of Uganda inspects banks annually, including on compliance with AML/CFT component, but it has not yet in place a fully-fledged ML risk-based supervisory regime. Some recent cases show that the supervisory regime should be implemented more effectively. The licensing regime is largely in line with international standard, but the relevant requirements need to be applied more effectively, particularly to ensure full transparency of beneficial owners of legal entities with significant ownership shares in banks.

With a medium-high vulnerability, company deposits accounts and trade finance are the banks' services most exposed to ML risk. In most of the banks company deposit accounts have investment features, which make them susceptible to ML. Companies launder money are likely to place them into FDs and take loans against them to try and legitimise or clean their monies and Uganda being a high cash economy company deposits are still susceptible to high levels of cash. Given the high volume of mis-invoicing evidenced by the analysis of the ML threat, trade finance is also susceptible to ML.

The ML vulnerability of the insurance sector is medium high. The insurance sector¹⁴ consists of insurance companies (29, of which 8 are registered to carry on life business), 29 Insurance Brokers, 1 Reinsurer, 20 loss adjusters, 1,335 agents and 7 Health management organizations (HMOs). Although the overall insurance penetration – at only 0.76%¹⁵ – is still low compared to some other countries in the region, the market is growing fast. The non-life business is on an upward trend and it drives the growth of the insurance market, while the life business has tripled over the last 5-year period. The ML vulnerability is driven by weaknesses of the public oversight and market players. There is no oversight in the form of dedicated, risk-based AML supervision or regulation for insurance players, leading to a weak compliance regime, which affects implementation of appropriate AML policies and procedures. Among the market players there are major gaps in client screening mechanism/customer profiling mechanisms. While some insurance companies and insurance brokers (especially those with international

¹⁴ All data concerning insurance is as of end of December 2015.

¹⁵ Gross written premium as a percentage of GDP.

presence), have capacity to acquire systems that can be relied upon to easily monitor transactions, the absence of any suspicious activity/transactions reports (save for only one, that was reported in 2014) from the whole sector constitutes a significant gap. There are also weaknesses in the development of management information systems used by the insurance companies, with inability to automate the identification of suspicious transactions. These weaknesses may probably be bigger in the case of intermediaries and agents. Staff and agents are not adequately trained on AML/CFT issues; beneficial owners and sources of funds are not adequately vetted

Although the individual life product uptake is still low, this is considered the highest risk product in the insurance market. In the year 2015, the total premium written in respect to individual life was UGX.24 billion (24% of the total life premiums) and group life was UGX.57 billion (58% of the total life premiums). This product attracts cash payouts and has investment features, and as such can be attractive to money launderers. In addition, it is mainly sold through agents.

The overall capital market vulnerability to ML risk is rated medium. The significance of the capital market to the Ugandan economy is rated at 6.33% of the GDP. The Uganda Stock Exchange's (USE) market capitalization/GDP is still low compared to that of most other emerging markets in the region. There are 9 Broker Dealers; 2 Stock Exchanges; 2 Securities Central Depositories; 9 Fund Managers; 4 Collective Investment Scheme (CIS) Managers; 2 Trustees; 6 Investment Advisers¹⁶. The risk analysis focused on 3 institution categories; Fund Managers, CIS Managers and the Broker Dealers.

Collective Investment Schemes (CIS) are exposed to a slightly higher level of ML vulnerability than the Broker Dealers and Fund Managers. This is particularly due to the fact that, inter alia, the effectiveness of suspicious activity monitoring and reporting, quality of CDD Framework, availability of independent information sources, and availability and access to beneficial ownership information have lower ratings compared to the Fund Managers and the Broker Dealers. The Fund Managers have a much lower ML risk, as they do not receive deposits, cash is deposited with the custodian banks and they rely on these banks to perform the due diligence for their customers. For the Broker Dealers, the quality of the effectiveness of suspicious activity monitoring and reporting; availability and access to beneficial ownership information; availability and enforcement of criminal sanctions and availability; and enforcement and availability of administrative functions have been identified as priority areas.

Although most of the Fund Managers, Broker Dealers and CIS Managers have AML policies in place, they do not comprehensively address some important AML areas such as risk profiling of clients and ECDD for potential high risk clients and PEPs. The number of on-site inspections carried out by the CMA for the sector is not mainly focused on AML/CFT issues but on general supervisory work. The STRs submitted by the firms also remain low due to limited knowledge and lack of clarity on what amounts to suspicious transaction.

16 As of 17th July, 2016.

Other Financial Institutions (OFIs) in Uganda comprise of both regulated and unregulated institutions. The Regulated institutions include forex bureaus, money remitters and Microfinance Deposit-taking Institutions (MDIs) and mobile money products all of which are under the supervisory purview of Bank of Uganda¹⁷. Unregulated institutions include Savings and Credit Cooperatives (SACCOs), Savings Clubs such as Village Savings and Loans Associations, Microfinance Institutions (MFIs) and Money Lenders.

The unregulated sectors such as MFIs and money lenders had overall reasonably high level of vulnerability. The main risk drivers of the unregulated market are that the sector is not subject to any form of supervision or oversight, with very limited entry controls, limited knowledge of AML issues and lack or very poor compliance and suspicious activity monitoring systems. In the case of MFIs, whereas the overall client profile indicates that the transaction amounts are small, the analysis also revealed that some of the MFIs have international financiers in form of donors, while others have foreign equity holders. These findings together with the high cash nature of the transactions pose major vulnerabilities to ML and to a limited extent TF. In addition, there is limited knowledge of AML among MFIs, in addition to absence of compliance functions and suspicious activity monitoring. The money lenders sector is also highly exposed to high risk clients, with Politically Exposed Persons reported to be regular clients of money lenders¹⁸. In addition, the press reports indicate that exorbitant interest rates that are as high as 10% per month are charged, owing to the ease with which funds can be obtained.

In the regulated category, mobile money products, forex bureaus and money remitters present the highest vulnerability. These three sectors also have reasonable exposure to TF risk. MDIs have the lowest level of vulnerability among the regulated entities, which was attributed to the existence of good systems of risk management and the availability of adequate resources dedicated to training and reporting under the MDIs, which are fairly big institutions with access to financial resources. In the case of mobile money service providers (MMSPs) the main ML risk factors stem from the lack of a direct licensing/authorization regime, inadequate AML/CFT supervision and poor entry controls of the MMSPs, which are not AML/CFT-oriented. MMSPs also rely heavily on agents for the marketing of their products, who may not always be very knowledgeable of the AML/CFT requirements. Although there are transaction thresholds, these can still pose some risk of TF, and can be easily circumvented. In the case of Forex and money remitters, the high vulnerability is largely driven by the low quality of controls, particularly ineffective monitoring and reporting of suspicious transactions and weak compliance functions in the institutions. Poor knowledge of AML among staff, integrity concerns (with several reported cases of funds transfer fraud in the sector) and ineffective criminal processes are a major influence on the ML risk. In terms of inherent vulnerability, the biggest concern is the highly cash nature of the transactions and the high volume of turnover exposure to high risks jurisdictions/clients.

17 *Except for mobile money products, where BoU supervision is on the bank with which the mobile money provider must partner to provide the service.*

18 *Aljazeera, news September 3, 2014.*

Sectorial ML vulnerabilities: Designated Non-Financial Businesses and Professions

The Designated Non-Financial Businesses and Professions (DNFBPs) analysed by the NRA are casinos, real estate agents, dealers in precious metals and stones (DPMS), lawyers, accountants and non-governmental organisations (NGOs). All these DNFBPs have been designated as accountable persons under the second schedule of the Anti-Money Laundering Act 2013.

There are several weaknesses that are common to all DNFBPs, and contribute to increase the ML risk for the sector, but specific vulnerabilities inherent to the real estate, lawyers and DPMS expose these particular sectors to a higher risk of ML. The level of money laundering risk of the DNFBP sector is assessed at a medium/high level, largely due to the absence of an effective AML supervision and oversight, poor entry controls, near-absence of implementation of AML/CFT requirements by DNFBPs, and the widespread use of cash. In addition to these issues that are common to all DNFBPs, there are sector-specific factors that contribute to increase significantly the risk of ML for certain professions/sectors, such as the absence of regulation and anecdotal evidence of ML (real estate), exposure to predicate offences such as smuggling (DPMS) or other crimes (lawyers) and the inherent risk associated to certain services offered, compounded by the very strict nature of professional secrecy (lawyers). The ML/FT risks facing accountants are much lower since the bulk of work done by the accountants is the provision of routine accountancy services of audit, tax and accounting and only to a much less degree activities such as the management of clients' funds or related to the provisions of trust or company services.

The Real Estate industry is comprised of agents, property managers and property developers and it is not regulated. There over 1,000 unregistered and unregulated Real Estate agents in the industry. A report of the Uganda Bureau of Statistics showed that Real Estate activities grew by 6.3 percent in FY 2014/15. The GDP by contribution by the Real Estate activities in 2014 stood at UGX 3,076 billion, making it one of the most profitable business in Uganda. Many real estate transactions involve the use of cash, although the high-value transactions involving the use of other intermediaries (such as lawyers) would normally be done through banks. There is limited if any KYC/CDD performed, especially in transactions involving unregistered land. The lack of an effective central registry real estate and a large number of the properties being unregistered lead to lack of beneficial ownership identification. Another risk factor is that the value of land is easily manipulated. For example, the value of land may be deflated for purposes of hiding illicitly acquired wealth in the purchase or it may be inflated for purposes of using it as security to obtain loan facilities. Therefore, real estate is considered a popular area for launderers. The analysis suggests that proceeds of corruption and of other crimes are likely to be laundered through the real estate sector.

The high ML risk to which the lawyers are exposed is inherent to certain services they provide to their clients, and it is compounded by the strict professional secrecy, which may also hamper the effectiveness of supervision for compliance with AML/CFT requirements.

Lawyers can act as nominees for their clients, and there is no requirement to disclose that they are acting in such capacity. Although the law requires lawyers to hold client's funds in specific clients' accounts, is it not uncommon the case of lawyers holding funds of their clients pooled in their personal accounts, in their own name. Anecdotal evidence suggests that lawyers are being used for laundering of proceeds of crime or for tax evasion purposes, including through companies that do not formally exist but nevertheless transact and are operational, run by lawyers, or through lawyers' incorporation of companies in tax heavens. Anecdotal evidence also suggests that lawyers are paying bribes (disguised as fees or other types or arrangements), on behalf of their clients, to corrupt officials. The very strong legal privilege and confidentiality affect authorities' ability to extract information, the reporting of suspicious transactions, and the banks' ability to perform effectively CDD with regard to beneficial owners of funds pooled in lawyer firms' account.

A significant ML and TF risk exists for DPMS, as there has been a significant increase in illegal and informal gold mining activities in Uganda and smuggling from neighbouring countries. These activities are conducted by both local and foreign nationals (from neighbouring countries) which may result in the illicit dealing and smuggling of gold across borders with the proceeds likely to be laundered through the Ugandan financial system. The porous borders and the proximity to countries with illegal traffic of gold and other precious stones (DRC), with smuggling to or through Uganda, make it easy for cross border trading that goes on unlicensed and unrecorded. Although a process for the certification of origin of gold extracted from the region has been put in place by the countries of the region, it is at its nascent stage and the regime is not yet complete. Moreover, Uganda is not a member of the Kimberley process certification scheme concerning diamonds. Certain risks regarding PEPs in relation to precious metals and stones have also been ascertained by the analysis. PEPs may try to launder the proceeds of corruption by purchasing precious minerals and attempt to launder the proceeds generated by the illicit sale of precious minerals. Finally, some terrorist organizations operating from within the region are believed to fund themselves through the smuggling of gold.

The ML risks of casinos is medium-high, particularly because of the presence of illegal casinos and ties to high ML risk jurisdictions. There are 12 terrestrial and one online casinos licensed in Uganda by the National Lotteries and Gaming Regulatory Board. However, there is an alleged widespread presence of illegal Casinos, particularly in Kampala, with many instances in which casinos are open and shut down after a relatively short period of time, which could be an indication of ML through the investment of dirty funds in the establishment and operationalisation of the illegal casinos. The licensing requirements are not implemented evenly across the sector, and there are no fit and proper tests implemented for owners and/or managers, which is aggravated by the fact that several managers and owners are foreigners (and several from high risk jurisdictions). Risk of corruption also affects the effective

implementation of these requirements. All casinos have shares of foreign ownerships from jurisdictions of high ML risk (e.g. China, Israel, Russia), and the lack of checks on the source of funds/wealth on these individuals/company increases the risk that the paid-up capital and investments in establishing the casinos may be of illicit origin.

The ML risk for NGOs is also medium-high and it is mostly driven by the lack of supervision and the near-absence of implementation of AML/CFT requirements, rather than by vulnerabilities inherent to the types or activities of the NGOs operating in the country.

The NGO bureau estimates that approximately 12,800 NGOs are registered in Uganda of which only 3,000 NGOs are actively operating in the country. These NGOs deal in a variety of causes ranging from human rights activism, women's rights, children's rights and economic empowerment. The sector's legislation has been recently revamped, but there are still significantly capacity issues and lack of awareness, which translate in almost non-existence of AML/CFT oversight and near absence of implementation of AML/CFT measures.

Financial Inclusion

The level of financial inclusion is increasing steadily. According to the FINSCOPE Survey of 2013, 85% of the adult population in Uganda had access to and use financial service. The results indicated that, 20% of the adult population (representing 3.4 million adults) accessed and used financial services through formal regulated financial institutions, while 34% used non-bank formal service providers. On the other hand 31% (representing estimated 5.1 million adults) were using informal institutions. The survey also shows that the share of the population with access to formal financial services increased from 28% in 2009 to 54% in 2013 and that almost all of this increase was due to increased usage of mobile money services.

Both regulated and un-regulated institutions offer financial inclusion products.

Commercial banks and other supervised financial institutions such as Credit Institutions (CI) and Micro Finance Deposit Taking Institutions (MDIs) play a leading role in the provision of formal financial services to Ugandans. However, other non-bank institutions such as Savings and Credit Cooperatives (SACCOs), Village, Savings and Loans Associations (VSLAs), Mobile Money Service Providers (MMSP) and Micro Finance Institutions (MFIs) provide informal financial services to a large majority of the population in the country particularly in the rural areas.

There is some ML risk inherent to certain financial inclusion sectors/products, although the existence of an AML/CFT framework, combined with transaction thresholds can mitigate the risk of ML and reduce its magnitude, in case of abuse. All entities offering financial inclusion products are accountable persons under the Anti-Money Laundering Act, 2013. Therefore, they are required to establish an AML compliance function with competent money laundering control officers who are expected to ensure compliance with all relevant

AML requirements. However, there are issues of effective implementation. Moreover, there is currently no regulatory authority to supervise and regulate informal institutions such as SACCOs and Micro Finance Institutions (MFIs). The absence of a clear regulatory framework increases ML/TF risks for these institutions.

A Financial Inclusion Products Survey, carried out in the context of the NRA among the key financial service providers in Uganda¹⁹, shows that while certain products' features can mitigate the risk of ML, and this is not always the case for the risk of TF. Out of the ten assessed products, three products had been used to perpetrate financial crimes. Due to the existence of transaction limits and the KYC requirements, these products are not attractive for laundering large amounts of proceeds, hence the lower risk for ML. However, these transaction threshold requirements are daily, and can be by-passed for mobile phone payments, as there are no strict requirements to impede the use by one customer of multiple sim cards. Moreover, while the existence of thresholds may reduce the risk of large-scale ML, it does not necessarily do so in the case of TF, given that relatively low amounts are sufficient to fund the commission of terrorist acts. Three of the ten assessed products allow customers to send and receive money across borders. The possibility of receiving and sending money across borders exposes these products to the possibility of being used for ML/TF, however given that there are transactional limits and KYC requirements, this risk can be reduced by effective implementation of these requirements.

¹⁹ Commercial banks, credit institutions, microfinance deposit taking institutions, mobile money service providers, insurance companies and unit trust managers.

INTRODUCTION

Objectives and scope:

The National Risk Assessment (NRA) of the Money Laundering (ML) and Terrorism Financing (TF) risks was undertaken to analyze the ML threat to which Uganda is exposed and the major predicate offenses that generate larger amounts of criminal proceeds, and the level of the TF threat that the country faces. It also examined the country's ML/TF combating ability and the vulnerabilities of the financial sector as well as designated non-financial business and professions (DNFBPs) to ML and TF abuse, and financial inclusion. The NRA assessed how criminals utilize the ill-gotten funds and the methods they use to launder criminal proceeds. Furthermore, the NRA analyzed the methods with which terrorist organizations raise and move terrorist funds.

Methodology and process:

The NRA of Uganda was undertaken by a Working Group representing various government and private institutions, and coordinated by the Executive Director of the Financial Intelligence Authority (FIA). The Working Group established nine teams to cover the following areas: ML Threat, TF Threat and Vulnerability, National ML Vulnerability, Banks, Insurance, Securities, Other Financial Institutions, DNFBPs and Financial Inclusion. The teams met regularly from March to December 2016, and were in charge for the collection and analysis of data and for drafting the NRA report.

The assessment used a methodology developed by the World Bank (WB) and benefited from the additional technical assistance provided by the SUGAR project. It relied on both quantitative information (statistics, data and various reports, both domestic and international) and qualitative information, such as surveys and interviews, including with law enforcement and intelligence agencies, supervisory organs, financial and non-financial institutions, which complemented the information and data provided by the members of the Working Group, as specified further below. The teams conducted a detailed analysis of all the variables included in the WB tool, which is summarized in this report.

The role of the WB consisted in the delivery of the methodology, assistance for the use of the tool, review and comments on the NRA report, and organization of two workshops, one in March 2016 and a second in November 2016 (the first one to introduce and explain the tool and the process, the second to discuss the final findings of the NRA and the actions envisaged by the Working Group to mitigate the risks identified by the NRA). The findings and conclusions of the NRA are of the Working Group and not the World Bank's.

Sources of information and data:

Threat

The analysis of the threat was based on data from both open and closed sources, including various law enforcement forces such as Uganda Police Force (UPF), the Directorate of Public Prosecutions (DPP), the Inspectorate of Government (IG), the Financial Intelligence Authority (FIA) and Uganda Revenue Authority (URA), the Courts/judiciary. Further information was obtained from Ministry of Finance, Planning and Economic Development (MOFPED); Bank of Uganda (BOU); Uganda Bureau of Statistics (UBOS); and Uganda National Bureau of Standards (UNBS). Information was also obtained from various online sources. The analysis relied on various reports, both domestic and international (primarily international organizations). It should however be noted that the data does not cover the precise periods for the different institutions. In some instances, data from 2013 – 2014 was relied on and in other instances, data from 2010 – 2014 was used.

Terrorism and TF threat and national vulnerability

The analysis on terrorism and TF threat and national vulnerability was based both on open and classified information sources which include Intelligence and Security Agencies, Government Ministries, Departments and Agencies, media and other publications. Information was collected using research, review of open source information, group discussions, presentations from some stake holders and consultations with subject matter experts. Research focused on the financial behaviour of al-Shabaab, LRA and, the ADF. More specifically, resources included media reports, national reports and documents, transcribed statements from high-ranking government officials, international reports and publications. The desk-based review was predominantly a retrospective examination of the aforementioned groups based on document interrogation, available intelligence information and interaction with beneficiaries of Amnesty and other stakeholders (for purposes of security reservations, these discussions remain un-referenced but supplement the information that enriches the NRA report).

National Vulnerability (ML)

The assessment of the national vulnerability was conducted by analyzing primary²⁰ and secondary data²¹. Data was collected through questionnaires which were administered to individuals, institutions and agencies. These were retrieved, analyzed and results included in the NRA report. Interviews were carried out with purposive respondents, which contributed to the qualitative analysis of the variables. Interviews were coupled with group discussions which were undertaken amongst team members. Since the team is comprised of members who are

20 This involves data that the team actually received through interviews and engagements with individuals from their respective institutions.

21 This involved data from reports and other documentation through open source and any other available publications.

highly qualified and informed about the particular variables envisaged by the WB tool, they had the ability to conclusively contribute to the final rating of the particular variables. Each variable envisaged by the WB tool was handled with supporting evidence and statistics both from open source and consultations from various institutions²².

Banks

Primary data was collected from some of the commercial banks in the industry (7 Banks, 1 MDI and 1 CI) and BOU. The team focused on general aspects affecting the banking sector and various products including volumes and quantities, client profiles and usage of the products and controls around them. The Data was collected using questionnaires and excel tables. Secondary data was obtained from review of publications, and other unpublished information such as regulatory reports. The extensive experiences of the working group team members in the banking sector as well as the regulatory experience were used to come up with certain required information and judgments during the assessment

Insurance

The assessment included both quantitative and qualitative approaches in data collection²³. Questionnaires were sent out to all the 30 insurance companies. Responses were received from 22 insurance companies and a data analysis was carried out thereafter. Prior to the sending the questionnaires, the IRA and UIA trained the insurance companies with both technical and practical aspects of the questionnaire covered during the training. Secondary data was collected from various sources²⁴.

²² Information and statistics were collected from various sources including but not limited to; Directorate of Public Prosecution (DPP), Financial Intelligence Authority (FIA), Criminal Investigation Directorate (CID), Office of Auditor General (OAG), Uganda Revenue Authority (URA), Anti-Corruption Court and INTERPOL. Information was acquired from reports such as; the 2nd round Mutual Evaluation Report, Newspaper reports, Transparency international, The East African Bribery Index (trend analysis for 2010-2014), The Inspector General Reports to Parliament 2012,2013,2014 and 2015, BASEL AML index 2015 Report, World Bank second Economic Update 2013, Report on ML and TF risk as perceived by Uganda's Authorities.

²³ Useful sources of information included: Uganda Annual Insurance market report 2014; Insurance players audited accounts and regulatory returns; Uganda Bureau of statistics:2014 Statistical Abstract; The Insurance Act(Cap 213) and Insurance Regulations; Findings of a questionnaire disseminated to the industry

²⁴ Including: Uganda Annual Insurance market report 2014; Insurance players audited accounts and regulatory returns; Uganda Bureau of statistics:2014 Statistical Abstract; The Insurance Act(Cap 213) and Insurance Regulations; and other unpublished information such as the previous risk assessment report by PKF audit firm.

Securities

Secondary data was reviewed from the ESAAMLG Mutual Evaluation Report, CMA Inspection Reports, CMA Manuals, Laws and Regulations, ESAAMLG Typology on AML/CFT in the securities market and statistics from the Uganda Securities Exchange among others. The team also used a questionnaire, which was sent out to Broker Dealers, Fund Managers and the Collective Investment Schemes Managers to gather the relevant data. Due to the time constraints, a sample of 4 Broker Dealers, 4 Fund Managers, 1 Stock Exchange and 2 CIS Managers were selected

after careful consideration of their market share and the different clientele served. It should be noted that the selected sample represents more than 70% of the total turnover levels of the market as of 30th June 2016. Out of the above institutions selected, 3 institutions comprising of Broker Dealers and Fund Managers were dominant in the institutional investors segment and the other institutions comprising of Broker Dealers, Fund Manager and the CIS Manager were mainly focused on the retail category. Questionnaires and One-on-one interviews were carried out with all selected Institutions in order to obtain the required information and data.

Other Financial Institutions

The adopted methodology included both quantitative and qualitative approaches in data collection. Primary data was collected from some practitioners; in the Forex bureaus and money remittance category, 70 purposively selected Forex bureaus/money remittance companies in Kampala district were interviewed using a questionnaire. The data was collected through interviews of directors/managers at these institutions and it was analyzed using MS Excel. The Research Assistants (interviewers) were trained prior to the survey, with both technical and practical aspects of the survey covered during the training. Eight SACCOs were also surveyed in order to obtain insights about their appreciation of AML and the related concepts. The SACCOs were selected from Kampala and the neighboring suburbs. Structured interviews were also held with experts in the respective sectors, for example, the Chairman of the Money Lenders Association of Uganda, Senior Managers of an unregulated Microfinance with the participation of Executive Committee members from the Uganda Forex Bureau and Money Remittance Association. Central Bank Examiners were also a major source of information about the regulated institutions. Interviews were a key source of information for the un-regulated sector, as they were used to corroborate open source data. Secondary data was obtained from review of publications, press reports and other unpublished information such as regulatory reports. BoU publications, Statistical Abstracts by the Uganda Bureau of Statistics, reports from the Association of Microfinance Institutions in Uganda and publications from the Uganda Cooperative Alliance were some of the secondary sources of data. Open source reports about the sector were also reviewed.

DNFBPs

The assessment was carried out with the expertise of the group members who were comprised of members from the various DNFBP businesses and professions. Information was also collected from various sources (primarily structured interviews with representatives of the various sectors, and a survey in the case of accountants). Open source information such as government publications, research reports, newspaper articles etc. were also utilized in the assessment²⁵. Secondary data was retained from review of publications, press reports and other unpublished information such as regulatory reports.

Financial Inclusion

Secondary data was obtained from review of publications, press reports, regulatory reports, and other research reports like the FINSCOPE survey reports, expert information from the team members as well as unpublished information from the regulators. In addition, primary data was collected through a survey of key financial service providers using specially designed questionnaires. The information collected from primary and secondary sources was input into the World Bank, Financial Inclusion Product Risk Assessment Tool.

Charts and graphs generated were used to analyse the data and present the findings. A Financial Inclusion Products Survey 2016 was carried out covering the key financial service providers²⁶ in Uganda. The survey involved sending out written questionnaires to money laundering control officers (MLCOs) of all Commercial Banks (25), Credit Institutions (4), Micro-Finance Deposit Taking Institutions (4), Insurance Companies (4), Unit Trust Manager (2) and Mobile Money Service Providers (Telcos) (3). The survey questionnaire was complimented by phone calls to some institutions to explain to them the concept of financial inclusion in detail.

Challenges in Data Collection

The Working Group faced some challenges in the collection of the data, including:

- Lack of readily available comprehensive statistics in a number of assessment areas. Many government departments did not maintain useful and accessible databases (for example, in the case of DNFBPs; only scanty statistical information was available for the unregulated sectors, such as money lenders and SACCOs).
- The unavailability of statistics according to the classification required by the WB assessment tool/methodology. For example, the numbers of individuals convicted in

25 <http://www.casinocitytimes.com/news/article/five-arrested-over-fraud-150722>
<https://www.fbi.gov/pittsburgh/press-releases/2015/four-charged-in-international-uganda-based-cyber-counterfeiting-scheme> <http://www.ipsnews.net/2016/03/repressive-ngo-act/>
<https://www.theguardian.com/global-development-professionals-network/2016/jan/13/ugandan-victims-still-fighting-for-compensation-years-late-cowe> <http://www.ugandangodirectory.org/>

26 *Commercial banks, credit institutions, microfinance deposit taking institutions, mobile money service providers, insurance companies and unit trust managers.*

corruption cases vis-à-vis the number of cases prosecuted, as not all LEAs maintain this information. Or for the the systems available with the Broker Dealers, which are mainly for trading purpose (hence the data available could not be directly mapped with the requirement of conducting the assessment).

- In some cases respondents were hesitant to share their information (banks and other financial institutions) or did not want to be identified for fear of reprisal (some DNFBPs).

In these cases, the Working Group generally relied on structured interviews and secondary data sources, as well as on the operational experience of the members of the teams.

MONEY-LAUNDERING THREAT ANALYSIS

3.1 Introduction

The ML threat analysis was conducted by the Threat Assessment Team²⁷ and was based on statistics and information provided by these and other institutions as well as publicly available information²⁸. In instances where data was unavailable or difficult to collate, the analysis borrowed from experiences of the members of the team.

The ML threat analysis considered the most prevalent predicate offences, their trends and patterns. The predicate offences were broadly divided into 2 categories. First is the *domestic threat* which comprises proceeds generated by predicate offences committed in Uganda. It should be noted that there are also predicate offences committed in Uganda, whose proceeds are laundered outside Uganda and, therefore, are considered to be of a hybrid nature. These crimes have been considered by the analysis under the domestic threat.

Second is the *external threat* which is comprised of predicate offences committed outside Uganda and the proceeds laundered in or through Uganda.

Data was collated basing on the number of reported cases, prosecutions and convictions. Where further data was available, the analysis also considered the value in both Uganda shillings (UGX) and the corresponding United States dollar (USD) amount based on the rate of January 2016.

27 The team comprised officers from the Inspectorate of Government (IG), the Directorate of Public Prosecutions (DPP), Uganda Revenue Authority (URA), Uganda Police Force (UPF), Ministry of Finance, Planning and Economic Development (MOFPED) and the Financial Intelligence Authority (FIA).

- 28 Mutual Evaluation Report (2016)
- US Department of State Money Laundering assessment (INCSR), 2015
- OSAC Crime and Safety Report on Uganda (2015)
- Uganda Inspectorate of Government - 2014 Report Tracking Corruption Trends in Uganda: using the Data Tracking Mechanism
- Transparency International 2015 Corruption Perception Index
- Cybercrime Barometer (2014)
- UNODC, transnational organized crime in Africa, – A Threat Assessment, September 2013
- UNODC, Organized Crime and Instability in Central Africa – A Threat Assessment (October 2011)
- UN Final Report of the Group of Experts on the Democratic Republic of the Congo (from 2010-2015)
- US State Department Report on Trafficking in persons (2014)
- UNODC – The Globalization of crime – A transnational organized crime threat assessment, 2010
- Global Financial Integrity – Illicit Financial Flows from Developing Countries: 2004-2013

3.2. Overall ML threat

Figure 1 - Overall money laundering risk as a combination of threat and vulnerability

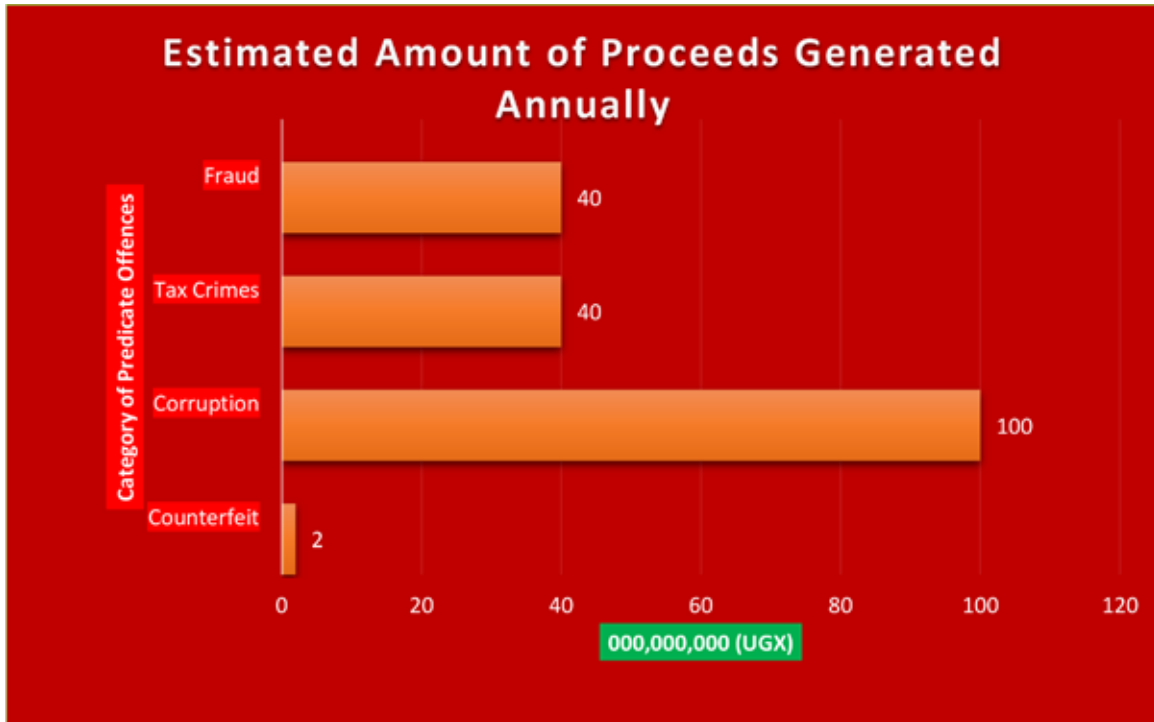
OVERALL MONEY LAUNDERING RISK IN THE JURISDICTION						
Overall Threat	H	M	M	MH	<ul style="list-style-type: none"> • Money Remitters • Casinos • Dealers in precious Metals 	<ul style="list-style-type: none"> • Forex Bureau • Real Estates • Lawyers
	MH	M	M	OFIs	MH	<ul style="list-style-type: none"> • Banking
	M	ML	M	M	<ul style="list-style-type: none"> • Insurance 	MH
	ML	ML	ML	<ul style="list-style-type: none"> • Securities • Accountants 	<ul style="list-style-type: none"> • NGOs 	M
	L	M	ML	ML	M	M
		L	ML	M	MH	H
Overall Vulnerability						

ML threat by predicate offence: identification of the main generating-proceeds crimes

This analysis considered predicate offences from two aspects. The first aspect was those predicate offences that are a **domestic threat**; including fraud, tax crimes, corruption and counterfeiting. The second aspect was those that are an external threat or that have a transnational character such as human and drug trafficking, smuggling and wildlife offences. The analysis considered, on the one hand, the most proceed-generating crimes (based on data and estimates) and, on the other, the most reported crimes (that is, the crimes that have been detected).

The table below indicates the estimated proceeds generated annually from the categories of domestic predicate offences. It should be noted that this merely an estimate based on anecdotal information and experiences of the team

Table..... Estimated proceeds generated annually from the categories of domestic predicate offences



At domestic level, the most proceed-generating predicate offences are ²⁹: corruption (based on the Anti-Corruption Act, 2009 and including embezzlement, diversion of public funds, bribery, causing financial loss etc.), fraud (cybercrime, obtaining money by false pretences, visa fraud, identity theft, pyramid schemes etc.), tax crimes (tax evasion and tax fraud), , and counterfeiting of goods. At external/trans-national level the most proceed-generating predicate offences are: drug trafficking, human trafficking, smuggling and wildlife offences, as well as some elements of tax evasion.

It is interesting to note that the largest numbers of reported/detected cases concern fraud (Uganda Police Force statistics), tax crimes (Uganda Revenue Authority statistics) and corruption (UPF, Directorate of Public Prosecutions, Inspectorate of Government statistics). This difference can be explained by the fact that in many instances corruption (such as the paying of a bribe to access services) is considered as a way of life and therefore often goes without being reported. The team was of the considered opinion that the number of reported corruption cases is far below the instances of corruption and that corruption could possibly rank highest in terms of proceed-generating crimes.

²⁹ The analysis was based on predicate offences which were considered to be the most proceeds-generating. It should therefore be noted that this is not an exhaustive list of predicate offences.

TableNumber of investigations, prosecutions and convictions for most significant proceed-generating offences ³⁰

Predicate Offence	Investigated or Detected	Prosecutions	Convictions
Corruption	9,334	750	269
Fraud	41,720	29	12
Human Trafficking	156	33	2
Smuggling	3,205	33	9
Tax Crimes	14,656	11	13

Statistics on Predicate Offences

		2010	2011	2012	2013	2014	Total
Corruption Reported	IG	2,082	2,333	2,518	2,876	2,899	12,708
Corruption Prosecuted	IG	47	82	46	29	34	238
Corruption Reported	UPF	293	150	214	413	458	1,528
Corruption Prosecuted	DPP	81	141	94	118	213	647
Tax Crimes Prosecuted	URA	7	9	24	8	17	65
Tax Crimes Seizures	URA	99	4,930	3,755	3,874	5,203	17,861
Economic Crimes Reported	UPF	10,988	9,574	11,006	9,998	9,025	50,591
Narcotics Reported	UPF	871	1,563	1,584	1,380	1,487	6,885
Narcotics Prosecuted	UPF	729	1,341	1,584			3,654
Human Trafficking Reported	UPF				159	105	264
Human Trafficking Prosecuted	UPF				43		43

The tax crimes resulted into total recoveries from cases involving smuggling and tax evasion of UGX 11,857,525,656 and UGX 161,971,518,633 respectively as well as 35 prosecutions from smuggling cases and 13 prosecutions from tax evasion cases.

Economic Crimes include both fraud and private sector corruption. Corruption within government is indicated under UPF corruption and IG corruption cases.

At domestic level, the threat is compounded by Uganda's significant informal cash based economy: a lot of financial transactions are settled using cash, which poses additional ML threat³¹. The external threat is aggravated by porous borders with Sudan, Kenya, Tanzania, and the Democratic Republic of Congo, which render Uganda a soft target for laundering or transit of laundered funds.³²

30 Statistics for 2010/11 – 2014/15. These statistics were compiled from UPF, DPP, IG, and URA. UWA was also able to provide statistics for the year 2014.

31 Source: 2016 Mutual Evaluation Report

32 Source: 2015 US Department of State Money Laundering assessment (INCSR).

3.3 Domestic threat

Money Laundering Cases³³

Status of Suspicious transaction reports (2015)

Total Reported STRs	309		
Status	Number	Percentage	
Disseminated	54	17.5%	
Closed	64	20.7%	
Work in Progress	191	61.8%	
Total	309	100.0%	
Breakdown of STRs by Entity Disseminated to			
	Entity	Number	Percentage
1	Uganda Revenue Authority	26	48.1%
2	Police CIID	26	48.1%
3	Inspectorate of Government	2	3.7%
	Total	54	100.0%

Status of Suspicious transaction reports (January-June 2016)

No.	Status	Number
1	Received	92
2	Closed	18
3	Disseminated	18

1. Breakdown of STRs by Entity Disseminated to

No.	Institution	Number
1	Inspectorate of Government	5
2	Uganda Revenue Authority	11
3	Uganda Police (CID)	2
	Total	18

³³ This information is for the period 2014 – 2016 as obtained from the DPP where the 3 ML cases are being prosecuted. Further particulars in Module 1B.

TABULATION OF SOME OF THE ANTI-MONEY LAUNDERING CASES REPORTED TO CID HQS KLA

S/ No	REF:	COMPLAINANT	AMOUNT INVOLVED	SUSPECT/ ENTITIES	CURRENT STATUS
1	CIID HQS E056/2015. GEF: 931/2014	UNITED BANK FOR AFRICA	Approximately 5Bn UGX	OBAMAS AND 17 OTHERS	18 People Charged at Anti- Corruption Court but the Charge was withdrawn by DPP for lack of adequate evidence to convict accused.
2	CIID HQs GEF 051/2015.	POST BANK UGANDA LTD.	USD 22,204	ADONG MARGARET	Under Inquiries
3	CPS KLA CRB 904/2014	KCB BANK	400 Million UGX	SERWADA DANIEL	File with Attorney General. Case was filled in May 2014 prior to establishment of FIA.
4	CIID HQs GEF 263/2015.	DIAMOND TRUST BANK.	USD 80,000.00	M/S VALSE INVESTMENT AND CONSULTANCY	Under Inquiries
5	CIID HQs GEF 226/2015.	KCB Bank (U) Ltd	KCB (U) LTD established that their employee Ms. Gorgeous Kasangaki and her son, being proprietors of a Company called Tulsa Investments Ltd had joint account number 220184161at the same Bank and had large transfer of other account holders funds from the same Bank into their account and another in KCB South Sudan to the tune of Billions.	Ms. Georgeous Kasangaki c/o KCB Bank.(Tulsa Investments Ltd)	Under Inquiries

6	CIID HQS GEF 229/2015	KCB Bank (U) Ltd.	During the Month of March 2015, KCB Bank intercepted a suspicious payment file directed to transfer funds from Local Government accounts. The matter was reported at the Directorate of CIID for appropriate action.	BENON KASENENE	Communicated to Ministry of Finance for Forensic Audit. Waiting for the Report
7	CID Hqs GEF 476/2015	Post Bank Kampala.	USD 3,070.00	Elingiwiriasemo Temu	Under Inquiries
8	SID GEF/389 /2014	DFCU Bank	14,500,000/=	KALULE ISMAIL	Alleged Terrorism Financing. Suspect Kalule Ismail was charged for the Terrorism and Murder in the 2010 Terror attack where 76 people were killed at Kyadondo Rugby Grounds. He was acquitted but immediately re- arrested and was is currently on other Terrorism related charges

This information is for the period 2014 – 2016 as obtained from the DPP where the 3 ML cases are being prosecuted.

SN.	Investigations 6 (excluding those under prosecution)	Prosecutions 3	Acquittals 0	Convictions 0
1	CIID HQS GEF 051/2015	HQS-CO-0786-2014	0	0
2	CPS KLA CRB 904/2014	ACD-CO-004-2015	0	0
3	CIID HQS GEF 263/2015.	TOR-CO-0403-2014	0	0
4	CIID HQS GEF 226/2015.		0	0
5	CIID HQS GEF 229/2015			
6	CID Hqs GEF 476/2015			

Case Summaries

1. HQS-CO-0786-2014

The accused persons were merchants of a commercial bank who were supposed to honour transactions by their clients involving use of debit cards. It was discovered that they were performing transactions which could not have been on behalf of the customers as various cards were being used simultaneously in different jurisdictions.

2. ACD-CO-004-2015

The accused persons were found to be authorising withdrawals from accounts of people who were not the authorised signatories of these accounts. They then obtained the assistance of other individuals to assist in laundering the stolen funds.

3. TOR-CO-0403-2014

The accused persons are said to have been selling shares of their mother company and remitting the funds to their personal accounts instead of company account.

In order of the magnitude, the domestic threat is dominated by 4 categories of predicate offences; fraud, tax evasion, corruption and counterfeiting. This is shown also by the statistics on STRs disseminated to law enforcement and by the ML cases that are currently being investigated

(a) Corruption, Threat Rating – High

Corruption is widespread and may possibly be the biggest proceed-generating category of offences. However for reasons explained earlier in this report, the reported cases are far less than the instances of corruption.

Primarily embezzlement and diversion of government funds are the main proceeds generating crimes with regard to corruption. Funds are embezzled or diverted to the personal interests of the offenders through outright theft, mis-allocation, diversion to a wrongful purpose of interest to the offender etc.

UPF reported a 10.8% increase in corruption cases from 2013 – 2014.³⁴ Of these, the most forms of corruption were reported to be embezzlement and causing financial loss.

Between 2010 and 2014, over 9,000 cases of corruption were reported to LEAs and over UGX 4,000,000,000 (USD 1,176,470) was recovered through refunds and court process.

34 2014 Annual Crime and Road Safety Report

Uganda ranks 139 out of 165 in the 2015 *Transparency International Corruption Perception Index*. According to the 2014 Report, *Tracking Corruption Trends in Uganda: using the Data Tracking Mechanism*, by the Inspectorate of Government, the estimated amounts paid in bribes in 2013 is of UGX 165,000,000,000 (one hundred, sixty five billion) (USD 49,600,000). In Uganda, the public perception is that corruption is heavily entrenched in society. The 2014 nationwide survey on governance, undertaken in 2013, showed that at least eight of every ten Ugandans believe that corruption is a serious problem in the country. The number of new complaints received or initiated by anti-corruption institutions has steadily increased. For instance, the total number of new complaints received by the IG increased by more than 30 percent from 2010 (when, 1,566 cases were received) to 2014.³⁵

3 Cases involving diversion of funds prosecuted by the IG

Uganda Vs Nyeko Wilfred (CDO Pader - Criminal Case No. 179/2010- diverted money for bicycles worth over 100,000,000/= and later during investigation returned it and procured the bicycles, however court found that the offence had already been committed and he was convicted.

Uganda Vs Wanyaka Samuel Huxley-Criminal Case No. 024/2014....the Director Budget office, Parliament of Uganda received UGX 822,965,000/= in his bank account to conduct service delivery surveys all over Uganda and he filed very impressive accountabilities for no work done. High Court sent him to jail for 10 years for embezzlement, abuse of office and false accounting and ordered him to refund the money.

Uganda Vs Nicholas Obwolo—criminal Case Number 0035/2015---The Alebtong Procurement officer forged procurement documents and inflated the amount of money for purchase of Double Cabin Hilux for the District from 120,000,000/= to 180,000,000. His intent was therefore to pass off the documents as though the same were approved by the Procurement Committee whereas not

(b) Fraud/Economic Crimes, Threat Rating - High

Between 2010 and 2014, UPF received over 41,000 fraud reports.³⁶ These include cyber-crime, obtaining money by false pretence, visa fraud, identity theft, pyramid schemes among others. Between 2013 and 2014, cybercrime cases more than doubled. The number of prosecutions and convictions in this regard is very low as a result of private settlements between victims and the offenders, lack of cooperation from witnesses, highly inadequate numbers of investigators and prosecutors and insufficient funding.

³⁵ Inspectorate of Government, 2014 Report "Tracking Corruption Trends in Uganda: using the Data Tracking Mechanism".

³⁶ UPF Annual Crime and Road Safety Reports, 2010 – 2014

The 2015 Crime and Safety Report by Overseas Security Advisory Council on Uganda states that there has been an increase in financial fraud cases involving credit cards, personal checks, and counterfeiting. Skimming, which is a practice of capturing personal identification information from ATM terminals, has increased in the region recently. One of the largest fraud cases involved six ex-employees of MTN, who were charged with defrauding the company of **UGX 10,000,000,000 (USD 3,400,000)**,³⁷ by creating and stealing e-money that was not backed by physical cash in MTN's bank account³⁸.

As per the Uganda Police Annual Crime and Road Safety Report of 2012 a total of 62 cases were reported and investigated in which about UGX 1,500,000,000 (USD 579,000) was lost through hacking victims mails among other means. Between the month of August and November 2014 only, mobile money frauds caused a loss of over UGX 207,000,000 (USD 80,000) to the users. Within the same year, ATM/VISA frauds led to a loss of over UGX 1,200,000,000 (USD 460,000) from over 700 victims by use of scheming devices installed onto ATMs located in Kampala and other areas. Cyber-crimes reported in 2013 were 45 cases compared to 62 cases in 2012. However, these resulted into a loss of about UGX 18,100,000,000 (USD 7,000,000). This implies that more grave losses were made subsequently despite the reduction in reported cases. The crimes included Electronic frauds, Phishing (password harvesting), Email hacking, mobile money frauds, SIM Card swapping and ATM/VISA frauds among others³⁹.

(c) Tax crimes⁴⁰, Threat Rating – High

Tax crimes rank the 2nd highest proceeds generating crimes after fraud. In particular, mis-invoicing (either through under declarations or false declaration) of goods shipped appears to be significant in this regard. The Tax Investigations Department has also been instrumental in investigating tax fraud leading to prosecutions.

Below is a summary of Customs interventions as well as investigations into domestic tax fraud.

37 <http://www.cgap.org/blog/fraud-uganda-how-millions-were-lost-internal-collusion>

38 At one point, [audit reports revealed](#) that the discrepancy totaled **146 billion UGX**, roughly \$50 million, in falsely created e-money.

39 CYBERCRIME BAROMETER, A UGANDA POLICE CENTENARY PLUS AWARENESS CAMPAIGN PAPER.

40 Tax evasion and tax fraud

TABLE 1: CUSTOMS ENFORCEMENT INTERVENTIONS AND DOMESTIC TAXES INVESTIGATIONS

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Outright Smuggling (UGX- Bn)	2.741	2.588	3.000	3.527	4.216	4.770
Under Valuation (UGX- Bn)	3.063	2.972	7.960	8.589	10.379	11.710
Misdeclaration (UGX- Bn)	3.955	4.166	5.305	6.402	9.097	0
Other Offences (UGX)	1.247	2.123	2.889	4.504	4.890	5.500
Concealment (UGX- Bn)					0.434	0.837
Seizures (Number)	4,870	3,737	3,854	5,149	5,790	5,646
Seizures (UGX)	11.008	11.851	19.154	23.023	29.018	37.620

Sources: URA Databases (Customs enforcement report)

On the overall, recoveries made under the areas of Outright Smuggling, Under Valuation, Mis-declaration and Concealment have gradually increased during the periods July 2010 to June 2016.

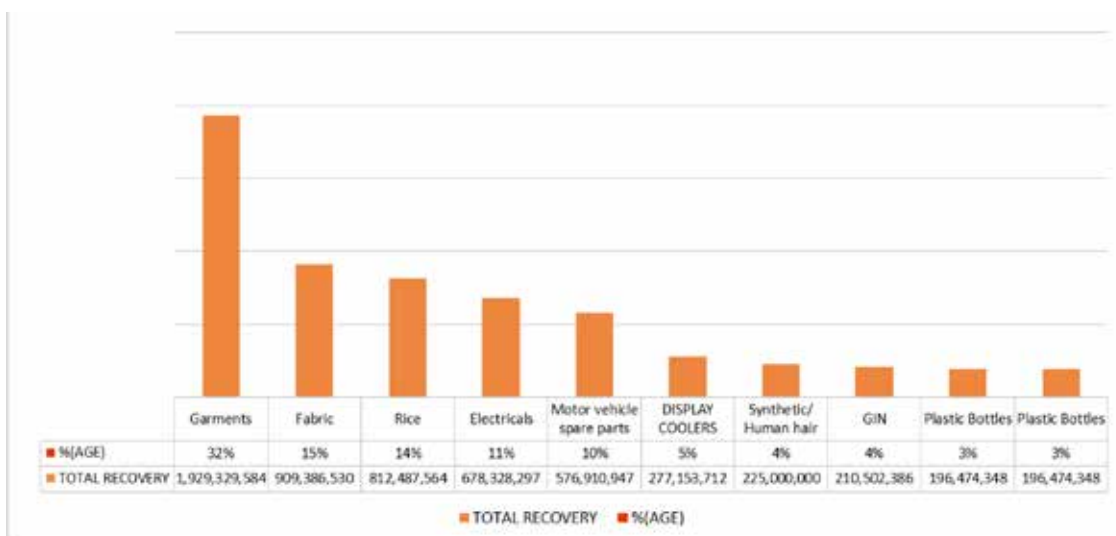
Number of seizures increased from 4,870 during the 2010/11 period **to** 5,646 during the 2015/16 financial year

3.4 Risky Items Seized

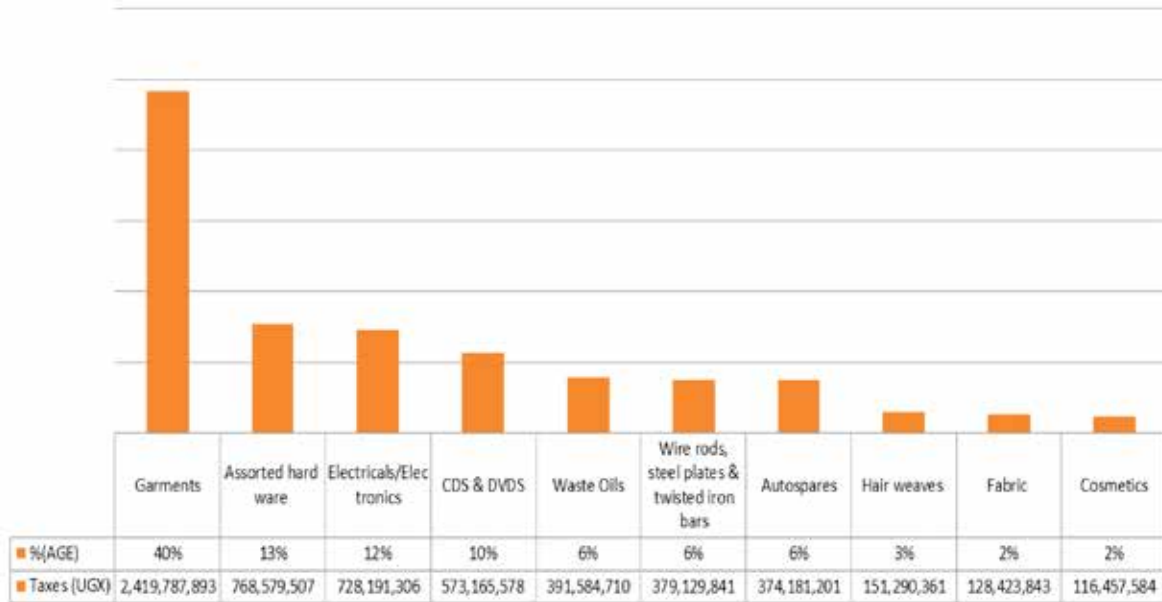
2015/16

The top risky items included assorted items and garments, Footwear, Bed sheets, Motor vehicles, Motor vehicle spares, Hardware items, Motor cycles, Motorcycle spares and fishing nets

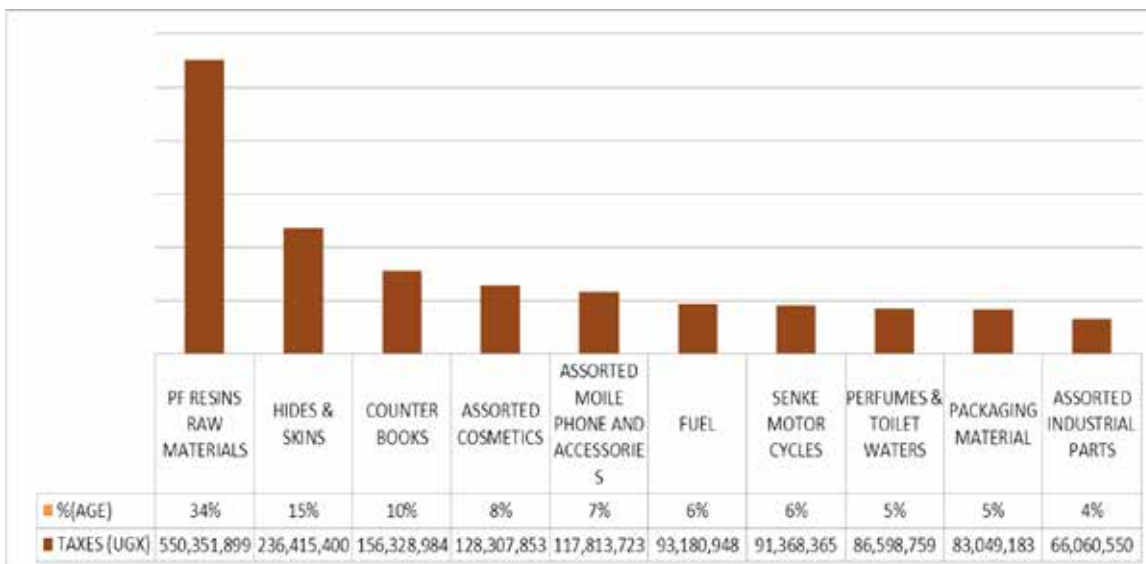
2013/14



2012/13



2011/12



A study published by Global Financial Integrity in May 2014⁴¹ over the period 2002-2011 for Uganda, shows that the mis-invoicing of imports is by far the primary method through which capital is illicitly transferred out of the country. The under-invoicing of exports totals UGX 887,400,000,000 (USD 261,000,000), piling in comparison to cumulative import over-invoicing of UGX 27,200,000,000,000 (USD 8,130,000,000) (\$813 million per year on average).

Table 7. Uganda: Trade Misinvoicing Vis-à-Vis the World, 2002–2011
(in millions of U.S. dollars) 1/

Year	Export Misinvoicing		Import Misinvoicing		Illicit Outflows (A+D)	Illicit Inflows (C+B)	Gross Illicit Flows	GDP	Total Trade	Total ODA	Gross flows as percent of GDP	Gross flows as percent of Trade	Gross flows as percent of ODA
	Under-Invoicing (A)	Over-Invoicing (B)	Under-Invoicing (C)	Over-Invoicing (D)									
2002	0	-13	0	275	275	13	288	6,200	1,534	725	4.65%	18.77%	61.69%
2003	69	0	0	326	395	0	395	6,300	1,938	998	6.27%	20.38%	67.13%
2004	0	-30	0	353	353	30	383	7,900	2,492	1,216	4.85%	15.37%	55.88%
2005	0	0	0	445	445	0	445	9,200	3,065	1,192	4.84%	14.52%	64.26%
2006	0	-8	0	641	641	8	649	10,000	3,745	1,586	6.49%	17.33%	68.97%
2007	16	0	0	813	829	0	829	11,900	5,496	1,737	6.97%	15.08%	82.45%
2008	0	-142	0	1,282	1,282	142	1,424	14,440	7,237	1,641	9.86%	19.68%	141.14%
2009	47	0	0	1,112	1,159	0	1,159	15,800	7,251	1,785	7.34%	15.98%	113.99%
2010	129	0	0	1,134	1,263	0	1,263	17,200	7,805	1,723	7.34%	16.18%	121.88%
2011	0	-264	0	1,745	1,745	264	2,009	16,810	6,996	1,582	11.95%	28.72%	201.97%
Average	26	-46	0	813	839	46	884	11,575	4,756	1,419	7.05%	18.20%	97.94%
Cumulative	261	-457	0	8,126	8,387	457	8,844	115,750	47,560	14,187

1/ Outflows (export under-invoicing and import over-invoicing) have a positive sign whereas inflows (export over-invoicing and import under-invoicing) have a negative sign. Estimates of misinvoicing are based on export and import of commodities reported by all member countries to the United Nations for publication in the Commodity Trade database (UN Comtrade). Capital flows due to trade in services are not included in the above estimates.

(Source: Global Financial Integrity)

(d) Counterfeiting, Threat rating: Medium

Anecdotal evidence suggests that East Africa loses over Shs1.3 trillion—an equivalent of \$500 million—in revenue annually from counterfeited goods⁴². In 2014, a regional operation coordinated by Interpol to curb counterfeiting was stated to have the objective of enlightening local law enforcement and the public at large of the dangers of substandard goods being sold on the market⁴³.

41 *Hiding in Plain Sight- Trade Mis-invoicing and the Impact of Revenue Loss in Ghana, Kenya, Mozambique, Tanzania, and Uganda: 2002-2011.*

42 <http://www.monitor.co.ug/Business/Prosper/EA-loses-huge-sums-of-money-in-counterfeit-products/688616-1558452-lpkffrz/index.html>

43 <http://www.chimpreports.com/23729-interpol-seizes-dangerous-fake-goods-in-uganda>; <http://www.monitor.co.ug/Business/Prosper/EA-loses-huge-sums-of-money-in-counterfeit-products/688616-1558452-lpkffrz/index.html>.

Anecdotal evidence also pointed to instances where counterfeit goods and products are released because they pass the quality standard set by the Uganda National Bureau of Standards.⁴⁴ The intellectual property aspect of counterfeiting is not criminalized at the moment in Uganda; the sanctions for production of or trading in substandard counterfeits are not deterrent enough and the confiscation and destruction of goods is rarely done, all of which hinder the efficacy of policing counterfeiting goods.

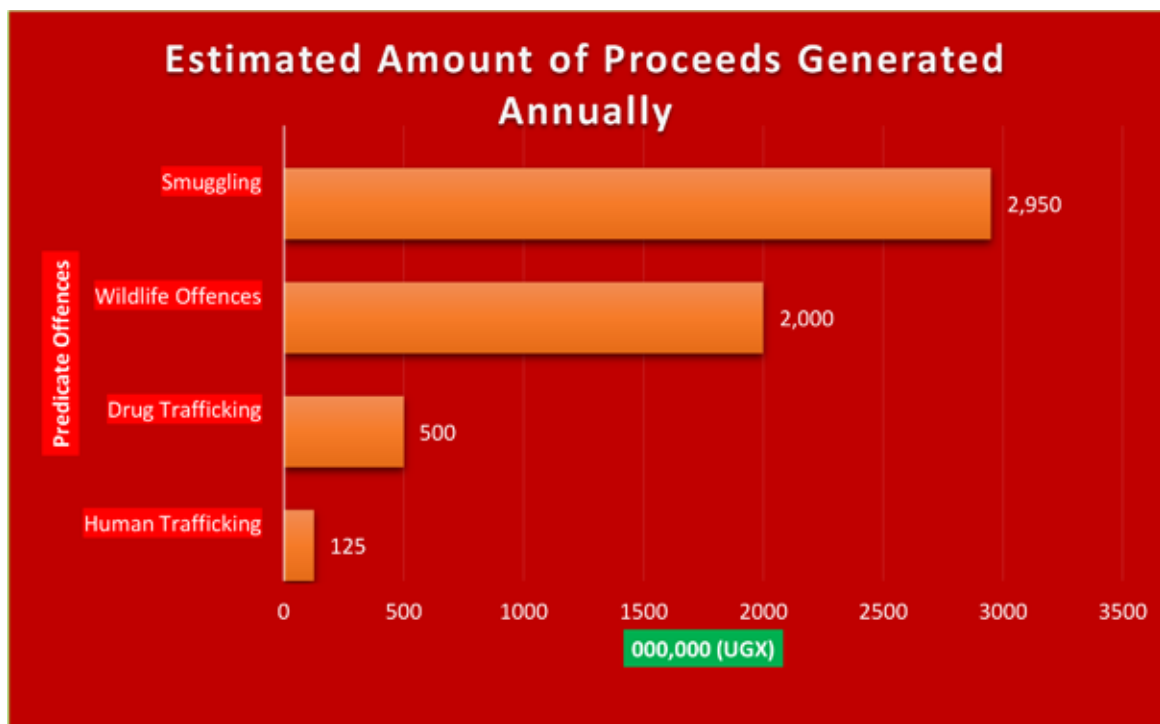
Since 2010, the Government of Uganda has been trying to enact the Anti-Counterfeiting Bill to address the inadequacies in the law, the latest tabling being in 2015⁴⁵.

Counterfeiting has been noted to be on an increase among proceeds generating crimes. Between 2013 and 2014, Uganda Police Force reported over 3,000 cases of counterfeiting especially in regards to cosmetics and alcohol.⁴⁶

Commonly counterfeited products in Uganda include cosmetics, tyres and vehicle spare parts, electronics, wines and spirits, foods and beverages among others. .

3.5. External Threat

The external threat is mainly dominated by predicate offences linked to smuggling, wildlife offences, drug trafficking and human trafficking. The table below indicates estimates of proceeds generated annually by the most relevant predicate offences.



⁴⁴ <http://www.theeastafrican.co.ke/business/Uganda-unveils-new-manual-on-prosecuting-counterfeits/2560-1696026-item-0-l4k1f6/index.html>.

⁴⁵ <http://parliamentwatch.ug/wp-content/uploads/2015/11/Anti-Counterfeiting-Bill-2015.pdf>.

⁴⁶

(a) Smuggling of Precious Metals and Gems, Threat Rating – Medium High

Smuggling of gold, and, to a lesser degree, of diamonds, are also a significant source of proceeds. According to the 2011 UNODC threat assessment of organized crime in Central Africa, most of the gold is smuggled from Eastern DRC and Central African Republic, through Uganda⁴⁷ and other countries, to UAE, India, Lebanon and South Sudan. The estimate volume ranges between 12 to 40 tons per year, and the estimated value at destination between US\$ 120 million and 1 billion per year. The UN *Final Report of the Group of Experts on the Democratic Republic of the Congo*, states that at least 80 per cent of mineral traders in Bunia, the capital of the gold-rich Ituri district in Orientale province of DRC, sell their gold to Kampala. The gold mined in North Kivu is also smuggled predominantly into Uganda. Gold traders in Butembo, North Kivu are known to travel regularly to Kampala and Dubai to sell gold, transporting their gold on commercial flights or via road to Uganda. The report states that many of these businessmen are linked and their networks are orchestrating laundering and smuggling of gold by road to Kampala and by air through Entebbe to Dubai. Rwanda and Uganda have also both been named in connection with the flow of illicit diamonds out of countries in the region, notably from the DRC⁴⁸.

Timber is smuggled from DRC into Uganda. According to the 2011 UNODC threat assessment of Organized Crime in Central Africa the volume of smuggled timber from DRC in neighbouring countries amount to 50,000 cubic meters per year, with a US\$ 30 million value at destination per year. According to the report, the majority of timber is transported over land, the destination for about half of this is Kampala. The wood is purchased because Ugandan forests have been depleted and because it is cheaper than alternatives. Most of the rest continues on to Kenya, particularly Nairobi, or to Rwanda. The volume of sawn timber declared as imports by Uganda is negligible – on the order of 1,000 cubic meters per year. This implies that much of the timber trade to Uganda is illegal.

(b) Wildlife Offences, Threat Rating – Medium High

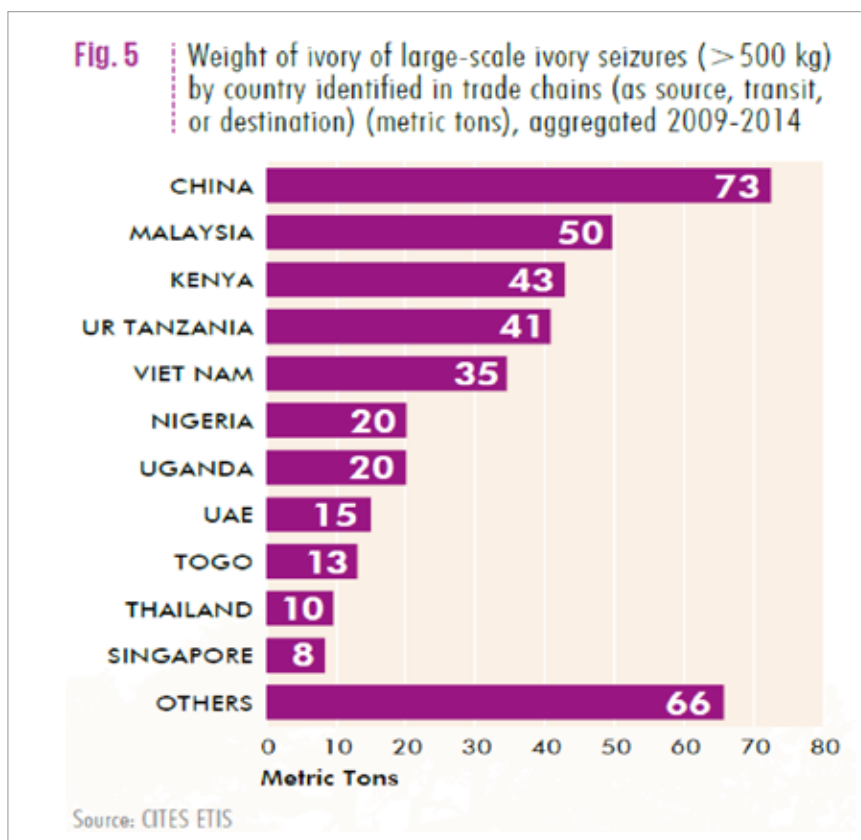
Uganda is estimated to lose about UGX 2,000,000,000 (USD 588,235,000) annually in wildlife offences ranging from commercial poaching to hunting for daily subsistence.

Wildlife offences in Uganda are not only aimed at generating proceeds but also influenced by daily subsistence needs, culture and traditions and other factors. This is evidenced by the fact that the main wildlife crime in Uganda is bush meat hunting which was found to be prevalent in 20 out of 23 protected areas in the country.⁴⁹

47 The "UN Final Report of the Group of Experts on the Democratic Republic of the Congo" noted that gold continued to be smuggled from the Democratic Republic of the Congo to Uganda and smuggled gold continued to be purchased by Kampala-based businessmen, including the directors of sanctioned entities Uganda Commercial Impex (UCI) and Machanga Limited.

48 UNODC, *Organized Crime and Instability in Central Africa – A Threat Assessment* (October 2011).
49 (2015) *Wildlife crime: a review of the evidence on drivers and impacts in Uganda*. IIED Research Report, London

Uganda serves mainly as a transit country for wildlife trafficking (ivory)⁵⁰. In February 2016, 5 Vietnamese nationals were convicted in Entebbe, Uganda for attempting to smuggle 36kgs of ivory via Entebbe International Airport. This was valued at over USD 100,000 (one hundred thousand dollars). Many Central African countries have unregulated domestic ivory markets, including the DRC, Republic of the Congo, Central African Republic, Chad, and Cameroon. Ivory bought at these markets may be trafficked through road and air links to Uganda and onward from there for processing and export.⁵¹Based on estimates, there are at least 140,000 elephants in Eastern Africa today, or about one-third of the continental population. An estimated 73% of these are located in the United Republic of Tanzania, and adding in populations in Kenya, South Sudan, and Uganda would cover 99%. These four countries are the source of most of the illicit ivory harvested in the region, but Uganda accounts only for 2%.



On the commercial side, ivory poaching statistics although still low are reported to be on the increase. It is reported to be the most profitable wildlife offence in Uganda.

It is however worth noting that in December 2015, the government of Uganda represented by the Uganda Revenue Authority and the Uganda Wildlife Authority signed an MOU with UNODC making Uganda party to the Contained Control Programme (CCP), which is aimed at curbing the illegal shipment of goods.

⁵⁰ UNODC, *World Wildlife Crime Report (May 2016)*

⁵¹ UNODC, *transnational organized crime in Africa, a threat assessment (September 2013)*

(c) Drug Trafficking, Threat Rating – Medium High

Predicate Offence	LEA	2010	2011	2012	2013	2014	Total
Narcotics Reported	UPF	871	1,563	1,584	1,380	1,487	6,885
Narcotics Prosecuted	UPF	729	1,341	1,584			3,654

The 2014 Annual Crime and Road Safety Report indicates that Uganda is primarily a transit country for narcotics and psychotropic substances especially cocaine and heroin. The report indicates that these substances originate mainly from eastern Asian countries and are transited through Uganda to other Africa countries, Europe and America.

According to the United Nations Office on Drugs and Crime, East Africa is a conduit for cocaine, heroin and cannabis among others en route to South Africa, United States and Western Europe⁵².

The Police have also noted that Uganda is also a transit country for drugs to Kenya and Tanzania. They are transported via air, road and water travel.⁵³

Between 2010 and 2014, the police reported over 2,800 cases of drug trafficking. In 2014, 1,487 cases were reported and investigated compared to 1,380 cases in 2013 reflecting a 7.7% increase. A total of 2,492 males and 90 females were arrested and charged in court. A total of Cocaine seized was 67.7 kilograms, Cannabis Herbal 1,110.98 kilograms seized, and Cannabis plants destroyed were 152 acres.

The 2011 UNODC threat assessment of organized crime in Central Africa estimates at 200 tons per year the production of cannabis (mainly from the Eastern DRC provinces of North and South Kivu, Orientale), with a US\$ 3 million value at destination per year. The report states that Tanzania, Uganda and the DRC are recognized as major exporters of cannabis to the region, but that field research indicates that some of the cannabis thought to be originating in Uganda is in fact Congolese, with Uganda acting as a transit country. The 2013 UNODC threat assessment of transnational organized crime in Africa points to Tanzanian traffickers as being behind much of the heroin entering the region by air, and that, according to law enforcement authorities, some of these Tanzanian nationals are based in Kenya and Uganda.

Within Uganda, cannabis is commonly grown and consumed in various parts of the country. As early as 2009, reports indicated that cannabis and heroin were being trafficked through Entebbe International Airport. Africa is a major source of cannabis seized in Europe and Uganda in particular is a major producer.⁵⁴ Also in Kampala specifically within Kabalagala area, drug consumption is rampant. According to police sources, drug dealers when arrested simply plead guilty, pay a fine of UGX 1,000,000 (USD 300) and go back to the same business.

52 *Drug Trafficking Patterns to and from Eastern Africa, UNODC*

53 <http://observer.ug/viewpoint/interview/25464-uganda-now-drug-hub-admits-police>

54 *Laundering the Proceeds of Illicit Trafficking in Narcotic Drugs and Psychotropic Substances (ESAAMLG Region), 8th September, 2011*

Nonetheless, the police are working towards rehabilitating many of these users including recruiting them into local football teams.⁵⁵

There are no readily available records of drug trafficking prosecutions/cases. The reason can be discerned from the two publications:

- a. Prior to the enactment of the Narcotic and Psychotropic Substances (Control) Act, 2015 ([http://www.parliament.go.ug/new/images/stories/acts/2015/Narcotic%20Drugs%20and%20Psychotropic%20Substances%20\(control\)%20Act%202015.pdf](http://www.parliament.go.ug/new/images/stories/acts/2015/Narcotic%20Drugs%20and%20Psychotropic%20Substances%20(control)%20Act%202015.pdf)), offenders were charged under the Penal Code Act, whose provisions were inadequate and ineffective, meaning the accused would plead guilty, pay the fine and return to his trade.
- b. The above meant that they were always charged before Magistrates Courts, which are not courts of record in Uganda (the cases decided in these courts are not reported).

Challenges in curbing this included insufficient trained personnel, inadequate equipment and corruption⁵⁶.

(e) Human Trafficking, Threat Rating – Medium

Predicate Offence	LEA	2010	2011	2012	2013	2014	Total
Human Trafficking Reported	UPF		64	97	159	105	425
Human Trafficking Prosecutions	UPF				43		43

Data on human trafficking indicates that Uganda is both a source and a destination country for trafficked persons.⁵⁷ Uganda was noted to be a destination for trafficking victims from Somalia, Rwanda, Burundi, South Sudan and Tanzania.

Uganda was also noted to be a source country for victims trafficked to South Africa, Kuwait, DRC, Malaysia, India, UAE, Iraq, China, and Saudi Arabia among others.

UPF reported over 800 cases of trafficking in 2013 alone.⁵⁸

Within Uganda, victims are commonly trafficked for child marriages, domestic labour, and child sacrifice among others. Transnationally, victims are trafficked for labour such as for security guard purposes, domestic servants as well as sex slavery, organ harvesting among others.

⁵⁵ <http://www.upf.go.ug/kabalagala-no-longer-narcotics-zone/>

⁵⁶ *International Narcotics Control Strategy Report, Volume 1, pg.626*

⁵⁷ *Ministry of Internal Affairs, Annual Report on The Trend of Trafficking in Persons in Uganda, 2013*

⁵⁸ *2013 Annual Crime and Road Safety Report*

Some examples of Trafficking Cases:

Uganda versus Mudeega – convicted of aggravated trafficking¹

Mudeega Ali was charged with aggravated trafficking in persons contrary to the Prevention of Trafficking in Persons Act, 2009. He was charged with intent to sell a 9-year old boy in Kenya for the purposes of exploitation.

Uganda versus Umutoni – Convicted of aggravated trafficking and trafficking²

The victim, aged 16 years and her 5 month old baby were trafficked from Rwanda under the guise of being given a job in a supermarket in Uganda. She was instead taken to a home where she was given household chores and made to work without pay.

Women and children from Uganda's remote and underdeveloped Karamoja region are particularly vulnerable to domestic servitude, commercial sexual exploitation, and forced begging. According to the 2010 UNODC transnational organized crime threat assessment, human trafficking from East Africa (Uganda and Kenya) in some cases with links to the United Kingdom⁵⁹.

Foreign Countries' Threat Analysis

Uganda is a landlocked country with Kenya to the east, South Sudan to the North, Democratic Republic of Congo (DRC) to the West and Rwanda and Tanzania to the South. In addition to trade with its neighbours, Uganda also trades with South Africa, India, Netherlands, China, and United Arab Emirates (UAE) among others.

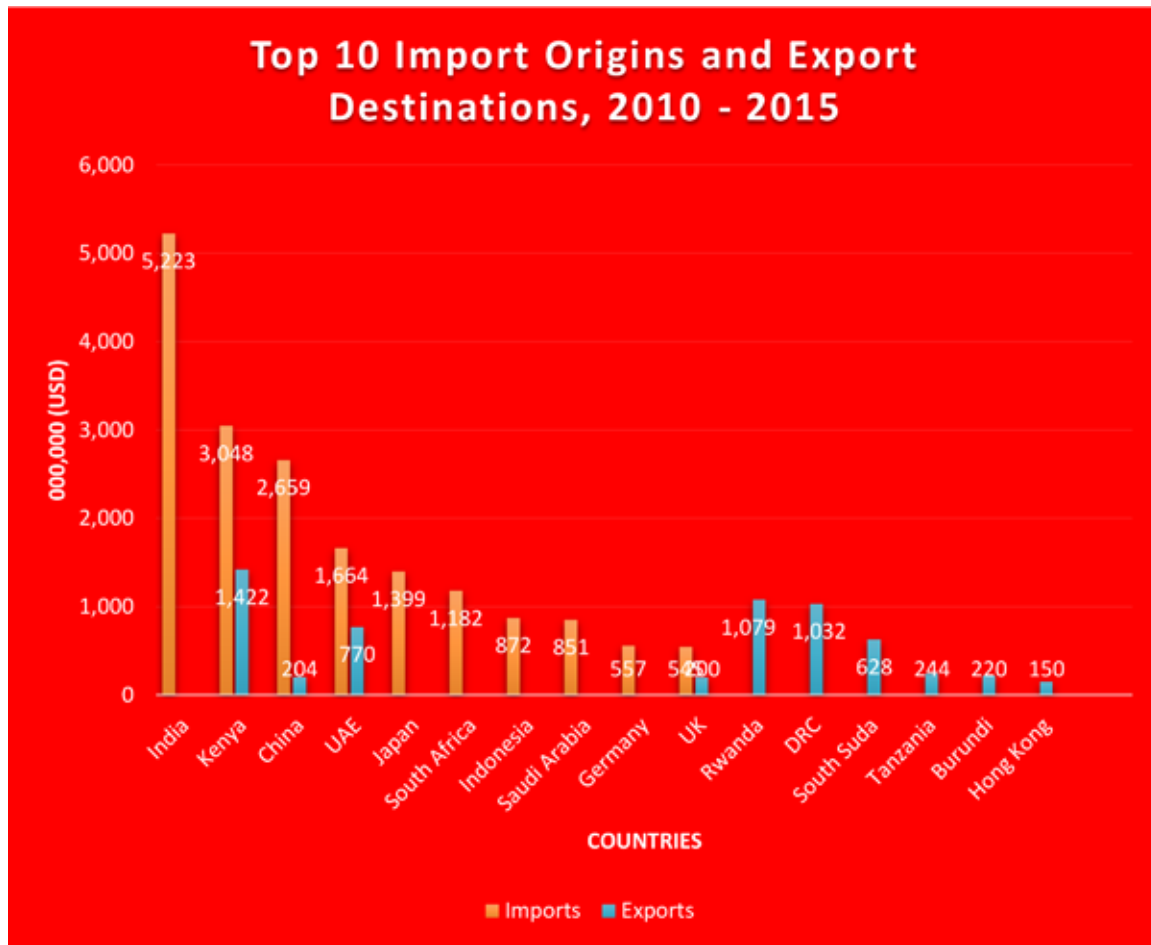
India, China and Kenya are the biggest source of imports into Uganda. Between 2011 and 2015, Uganda imported goods worth USD 9,000,000,000 (thirty one trillion shillings) from these countries.⁶⁰

Kenya, Rwanda, Sudan, South Sudan, DRC, UAE are the biggest destinations for Ugandan exports.⁶¹

59 <http://www.nationalcrimeagency.gov.uk/publications/656-nca-strategic-assessment-the-nature-and-scale-of-human-trafficking-in-2014/file>

60 Ministry of Finance, Planning and Economic Development (MOFPED) Trade Flows Statistics, 1999 – 2015

61 *Ibid.*



Between 2010 and 2015, Kenya has remitted at least USD 1,422,000,000 to Uganda, Rwanda has remitted USD 1,079,000,000 and DRC has remitted USD 1,032,000,000 through the purchase of imports.

These countries also share porous borders with Uganda to the East, South West and West respectively. As a result, the team is of the opinion that given the weak controls in regard to trade based money laundering, smuggling and corruption, there is a high risk of illicit funds being channelled into Uganda from these countries under the guise of trade.

Between 2010 and 2015, Uganda sent USD 5,223,000,000 to India, USD 3,048,000,000 to Kenya and USD 2,659,000,000 to China for the purchase of imports from these countries. As the top countries to which funds flow, the team is of the view that the threat of trade-based money laundering from Uganda is highest to these countries.

International cooperation

Jurisdictions linked with Uganda regarding international cooperation for suspected ML

Table...: International Exchange of Information (FIU-to-FIU – Source: FIA)

Country	Requests (Incoming)	Year	Subject
Namibia	1	2015	Due diligence on a Ugandan national suspected to be involved in fraud and ML
Iraq	1	2015	Information on an account in Uganda suspected to have been used in a fraudulent transaction of USD 75,000,000

Country	Requests (Outgoing)	Year	Subject
Kenya	1	2016	Information sought in regard to an STR involving a company with a sister company in Kenya implicated in a number of scams.
Tanzania	1	2015	Fraudulent payments made in regard to the roads sector
China	1	2015	Information sought in relation to an STR involving a Chinese national

Mutual Legal Assistance (MLA) - predicate offences (Source: Directorate of Public Prosecutions)

Incoming MLA Requests

Country	Year	Subject
Germany	2014	Suspected fraud involving German national
Kenya	2014	Request to serve witness summons
Kenya	2014	Issuance of false cheques
Turkey	2014	Drug trafficking
Japan	2014	Drug trafficking
United Kingdom	2014	Electronic Fraud
United Kingdom	2014	Electronic Fraud
China	2014	Smuggling

Outgoing MLA Requests

Country	Year	Subject
Netherlands	2014	Obtaining money by false pretense
Netherlands	2014	Obtaining money by false pretense
Kenya	2014	Issuing false cheques
Namibia	2015	Money Laundering

1.1. Countries that pose a risk to Uganda

China

Chinese ties to Uganda date back as far as Uganda's independence in 1962. And from 1986, economic ties between the 2 countries have grown exponentially. China has been involved closely with various sectors in Uganda's economy including the milk processing industry, textiles, furniture, the roads sector and oil exploration. Consequentially there are increasing numbers of the Ugandan business community doing business in China and remitting funds to Uganda as well as the Chinese business community doing business in Uganda and remitting funds to China.

However, as the value of economic ties increases between the 2 countries, so does the risk attached to it.

Between May and October 2016, it was reported how funds worth over UGX 31,000,000,000 (about USD 9,000,000) from the Uganda National Roads Authority had been remitted and banked in China by Chinese road construction companies instead of being paid out to the land owners.⁶²

Also as the Ugandan business community does more business in China, UNBS has observed that there is a high influx of counterfeit goods on the Ugandan market. Many of these are linked to business people importing from China due to attractive rates.⁶³

Because many of these businesses are informal, the vast majority deal in cash and the values involved are high, it increases the risk of illicit funds being used without detection.

As China invests more into Uganda as seen from various emerging businesses across the country, it is also safe to assume that funds are flowing into Uganda from China towards these businesses and this might increase the risk of illicit funds flowing into the country.

DRC

DRC neighbours Uganda on the West, and because of porous borders, traders easily move in and out of either country carrying cash, merchandise, or conveying vehicular traffic, without going through any formal procedures. Civil war within DRC has weakened border and municipal controls on the DRC side, to a point that they are virtually non-existent or enforced by local militia that are only interested in levying a charge, in return for which unscrupulous individuals can do as they please.

Uganda is a major conduit for minerals especially gold and diamonds from DRC to the

⁶² <http://ugandamirror.com/news/unra-probe-chinese-companies-ordered-to-refund-over-sh31bn>

⁶³ http://www.newvision.co.ug/new_vision/news/1305638/-control-fake-unbs

international markets such as in Dubai.⁶⁴ Although certain protocols have been put in place to ensure that the minerals from conflict areas are not traded internationally, weak controls in the countries neighbouring the DRC make this challenging to enforce. Consequentially there are various unlicensed mineral dealers in Uganda who claim to be purchasing gold from DRC for onward export to the international market. Due to ineffective regulation, there is no proper supervision and checking of the product nor of the source of funds used to purchase these minerals. Uganda therefore is a host of funds which are not always properly verified due to these transactions.

This therefore makes DRC a risk to Uganda in terms of inflow and outflow of cash which can be physically moved.

South Sudan

Similar to DRC, South Sudan has suffered internal conflict and instability for many years. Coupled with the porous borders between South Sudan and Uganda, the movement of people and merchandise across borders isn't given the necessary scrutiny in regard to AML measures therefore posing a risk to Uganda.

There have been close military links between Uganda and South Sudan since the birth of the South Sudanese state in 2011. There have been reports of various South Sudanese generals with businesses and other investments in Uganda fuelled by illicit financial flows from South Sudan.⁶⁵ Some of these generals are under UN sanctions and their assets should have been frozen. Nonetheless they continue to purchase luxurious mansions in Uganda. This therefore is indicative of illicit financial flows from South Sudan to Uganda.

⁶⁴ *All That Glitters Is Not Gold, Dubai, Congo and the Illicit Trade of Conflict Minerals*, <http://dspace.africaportal.org/jspui/bitstream/123456789/34455/1/All%20That%20Glitters.pdf?1>

⁶⁵ *War Crimes Shouldn't Pay, Stopping the Looting and Destruction in South Sudan*, The Sentry, 2016

1.2. Countries Uganda poses a risk to

UK

The UK continues to be a major source for stolen luxury cars sold in Uganda. As recently as 2015, stolen luxury cars from the UK worth approximately USD 2,000,000 (seven billion shillings) were found in Uganda as detectives from the National Crime Agency tracked a stolen SUV.⁶⁶ Thanks to the cooperation between the UK and Uganda Police 25 cars were impounded and returned to the UK. The cars are taken through France, Oman, and Kenya and end up in Uganda or sometimes South Sudan. Coupled with rampant corruption, the vehicles are fraudulently registered and sold sometimes to unsuspecting individuals. These are considered to be only a small fraction of this crime.

In addition, due to labour migration, movement of persons, goods and merchandise between Uganda and the UK is frequent. Remittances between the 2 countries is the normal practise as relatives and families send funds to support each other to and from.

Due to Uganda's predominantly cash economy, the source of funds transferred is not always known. In addition, funds which flow into the country may not necessarily be applied in the formal sector therefore making laundering of funds generated in the UK easy once transferred to Uganda.

UAE

Information within LEAs circles is that Dubai has become a major destination for proceeds of corruption in Uganda. Its status as a shopper's paradise as well as luxury holiday destination makes it an attractive option for launderers. UAE has less stringent visa requirements than the USA or UK while possessing their status in terms of lifestyle.

The increasing numbers of Ugandans travelling to Dubai has been noted and even rewarded by Emirates.⁶⁷

Our predominantly cash economy however poses a challenge in specifying the numbers and quantities. Nonetheless there is much talk of a vibrant Ugandan business community in Dubai.

⁶⁶ Mail online, 22nd September, 2015. <http://www.dailyrecord.co.uk/lifestyle/motoring/brits-recover-1-million-stolen-7616934>

⁶⁷ <http://www.theceomagazine-ug.com/blog/2015/04/28/emirates-offers-96-hour-sale-to-ugandans-traveling-to-dubai/>

1.3. Sector Threat Analysis – Most Exposed Sectors

The sectors considered by the team include the financial sector (Banking, Insurance, Securities, Other Financial Institutions, such as forex bureaus, MVTs, MDIs, MFIs, SACCOs and money lenders), DNFBPs (real estate, casinos lawyers, dealers in precious stones, NGOs, accountants) and Financial Inclusion (Mobile Money and Telecom).

Owing to the mushrooming real estate boom across the country and the experience of the team members, this report is of the view that the biggest sector through which proceeds are laundered in Uganda is real estate (**threat: high**). This is because:

1. Legally, there is no institution or office mandated to regulate, supervise, license or in any other way control the activities of real estate dealers in Uganda. There is no minimum qualification to become a land dealer, and it is not recognized as a specialized profession in Uganda. As a matter of fact, it is not uncommon to find "land dealers" that cannot read or write.
2. Even if there were a regulatory body, approximately only 20% of land in Uganda is registered, and would therefore afford the records and paper trails necessary for effective regulation. Therefore, 80% of the land would be outside the regulatory body's effective jurisdiction, and yet the law does recognize and protect unregistered land tenure. Even land which is registered may subsequently change hands multiple times without transfer documents being registered. This therefore poses a challenge in identifying the beneficial owners. Recognition of security of tenure on unregistered land, coupled with a nascent national registration system, ferment a regime of unrecorded beneficial ownership that is very attractive for proceeds of crime.
3. The situation described in 1 and 2 above, coupled with an expanding population and a shortage of housing units has made the real estate sector very lucrative. An underwhelming mortgage market has compounded the effects, resulting in a dual problem of illicit proceeds becoming a realistic objective for those seeking to acquire real estate and those seeking to justify already acquired proceeds of crime, by disguising the proceeds as value obtained from real estate dealings and acquisitions.

As a result, often, investigations of predicate offences that have yielded proceeds disclose that the perpetrators invest in or acquire real estate, both for their own benefit and/or for the generation of legitimate income.

Below is a Table showing the number of Suspicious Transaction Reports (STRs) submitted to the Financial Intelligence Authority from January 1st, 2015 to June 30, 2016. The Banking sector accounts for the highest number of STRs; however, this is primarily because an anti-money

laundrying regime for the Banking sector was in place even before the Anti Money Laundering Act was enacted in 2013. As a result, the banking sector (especially foreign owned banks) have a (relatively) more robust AML regime in comparison to other accountable persons, resulting in a higher number of STRs. It should be noted, on the other hand, that the ongoing ML cases involve banks, which increases the threat for this sector. Also, trade finance, and the data suggesting significant frauds in this sector, increase the threat for the banking sector, through which trade transactions are usually settled, Money remitters FOREX bureaus and lenders also pose a significant threat, followed by mobile money service providers. Of the DNFBPs in addition to the aforementioned real estate agents, lawyers, casinos and dealers in precious metals and stones pose the higher threat.

Suspicious transaction reports received in 2015

	Category	Number	Percentage
1	Commercial Banks	301	97.4%
2	Credit Institutions	4	1.3%
3	Microfinance Deposit Taking Institutions	1	0.3%
4	Forex Bureaus	1	0.3%
5	Insurance Companies	1	0.3%
6	Mobile Network Operator	1	0.3%
	Total	309	100.0%

Suspicious Transaction Reports Received from January/June 2016

	Category	Number	Percentage
1	Commercial Banks	90	97.8%
3	Microfinance Deposit Taking Institutions	2	2.2%
	Total	92	100.0%

Financial sector:

This sector comprises of banks, insurance and securities firms.

Banks (Medium-High)

Of the 3 ML cases currently being prosecuted, all of them involved the banking sector.

In its Annual Supervision Report⁶⁸, Bank of Uganda noted that some commercial banks exhibited weaknesses in their money laundering policies for example, they had not automated their suspicious transaction monitoring systems, therefore undermining their money laundering risk management frameworks.

In addition, because the economy is largely informal, the bulk of transactions in the banking institutions are in cash, whether deposits or withdrawals. It therefore usually does not raise suspicion where a customer makes large cash deposits or large cash withdrawals. The analysis of CTRs shows that there have been some instances in which a customer has walked into a banking hall with the equivalent of say USD 2m in cash in a gunny bag,

with an explanation as to how they acquired it which was deemed legitimate by the bank. Or for that matter, for a customer to withdraw such cash for use in onward legitimate cash transactions. This blunts the bankers' sense of danger towards bulk cash, as a red flag by itself. Consequentially, it's difficult to track the origin or the destination of funds aside from the information provided by the customer. This therefore makes this sector highly attractive to launderers. Funds laundered through commercial banks may then be placed on fixed deposit accounts or transferred to other accounts. An analysis of large cash and suspicious transaction reports indicates that large cash deposits on bank accounts are commonly followed by the opening of fixed deposit accounts. From a sample of suspicious transaction reports submitted by the banks, information with the FIA is that large cash deposits on customers' accounts are commonly converted to fixed deposit accounts. Placing large sums of proceeds on a fixed deposit serves two purposes: in the first instance, there is income generated from the interest that accrues; secondly, the FD can be used as security for a loan or mortgage, for acquisition of property, other valuable chattels or improved lifestyle. When queried by authorities such as the Inspectorate of Government or the Uganda Revenue Authority, the loan or mortgage is used to explain the acquired wealth. Since the business of the bank is to increase both deposits and credit portfolios, it is easy to see why there is a threat, as it is a business win-win for both parties.

It is also worth noting however that the banking sector is among the most compliant sectors as regards AML legislation. This was a finding of the Mutual Evaluation Report, that the banking sector had good appreciation of the ML risk and, working together with the supervisor (BoU) had put in place AML measures. However, the MER also states that the Foreign owned banks have robust systems in place, while the locally owned banks have weaker AML systems in place. On the other hand it should also be taken into account that Uganda is a cash-based economy and that only 27.8% of the population aged above 15 years have an account in a financial institution, with the usage of such accounts being recorded at less than 10%

On the whole, the overall money laundering threat of the banking sector is **Medium -High**.

68 *Bank of Uganda, Annual Supervision Report, 2015*

Insurance (Medium)

The penetration of the Insurance industry in Uganda is low (estimated at 0.78%, the second lowest behind Tanzania, which is estimated at 0.7%), and contributes less than 1% to the GDP. However, a 2015 KPMG East Africa Insurance Fraud Risk Survey revealed that the reported fraud policy claims amounted to USD 10,000, but the actual fraudulent claims were estimated to be at least USD 500,000. Reports of exaggeration of value of insured items, exaggeration of extent of damage of insured property, staged accidents, faking or causing death to claim life insurance were reported to abound. In an interview with the Monitor Newspaper, reported on 26th October 2015, John Karionji, CEO of ICEA (insurance company in Uganda) stated that the fraud involves insurance workers, lawyers, police (and possibly bankers) in what he describes as a "value chain". An example of the scheme can be found in the case of a company (Gaguba Uganda Limited) that obtained a court order to compel UAP Insurance to pay compensation amount of UGX 310,500,000 for the death of a manager, but the insurance company's investigations revealed that there was no record of the accident or death and the company was a "briefcase company" (no known address or business conducted)⁶⁹.

In view of the low penetration of the industry and the limited contribution to the GDP, the scale of proceeds of crime generated in the sector as a factor of the overall economy is low and the possibilities to launder proceeds modest. However, owing to the prevalence of fraud in the sector, as admitted by the practitioners the threat posed by the insurance sector should be rated **Medium**.

Securities (Medium Low)

Although it is a significant contributor to the economy (estimated at 6.8% of the GDP), it has relatively low capitalization, low outreach (only two stock exchanges with a total of 16 companies). There is limited direct or anecdotal evidence to conclude that a large scale of proceeds of crime or illicit funds invested in the sector: except for one case of fraud concerning a broker, no other incidents have been reported for the securities sector.

Overall, the overall money laundering threat of the securities sector is **Medium Low**.

Other Financial Institutions:

This sector comprises Micro Finance Deposit-taking Institutions (MDI), Micro Finance Non-deposit Taking Institutions (MFI), Savings and Cooperative Clubs and Organisations (SACCO), Money Lenders, Forex Bureaus and Money Remitters (MTV).

⁶⁹ Reported by *The Monitor*, Thursday, 20th October 2016.

MTVs (High)

It is worth noting that there are large remittances into Uganda from the UK, USA, UAE, India, and Kenya among others. These may be through the commercial banks, forex bureaus or other MVTs like Western Union and MoneyGram.

Launderers may therefore move proceeds through remittances under the guise of domestic support, investment etc.

According to statistics from the World Bank, remittances into Uganda (inflows) increased steadily during the period under consideration. As at 31st December 2015, the remittance inflows amounted to United States Dollars 1,049 million. However, the outflows have fluctuated in the same period, between a total of United States Dollars 300 million - 400 million.

YEAR	TOTAL INFLOWS (US\$,000,000)	TOTAL OUTFLOWS (US\$,000,000)
2010	771	332
2011	816	402
2012	913	329
2013	941	371
2014	887	304
2015	1049	335

Source: <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

Remittance flows have grown faster than both foreign direct investment (FDI) and official development assistance (ODA) Remittances are done mainly through the commercial banks, forex bureaus or other MVTs like Western Union and MoneyGram, although it is also believed that there is a significant informal money transfer system relying on informal relationships and little or no records. Therefore, it is highly likely that proceeds are moved through remittances under the guise of domestic support, investment etc.

The Tables below show the countries from which Uganda receives the most remittances, and the countries to which remittances are made in Uganda, arranged in order of the top 5 remitters by volume of remittances.

Inflows:

YEAR	1 st	2 nd	3 rd	4 th	5 th
2010	Kenya (USD 415m)	United Kingdom (USD 119m)	USA (USD 58m)	Canada (USD 29m)	Tanzania (USD 23m)
2011	Kenya (USD 515m)	United Kingdom (USD 144m)	USA (USD 70m)	Canada (USD 36m)	Tanzania (USD 28m)
2012	Kenya (USD 530m)	United Kingdom (USD 149m)	USA (USD 73m)	Canada (USD 37m)	Tanzania (USD 29m)
2013	United Kingdom (USD 254m)	South Sudan (USD 187m)	Rwanda (USD 177m)	USA (USD 96m)	Kenya (USD 47m)
2014	United Kingdom (USD 275m)	South Sudan (USD 211)	Rwanda (USD 177m)	USA (USD 100m)	Canada (USD 59m)
2015	United Kingdom (USD 283m)	South Sudan (USD 210m)	Rwanda (USD 182m)	USA (USD 102m)	Canada (USD 60m)

Outflows:

YEAR	1 st	2 nd	3 rd	4 th	5 th
2010	Sudan (USD 145m)	Rwanda (USD 37m)	Kenya (USD 29m)	Burundi (USD 8m)	United Kingdom (USD 4m)
2011	Rwanda (USD 62m)	Sudan (USD 58m)	Kenya (USD 40m)	Tanzania (USD 11m)	Burundi (USD 10m)
2012	Sudan (USD 149m)	Rwanda (USD 56m)	Kenya (USD 53m)	Tanzania (USD 11m)	Burundi (USD 9m)
2013	Kenya (USD 65m)	Rwanda (USD 30m)	India (USD 15m)	Tanzania (USD 4m)	Sudan (USD 3m)
2014	Kenya (USD 77m)	Rwanda (USD 30m)	India (USD 15m)	Tanzania (USD 4m)	Sudan (USD 3m)
2015	Kenya (USD 84m)	Rwanda (USD 29m)	Tanzania (USD 27m)	India (USD 16m)	France (USD 3m)

At the macro level, remittances contribute to smoothing the balance of payments in Uganda. At the micro level, remittances are mostly distributed in cash and are used mainly for consumption and education. Overall, it could be stated that remittance flows have supported wealth creation and contributed toward increased welfare gains to recipients. However, there is no robust system in place to ensure that the remitted funds are not proceeds of crime, whether originating from or being remitted into Uganda.

The fact that the top countries making remittances into and out of Uganda include neighboring jurisdictions of Kenya, South Sudan, Rwanda and Tanzania, with documented similar problems of cash-based economies, porous borders, make it more probable than not

that proceeds of crime are moving between the jurisdictions, and are not limited to the formal, recorded remittances but are larger, if the informal channels are considered. A recent report is indicative of the schemes some of the PEPs in South Sudan used to steal public funds and invest in real estate and lavish lifestyles in Uganda⁷⁰. The proceeds in this case were transferred partly through Kenya's third largest bank, Kenya Commercial Bank (KCB)⁷¹, but the report also shows that the PEPs referred to also went to great lengths to acquire interests in the banking and money remittance industry, so their transactions would not be questioned so they could move the proceeds with impunity.

The overall money laundering threat of this sector is **High**.

FOREX Bureaus (High)

Uganda has 280 licensed forex bureaus and 225 money remitters spread out across the country. The sector is significant because it has a very high turnover, equivalent to 16% of the GDP.

The team that scrutinised this sector found that there was a thriving unlicensed foreign exchange market in Uganda, especially at or near the border crossing points. This trade is criminal under the provisions of the Foreign Exchange Act, 2004. Further, many cases of fraud have been reported in this sector (take the example of the Lanex Forex Bureau case) involving transfers. A study by the Uganda Revenue Authority established that in practice, the Forex Bureaus do not seek or retain customer identification details, making the transactions untraceable. That this is often used by traders to evade taxes⁷²

Due to the mainly cash economy, customers can easily change vast sums from forex bureaus without any identification being required. It is therefore easy for large sums to be converted into stronger currencies and therefore smaller bundles for ease of storage or movement.

Bank of Uganda has found a number of forex bureaus have failed compliance tests due to the desire to increase their margins as the number of players has increased. In 2013, Pakasa Forex Bureau was closed for breaching AML guidelines⁷³.

As the competition gets stiffer, forex bureaus seek to make transactions easier so as to attract clients and therefore caution is sometimes thrown to the wind exposing the country to money laundering risks.

⁷⁰ <https://thesentry.org/reports/warcrimesshouldntpay/>

⁷¹ <http://www.businessdailyafrica.com/Corporate-News/CBA-now-biggest-retail-bank-with-10-million-customers--/539550/2643994/-/hi7k99/-/index.html>

⁷² *Combating Money Laundering and Tax Evasion in Forex Bureaus - Norah Namataka*

⁷³ *More Forex Bureaus fail BOU Scrutiny, The East African, June 14th, 2014*

In view of the issues noted by the analysis, the overall threat of proceeds generated from or being laundered in this sector is **High**.

MDIs, MFIs, SACCOs and Money Lenders (Medium High)

These types of firms are characterised by lack of or poor oversight, supervision and ineffective monitoring of suspicious transaction. The nature of transactions in this sector is largely cash. Criminals have been known to operate predatory or pyramid schemes, posing as savings and/or investment clubs, to defraud their clientele, most of whom are usually not very highly educated or financially literate (see the cases of COWE and Circles). With regard to the money lenders, they have been known to disguise their lending as sales and charge exorbitant and illegal interest rates, all for the purpose of illicitly acquiring the clients' property when they eventually and inevitably default. In view of the limited oversight and reports of frauds occurring in this sector, the overall threat of proceeds being laundered in this sector is **Medium High**.

DNFBPs

This sector comprises of real estate agents, lawyers, accountants, casinos, dealers in precious metals and stones (DPMS), non-governmental organizations (NGO).

Real estate (High)

It has been observed on many occasions that perpetrators of crimes that yield a large proceeds usually engage in real estate transactions immediately. For instance, in a case being prosecuted by the Inspectorate of Government one of the accused bought a residential house within a month of receiving the public funds (the house purchased at about USD 400,000 has been restrained by the IG). Convicted former Principal Accountant at the Office of the Prime Minister, G. Kazinda was living in a house that his neighbours thought was a hotel because of its sheer size. The house, too, is under restraint from disposal. Another former Principal Accountant at the Ministry of Public Service, C. Obey, who is being prosecuted for corruption related charges, was stated to have bought commercial property in Kampala worth more than USD 10m in cash. Examples abound to show that in most cases, if the proceeds of crime are adequate, the perpetrators purchase real estate as one of the first transactions.

For the reasons above, and the weaknesses in the real estate sector identified earlier, the team considered the threat level in the real estate industry **High**.

Casinos (High)

Uganda has 12 licensed casinos, but there are also various casinos operating illegally. The unlicensed casinos mainly operate discreetly under the cover of night, making it difficult for the authorities to locate and shut them down.

The Casinos do not request for or vet identification documents of their clientele. They do not conduct any form of CDD or KYC, and do not issue receipts or any other records. Society pages in print media have identified some PEPs and other prominent persons as being patrons of certain casinos. However, the discreet nature of operations, combined with the non-existent record keeping or even unlicensed gambling mean that there are virtually no records to be called upon to analyse the threat of money laundering in this industry. The Mutual Evaluation Report also noted that even the licensed casinos do not carry out any KYC/CDD and are not knowledgeable about AML policies such as record keeping.

It is for the cash-based nature of transactions, lack of oversight or effective supervision, records and the discreet nature of the transactions in the industry that the team considers it a haven for laundering with no questions asked, and rated the threat as **High**.

Lawyers (High)

Uganda has 2600 practicing lawyers who have a wide practise area including the purchase of real estate, investments on behalf of clients, creation of companies and trusts, handling tax matters among others.

Risks from this sector are a result of client confidentiality, which hinders the availability of information, acting as nominees of undisclosed clients, holding clients funds on their personal accounts instead of on official firm accounts, fraudulent registration of companies in tax havens so as to evade taxes among others.

The individual under prosecution by the Inspectorate of Government referred to under the real estate industry transferred the funds to a law firm describing it as legal fees, but upon inquiry, the law firm divulged the fact that on their part, they had received the funds with instructions to handle the purchase of a residential house, which they duly executed. In the prosecution of the former officials of the Ministry of Public Service, the investigators raided the chambers of the legal representatives of one of the accused and cracked open the safe in order to retrieve deeds of property and other incriminating documents and information. Although the raid was officially condemned by many, including the Uganda Law Society, it is an indicator of the frustrations felt by law enforcement bodies, who in many instances view the lawyers as obstructers of justice.

Most laundering activities or other transactions for acquisition of property involve legal advice at some stage. The Mutual Evaluation established that lawyers/firms were not implementing any anti money laundering best practices. It is for the reasons above that the team considered lawyers key facilitators in most laundering activities and rated the threat and scale in the industry **High**.

Dealers in precious metals and stones (High)

It is widely acknowledged that the most traded and significant precious metal traded in Uganda is gold. The Second Mutual Evaluation Report of Uganda noted that there was a

significant increase in gold mining in Uganda, mainly artisanal, but also industrial. However, most reports continue to abound that most of the gold traded in Kampala originates and is smuggled from the DRC⁷⁴, with the final destination being UAE (Dubai).

There is a wealth of official reports, media reports, studies, etc. all painting a grim picture of the dealers, including fraud⁷⁵ and disinterest from law enforcement as evidenced by the lack of action. A draft OECD report reports that there was no single arrest at Entebbe Airport in the calendar year 2013, and yet all evidence points to it as a hub for transportation of smuggled gold to Dubai⁷⁶.

All persons involved in the trade in gold in Uganda describe it like an organized crime affair, one reporter describing it as Mafiosi-like⁷⁷.

There is no regulation of retailers and that of wholesalers is limited to non-existent by the Ministry of Minerals and Energy. The picture painted is that only criminals can survive in this trade in Uganda. Although a lot of anecdotal evidence is present to show the nature of the trade, there's a dearth of official records of cases where smugglers and criminals in this industry have been detected, investigated, prosecuted and sentenced for offences linked to the trade. Most are records of seizures or thefts in custody⁷⁸.

In view of the situation described above, and the attractive nature of gold as a commodity for being extremely valuable in small quantities and virtually untraceable, the threat level of this trade being used in the generation of proceeds of trade is deemed **High**.

Accountants (Medium-Low)

The analysis found no evidence that Audit and Accounting firms had been used as trustees or proxies for persons seeking to launder illicit funds. This is consistent with the information available relating to proceeds generating crimes involving accountants. In most cases, these are qualified accountants who simply embezzle or steal funds or property that has come into their

74 <http://www.theinsider.ug/stolen-congo-gold-intercepted-in-uganda/#.WBjOkPp95PY>

75 Anecdotal evidences points to at least one major gold buyer in Kampala using a table to estimate gold purity that contains fraudulent values, thus enabling fraudulent transactions. And it estimates that gold buyers in Kampala annually "cheat sellers out of more than 200 kg of gold" worth between \$5 million and \$13 million." <http://www.africareview.com/special-reports/Smuggled--400m-Congo-gold-fuels-war-/979182-2198776-6l0npdz/index.html>

76 <https://www.oecd.org/daf/inv/mne/Gold-Baseline-Study-4.pdf>

76 <http://observer.ug/viewpoint/83-staff-writers/36406-why-can-t-uganda-simply-stamp-out-blood-minerals>

76 <http://www.monitor.co.ug/News/National/688334-1314966-gmjgt9z/index.html>

76 <http://www.ulii.org/ug/judgment/high-court-anti-corruption-division/2013/10>. He is in prison, while fighting numerous counts of further charges of misappropriation of over UGX 5.4 billion shillings (<http://observer.ug/news-headlines/41517-lawyers-abandon-broke-kazinda>); and illicit enrichment (<http://www.chimpreports.com/igg-slaps-fresh-charges-on-jailed-geoffrey-kazinda/>). He simply forged the signature of the Permanent Secretary to the Office of the Prime Minister and submitted the documentation for payment.

possession by virtue of their duties, using various devices such as forgery, falsification of records, etc. For Instance, former Principal Accountant at the Office of the Prime Minister, Godfrey Kazinda has been convicted of forgery of payment instructions⁷⁹.

Similarly, the Principal Accountant in the Ministry of Public Service is jointly charged with his Accounting Officer and other members of the Finance and Accounting department staff for theft of billions of shillings, by creating "ghost pensioners"; or paying social security contributions for public servants, who are legally exempt from this payment, as they are entitled to a public pension when they retire⁸⁰.

The scheme is generally the same in the private sector, as evidenced by the cases against a former Accountant in the telecoms company MTN, where a former employee accepted false or inflated invoices and made payments for kick-backs. Among the investments that were frozen was an investment of UGX 1.45 billion in treasury bills in the names of the accountant. The prosecution is ongoing⁸¹.

In a view of the above, it is believed that the threat is with individuals in the accounting industry take advantage of their positions. It is, therefore, more a case of rotten apples than an industry manipulated for purposes of laundering money, and therefore posing a significant threat. It should be understood that in Uganda, while it is a requirement to file returns to the Uganda Revenue Authority if one earns income, it is not enforced strictly and therefore this diminishes the need for persons with illicitly acquired wealth to engage the services of professionals such as accountants to ensure their financial records are in order. In view of the above, threat in the Accounting industry can be rated as **medium-low**.

NGOs (Medium-Low)

In the period analyzed by the NRA, NGOs were regulated by the NGO Board under the Ministry of Internal Affairs. Currently, they are regulated by the NGO Bureau, established by the NGO Act, 2016, but the supervision is still ineffective. As noted by the team on DNFPBs, most funding for NGOs in Uganda is received from abroad, but there are instances where the funds are generated locally. Therefore, the use of an NGO as a scheme to generate proceeds of crime takes two forms: one where the NGO is set up or exists and qualifies for external funding, only for its officers to embezzle the funds; and the second where the existence or formation of the NGO itself is a fraudulent scheme to defraud the public.

80 https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=10&cad=rja&uact=8&ved=0a-hUKEwiZIJCd34fQAhVBuhoKHaYGC7AQFghQMAk&url=http%3A%2F%2Fobserver.ug%2Fnews-head-lines%2F40657-pension-ex-accountant-pleads-guilty-to-shs-365m-theft-fined-shs-30m&usq=AFQjCNGTD-VQ_olkC9h7LbkYT3arIB6mHtw&sig2=j1ot1u65CcTWlleu34t74g

81 <http://www.monitor.co.ug/News/National/Accountant-arrested-in-MTN-fraud-case/688334-1501238-8htfmp/index.html>

In the first case, an example is where a local NGO is contracted to execute a public service, but its officers simply embezzle the funds. A case in point is an NGO called RWIDE that was funded to assist in relocation of Batwa in Bundibugyo District in 2010. It is reported that upon receipt of about Ugx.150 million, the Executive Director, The Treasurer and the Accountant simply vanished. They were arrested in 2012 at the Ugandan border with DRC, presumably trying to flee justice⁸².

In the second case, the best illustration is the case of Mr. Nixon Balikowa. He set up an NGO called COWE in Kabale, ostensibly to improve the livelihoods of orphans, women and the elderly, by teaching saving and entrepreneurial skills. Under the guise, he collected deposits and offered interest. The depositors saw none of the two returned. He was arrested and prosecuted, but acquitted on a technicality. Orders by Bank of Uganda to freeze the funds were quashed by the High Court and Mr. Balikowa immediately withdrew all the funds and fled to Kampala⁸³. In Kampala, Mr. Balikowa did not rest on his laurels, but incorporated "Dutch International Ltd", another self-help NGO taking deposits with a promise to return the funds in 30 days with a top-up. With Dutch International, he embezzled UGX 3.373 billion, before he was arrested, prosecuted and ordered to refund three quarters of the money⁸⁴.

The cases of an NGO being used as a vehicle for the generation of proceeds of crime are not very prevalent, which may be attributable to the relatively small number of active NGOs (3,000 according to the Board), and the sophistication and expertise required for one to position themselves to execute the scheme. It is for that reason that the rating for NGOs as a threat for money laundering is considered **medium-low**.

Financial Inclusion Products (Mobile Money Service Providers and Telecom Sector) (Medium-High)

Primarily under this, the team considered Mobile Money as used by the telecoms and banks. Since being launched in Uganda in 2009, this sector has grown into the main avenue through which transactions are conducted countrywide. With evolving technology, the mobile wallet has become the preferred formal non-banking financial system for many Ugandans. Due to the fact that it is easier to have a mobile money account than a bank account, mobile money deposits in 2015 had risen to close to thirty four trillion shillings (USD 10 billion).

Companies like *Worldremit* and *useremit.com* are going further and are offering mobile money transfers that go beyond borders. By 2015, mobile money transfers from Ugandans abroad was at over USD 900,000,000 (three billion, one hundred fifty million shillings)⁸⁵.

⁸² <http://ugandaradionetwork.com/dedj3883.your-server.de/story/3-arrested-for-embezzlement-of-batwa-community-resettlement-funds>

⁸³ Fortunately, the Court of Appeal has since ruled that the central bank has the authority to freeze accounts without informing or giving a hearing to the account holder, overturning the crippling ruling of the High Court

⁸⁴ <http://www.ulii.org/ug/judgment/high-court-anti-corruption-division/2014/2>

⁸⁵ Western Union, MoneyGram meet biggest foes in new online players, *The Observer*, 29th June, 2016

It is therefore easy to purchase a sim card and start moving funds without going through the rigorous demands of the formal banking sector.

Whereas BOU has issued guidelines for this sector, there is no Act or regulations under any Act to specifically regulate the sector and yet the guidelines do not carry the same force as a specific governing law. The frauds committed in this industry have been related to identity theft (where one fraudulently swaps the sim card of another and proceeds to obtain a new PIN number and withdraw the funds; of the case where the employees of the company created value and withdrew funds. Execution of these frauds and theft usually require individuals that are conversant with the system, who are not very many. However, there have been cases where the platform is used to pay bribes or ransoms for kidnapped family members, making it clear that it does play a facilitation role in generating proceeds and laundering too. It is for reasons stated above, the overall money laundering threat is Medium High.

3.8 Recommendations:

- (i) Statistical data should be uniformly collected and records properly maintained by all supervisory bodies, LEAs, Accountable persons and authorised persons. Resources should be specifically appropriated to ensure that this objective is achieved.
- (ii) Supervisory bodies, LEAs, Accountable persons and authorised persons need to be trained and skilled on ML risks and the threat it poses. Thereafter, as part of execution of their individual mandates in AML, they shall spread awareness of the relevant legislation and its implementation to the general public.
- (iii) Efforts need to be made to formalise the informal sector. Registration of businesses, streamlining the taxation system for imports, clear communication on taxation rates given the high levels of illiteracy within the business community will all go towards bringing the informal sector within the formal regulated business sector.
- (iv) Efforts should be made to promote non-cash based transactions so as to be able to identify the sources and destination of funds.

Internationally recognized standards of establishment of beneficial ownership should be enforced in Uganda, even before the law is amended to require that the natural person that owns and/or controls the benefits of any legal entity is identified before an accountable person can have any dealing or accept any transactions from them.

- (v) Border areas need to be better monitored to prevent smuggling especially at points that have been noted to be particularly weak. This should be done alongside the deployment of trained customs officials.

- (vi) Better regulation of the real estate sector, formulation of the relevant legislation to govern the sector.
- (vii) AML policies must be developed by all accountable persons and the same must be impressed upon their staff.
- (viii) FIA needs to conduct regular inspections to assess the adequacy of AML policies.

TERRORISM AND TERRORIST FINANCING RISK ⁸⁶

1.1 INTRODUCTION

1.1.1 BACKGROUND

Analysing Terrorist financing in Uganda and in the region, requires examination of the environment in which regional terrorist groups operate. The Socio- economic and political environment plays a big role in influencing the resources available to terrorist groups. From very lucrative illicit economies and limited capacity, a conflict and profit-driven cycle continues to destabilize region.

Terrorism Financing is as defined in the Anti-Terrorism (Amendment) Act 2015, Section 9(A) (1-4).

The terrorist groups that were designated by UNSC and Uganda Anti-Terrorism Act; Lord's Resistance Army (LRA), Allied Democratic Force (ADF), al-Shabaab, Al-Qaeda, Boko-Haram and Islamic Maghreb.

This report however, is limited by the need to protect security sensitive information hence the limited data herein contained.

1.2. LEVEL OF TERRORISM THREAT TO UGANDA

Terrorist threats are mainly external emanating from the region. Terrorist organizations majorly have a regional or international outlook although their agenda may target Uganda locally. These groups include; Allied Democratic Force-ADF, the Lord Resistance Army (LRA), Al -Shabaab, Boko Haram, Al- Qaeda and ISIL. These groups present a significant terrorism threat in the country.

However, of the groups mentioned above the ones that pose the highest risk to Uganda are: - the Al-Shabaab, the Allied Democratic Forces (ADF) and the Lord's Resistance Army (LRA) as shown below in order of threat significance.

1.2.1 Al- Shabaab

Al-Shabaab is a Jihadist terrorist organization based in Somalia with its major operations and networks in East Africa. The group has a structure with a central command in Somalia and active cells within the region. In 2012, it pledged allegiance to the militant Islamist organization Al-Qaeda. Al-Shabaab's troop strength was estimated at 7,000 to 9,000 militants in 2015. This terrorist group is engaged in combat against the Federal Government of Somalia and

⁸⁶ The analysis was conducted by the TF Threat and Vulnerability Assessment Team. The team is composed of officers from Financial Intelligence Authority (FIA), Internal Security Organization (ISO), External Security Organization (ESO), Uganda Police Force (UPF), Chieftaincy of Military Intelligence (CMI) and Uganda Revenue Authority (URA).

the African Union Mission to Somalia (AMISOM) which Uganda's Army (UPDF), is part of. The AMISOM has been able to capture all of Mogadishu from the Al-Shabaab militants. In retaliation, Al-Shabaab has since planned several attacks on Uganda including the July 2010 attack that left 76 people dead in a twin bomb blast in Kampala. The attack was financed by funds wired from UK through Karan Forex Bureau based in Nairobi Kenya and received by one of the terrorists who proceeded to Kampala to carry out the attack. Fourteen (14) suspects in connection with the case were charged for terrorism contrary to Section 7(2) (a) of the Anti-Terrorism Act of 2002, belonging to a terrorist organization, murder and attempted murder and accessory after the fact. They have since been prosecuted and nine of them convicted as charged and only acquitted on the offence of belonging to a terrorist organization. Apart from that attack, the Al-Shabaab has attempted several other attacks on the country which have been curtailed by Uganda's Security forces. Major sources of funds for this group are; extortion, trade (both legal and illegal), foreign remittances, donations, migrant smuggling, wild life crimes and piracy (**Refer to 1.3 for details**). The group beefs its strength from foreign fighters among whom are Ugandans.

1.2.2 Allied Democratic Forces (ADF)

The Allied Democratic Forces (ADF) is an Islamist fundamentalist terrorist organization currently based in Eastern DRC. It started its operations in Western Uganda in May 1996 but was defeated by Government forces, relocated to Eastern DRC. One of its major attacks was in June 1998 in which Kichwamba Technical Institute was attacked. 70 students were killed and 80 abducted and taken to DRC. The group later resorted to urban terrorism which claimed 84 lives and more than 300 people injured between 1998 and 2002.

Since the late 1990s, the ADF has operated in the DRC's North Kivu province near the border with Uganda. ADF has been able to regenerate because its recruitment and financial networks have remained intact. By 2015, the group's strength was estimated at 1,200 to 1,500 armed fighters based in Eastern DRC. However, with repeated military offensives against the ADF, the group has severely been weakened both in strength and operations. Since 2010 to-date, 104 former ADF fighters have been granted amnesty by the Amnesty Commission of Uganda. Its Leader, Jamil Mukulu has since been arrested in Tanzania and extradited to Uganda and is currently undergoing prosecution. Their financing sources have since been dwindling. Their major sources of funds include; Trade (legal and illegal), Real estate's business, wildlife crime, illegal mining, lumbering, subsistence agriculture, state sponsorship and NPOs donations.

1.2.3 Lord's Resistance Army (LRA)

The Lord's Resistance Army (LRA) was founded in 1987 as a self-professed Christian guerilla army. It operated from northern Uganda and part of Sudan as a Christian extremist group and its initial ideology was allegedly based on the Ten Commandments. LRA is an off-shoot of "the Holy Spirit Movement" of Alice Lakwena. The group leader is Joseph Kony. The LRA has been fighting the Ugandan government for more than 20 years. After its defeat the group relocated to

Southern Sudan, moved to Galamba in Eastern DRC and is currently based in CAR. Since 2010 to-date, 196 former LRA fighters have been granted amnesty by the Amnesty commission of Uganda. An arrest warrant for five LRA commanders issued by the International Criminal Court in July 2005 describes a pattern of brutalization of civilians by acts including murder, abduction, sexual enslavement, and mutilation, as well as mass burnings of houses and looting of camp settlements. LRA's leader, Joseph Kony, has been charged with ordering the LRA to kill, loot, and abduct civilian populations, including those living in camps for internally displaced persons. It is responsible for over 100,000 deaths in Uganda in the course of a 20-year conflict and over 2400 in DRC, CAR and South Sudan between 2008 and 2012. Over 1,700,000 people displaced in Northern Uganda. One of the former commanders, Dominic Ongwen is undergoing trial at the ICC. The group has an estimated fighting strength of 100-120. From inception, LRA received state sponsorship mainly from Sudan. LRA is now involved in poaching, looting and extortion as their main means of survival.

1.2.4 Level of the underlying Terrorism Threat and its characteristics.

Terrorist threats are mainly external posed by groups operating within the region. Terrorist organizations majorly have a regional or international outlook although their agenda targets Uganda. These groups include; Allied Democratic Force-ADF, the Lord Resistance Army (LRA), Al-Shabaab, Boko Haram, Al- Qaeda and ISIL. LRA and ADF initially started as local insurgent groups in Uganda later resorted to terrorist activities. Upon their defeat; ADF relocated to Eastern DRC and LRA to South Sudan, DRC and CAR.

Table.... Investigations, Prosecutions, Convictions and Amnesty on terrorist groups

Terrorist Group	Cases investigated	Cases prosecuted	Cases Convicted	Cases Given Amnesty
Al-Shabaab	14	14	9	00
ADF	105	01	00	104
LRA	197	01	00	196

NB: The charges include; belonging to a terrorist organization, terrorism, accessory after the fact, murder, attempted murder and abetting terrorism

Some of the methods employed by especially ADF include among others, radicalization mainly targeting youths. This has been manifested in conducting "Madarasas" under the umbrella of Salaaf Moslem sect. This is mainly in the Eastern, Central and Western parts of Uganda. This is used as recruitment and funding mechanism. Other recruitment tools include; child trafficking, inducement of employment opportunities abroad, academic sponsorship and exploitation of religious teachings. All terrorist groups are financed by the various sources as indicated in paragraph 1.3 below.

1.3 Overall Assessment of Terrorist Financing Risk

Much as the MER published in 2016 rated TF threat and TF Vulnerability as high, this assessment carried out indicates that the overall threat of terrorist financing is Medium High (MH), as a combination of the external threat, which carries a higher risk rating (High) versus the internal threat, which is lower (Medium). The Overall vulnerability to terrorist financing is Medium High (MH).

The difference in the assessment is explained by:

- i. Uganda's legal framework is currently more compliant with FATF recommendations and the International Convention for the Suppression of the Financing of Terrorism. There are provisions under the Anti-Terrorism Act, 2002 (as amended in 2015 and 2016) to criminalize TF in line with the convention (although there are some shortcomings in the criminalization of TF, these are being addressed by a bill introduced in Parliament).

Anti-Terrorism Regulations 2016, cater for freezing terrorist funds in relation to UNSCRs 1267 and 1373 and their successor resolutions, as well as procedures to implement Uganda's obligations under the resolutions. Although this has somehow mitigated the vulnerability levels, the regulations are yet to be implemented, which still affects vulnerability.

- ii. Uganda does not have an established domestic based terror group. Funds for TF are mainly generated externally to facilitate terror attacks in the country.
- iii. Awareness about TF has been enhanced for accountable persons and LEAs through various Joint training sessions leading to improved co-operation and networking.
- iv. The quality of intelligence to which relevant stakeholders have accessed to is very good, and has resulted in preventing terrorist attacks.

This assessment will guide policy formulation to address the identified risks as well as capacity building of both human and non-human resources.

The assessment results indicate that the main drivers for the threat of terrorism financing are: trade (legitimate and illegitimate), extortion, fundraising, remittances, piracy and NPOs. These activities mainly generate funds externally which are then used to carry out terrorist activities in the region and in Uganda. Funds are transferred by land, as well as wired (which pose an issue, given the lack of information of data concerning the sender and the source of the funds).

Trade: Charcoal is a main business activity for Al-Shabaab. Charcoal is extracted, developed, and transported to port towns for export to UAE and Dubai, where revenues finance the importation of sugar. Sugar is mainly imported from Dubai and the UAE. Shipping companies bring sugar to ports in Somali, gathering charcoal for the return trip. Sugar is then smuggled through the country and across borders with a large portion ending up in Kenya (UNMGSE, 2011). Al-Shabaab alone, earns over USD 400 million in Charcoal and Sugar trade annually. Al-Qaeda and Al-Shabaab

have obtained USD 213 billion from Wildlife crimes and Charcoal trade globally (UN expert on DRC report). ADF, LRA and Al-Shabaab have for the last five years been involved in Illegal Ivory trade with proceeds of over USD 3.6 million (UN expert on DRC report).

Taxation:

As of 2014, al-Shabaab generated an estimated 25 million per year via taxation (Keatinge, 2014). ADF controls a territory in Eastern DRC and taxes the trade within the area controlled mostly Gold mining, lumbering and General trade merchandise.

Piracy:

Somalia has become notorious for piracy off its coastline. Pirates off the coast of the horn of Africa and Somalia were able to acquire an estimated \$339 million to \$439 million in ransom payments as of 2013, facilitated by their ability to move and use assets as well as freedom to develop capacities on-land (UN News Centre, 2013). The direct participation of al-Shabaab in piracy, moving from mere taxation of ransoms when possible to active participation in a 'sea jihad' (Childress, 2010). Others have suggested that al-Shabaab has had an opposite role in regional piracy: aside from isolated instances of cooperation between terrorists and pirates, al-Shabaab's harsh interpretation and implementation of Sharia law has stifled piracy by up to 50% in territories under its control (Singh, 2013).

NPO donations:

In 2015, ADF received donations from an NPO in UK worth USD 22,811. Al-Shabaab receives donations and money remittances from people in diaspora.

Extortions:

In 2015, ADF carried out raids and road blocks in Eastern DRC and obtained USD 80,000.

The drivers for vulnerability include; cash and informal economy, porous borders, presence of many Hawalas, unregulated real-estate industry, coupled with conflict prone areas, ungoverned places, a young and un-employed population and refugee influx from the conflicts.

1.4 Terrorist Financing Threat Analysis

The overall terrorist financing threat was scored at medium-high (MH) level.

The volume of terrorist financing was estimated at USD 100 million-total for all terrorist groups in the region. Much as the three terrorist groups targeting Uganda may have more than USD 100 million, not all resources are used in terrorist operations targeting Uganda but rather are saved or traded for survival among other reasons. The main contributing factors include; Extortion, NPO's, remittances, Natural resources/wild life crimes, ransoms, piracy and trade.

Al-Shabaab's main sources of income include extortion (including in the form of illegal taxation), trade (both legal and illegal), foreign remittances, donations, migrant smuggling, wild life crimes and piracy.

LRA's main sources of funds include; wildlife crime, minerals, extortion and looting.

ADF's main sources of funds include; Trade (legal and illegal), Real estate business, wildlife crime, illegal mining, state sponsorship and NPOs donations.

1.4.1 Prevalent Terrorism and Terrorist Financing Typologies in the Jurisdiction

- (i) Domestic financing of domestic acts of terrorism include: local fundraising, trade which finance ADF operations in the country.
- (ii) Domestic financing of foreign acts of terrorism include; Local fundraising and trade (both legal& illegal) financing ADF and Al-Shabaab foreign operations. For example, it is believed that many businesses operated by the Somali community in Uganda e.g. Money exchange and remittance companies and Petrol stations send money to Somalia which can be taxed by Al-Shabaab when received within territories under its control.
- (iii) Foreign financing of domestic acts of terrorism include: Al-Shabaab and ADF funding its operations in the country.

It has been assessed that foreign financing of domestic acts of terrorism outweighs domestic financing of domestic acts of terrorism.

1.4.2 Countries posing the highest TF threat on Uganda.

TF threat emanates from DRC, Somalia, Kenya, Tanzania and UAE.

DRC: ADF controls a large territory of Eastern DRC where it carries out illegal mining, illegal timber extraction, and extortion, legal and illegal trade.

Somalia: Al-Shabaab controls some parts of the country where they carry out taxation, extortion, piracy, and trade.

Kenya: Al-Shabaab and ADF continue to operate proxy businesses in Kenya from where funds are raised. ADF carries out businesses in form of transport, real estate and car depot. Al-Shabaab carries out businesses in form of sugar and charcoal businesses.

Tanzania: ADF operates car and real estate businesses in Tanzania from where funds are raised. It carries out real estate businesses, car depot.

UAE: UAE is a business and financial transaction hub where the terrorist groups (Al-Shabaab and ADF) and their proxies carry out businesses in Gold, Ivory, Motor vehicles etc., from which funds are raised to facilitate terrorist activities targeting Uganda. ADF operates a shop in Dubai.

1.4.3 Countries to which Uganda presents the highest TF Threat

DRC: Local fundraising by ADF sympathizers sending funds to DRC to fund ADF. Proceeds from businesses operating in Uganda may facilitate terrorist activities in DRC. ADF boosts its strength through recruiting from Uganda.

Somalia: Somali businessmen and other immigrants residing in Uganda send money back home which may be used to fund Al-Shabaab.

1.4.4 Main sources of funding for TF

From the assessment carried out, the main sources of funding for TF in Uganda include; local fundraising, trade (both legal & illegal) which finance ADF and Al-Shabaab operations in the country.

The main sources for TF outside Uganda include:

- 1) Illicit businesses such as wild life crimes, illegal mineral trade and extortion
- 2) Legitimate businesses and trade
- 3) Charities and donations

1.5 NATIONAL VULNERABILITY TO TERRORIST FINANCING

The assessed level of TF vulnerability is medium high **(MH)**.

1.5.1 Quality of legislation

Uganda's legal framework largely in line with international standards for the combatting the Financing of Terrorism. Section 9(A) of the Anti-Terrorism (Amendment) Act, 2015 clearly defines the offences and penalties of TF. Section 17(A) caters for freezing and seizure of funds and property of the declared Terrorist organization or persons. Section 17B caters for Forfeiture of funds or Property on conviction. Regulation 12 of the Anti-Terrorism Regulations, 2015 empowers the FIA to freeze Assets or funds of declared persons or organization. However, some amendments are yet to be made to the ATA, 2002 to fully criminalize Terrorism Financing in line with the International Convention against TF and FATF requirements. These include criminalizing terrorist financing for any purpose, and ensuring full coverage of ancillary offences. Also, the Regulations implementing the freezing requirements are new, therefore their effective implementation is yet to be tested.

1.5.2 Quality of intelligence

The quality of intelligence generated on terrorism activities is adequate. The Police Act, Security Organizations Act, The Uganda People's Defence Forces Act, The Anti-Terrorism Act and Provide for establishment of Institutions to generate intelligence for Combating Financing for Terrorism. Authorities were able to disrupt terrorist attacks. However, TF being a new phenomenon in Uganda, the quality of intelligence generated for this specific crime is still at formative stage. The process to build capacity to generate desired TF intelligence is on course.

1.5.3 Effectiveness of TF-related Suspicious Transaction Reporting, monitoring and analysis

The effectiveness of the STR reporting related to TF is limited by technical capacity in terms of training and equipment, and currently no TF-related STRs were received by FIA.

The systems for TF related suspicious Transaction Reporting, monitoring and analysis are inadequate. There is currently no IT system to transmit and receive STRs. However, efforts are underway to acquire IT equipment for the FIA (goAML).

1.5.4 Adequacy of resources.

Although the level of human resources and capacity to combat terrorism is sufficient, human, technical and financial resources are inadequate to meet the demands of the specific threat and vulnerability related to TF.

1.5.5 Effectiveness of international cooperation

Uganda is a strong force of regional and international stability, security and counter-terrorism efforts bodies e.g. EAC, IGAD, ESAAMLG African Union (AU), COMESA, Commonwealth and UN. This membership helps in coordinating AML/CFT activities. Uganda contributed troops to the AU mission in Somalia (AMISOM) to counter Al-Shabaab, continued to pursue LRA with neighboring countries as part of the AU regional Task Force. Uganda is a member of the East African counterterrorism and participates in Global Counter Terrorism forum events focused on the Horn of Africa. Several MOUs have been signed between various agencies to fast track cooperation among the agencies. This cooperation is however limited by different legal and institutional frameworks in the different jurisdictions, and by the current lack of a comprehensive legal regime for MLA, as noted by the MER.

1.5.6 Awareness and commitment in fighting TF

Although the commitment to fight terrorism and TF is very strong among all stakeholders, there is limited awareness among the public on TF. However, there are concerted efforts to combat TF with well laid out policies and strategies.

1.5.7 Geographic and demographic factors

Uganda is surrounded by countries riddled by conflicts which exposes it to the threat of terrorism. Influx of refugees exposes the country to the threat of terrorism.

Many Ugandan youths are unemployed and hence vulnerable.

1.5.8 Other factors

These include; porous borders, technological advancement and effects of globalization, cash economy and large informal sector.

Assessment of negative impacts on vulnerability

Uganda's vulnerability to TF largely emanates from; a prevalent cash economy, porous borders, existence of many HAWALAs, unregulated real estate industry, influx of refugees, an insufficiently regulated foreign exchange market, among others.

TF legislation is new and the institutional mechanisms to implement it are still being developed.

However, the political will and the legal framework provided for in the ATA, 2002 amendments offers an enabling environment to deal with TF risks.

1.6 MAIN DRIVERS OF THE LEVEL OF THE NATIONAL VULNERABILITY TO TF; MAIN WEAKNESSES, KEY STRENGTHS, MITIGATIONS AND CHALLENGES.

1.6.1 Main weaknesses:

- Nascent institutional framework with staff of Law Enforcement Agencies lacking expertise and resources to carry out investigations and prosecutions specifically targeting TF.
- Lack of data mining tools and access to all relevant databases by.
- Risks pertaining to TF are not well understood, with more emphasis put on investigating acts of terrorism than the financing element.
- Lack of reliable information on identities of natural and legal persons making it difficult to identify individuals and beneficial owners of legal persons/entities.
- Weak legal and institutional framework with regard to the NGO sector. The NGO board has limited capacity to monitor flow and utilization of funds for NGOs which can be used for TF activities.
- Weak cross-border controls, not specifically targeted at the detection of cash-couriers.

1.6.2 Key strengths

Uganda's legal framework is largely compliant with FATF recommendations and the International Convention for the Suppression of the Financing of Terrorism. There are provisions under the Anti-Terrorism Act, 2002 (as amended in 2015 and 2016) to criminalize TF in line with the TF convention.

Anti-Terrorism Regulations, 2016 cater for freezing terrorist funds in relation to UNSCRS 1267 and 1373 and their successor resolutions, as well as procedures to implement Uganda's obligations under the resolutions (although their effective implementation is yet to be tested).

There is strong inter-agency co-operation as well as regional and international co-operation e.g. membership to ESAAMLG.

1.6.3 Gaps:

However, gaps were identified by FATF in the ATA, 2002 (as amended in 2015 and 2016) with regard to:

- Criminalizing TF acts regardless of the purpose.
- Ensuring that there is a full range of ancillary offences to the TF offence.
- Ensuring that criminal sanctions under the TF offence can be applied to a legal persons.
- Data management and storage by government MDAs is inadequate.
- Availability and access to reliable data is a problem for the FIA.
- Staffing levels and training for LEAs and FIA is inadequate for TF.

1.6.4 Action being taken to address gaps:

- NRA is being undertaken to identify gaps and prioritize action to address them.
- A series of trainings for LEAs & FIA staff are being undertaken at national and regional level to improve capacity.
- IT equipment and software acquisition to facilitate analysis by FIA is under way.
- Awareness programs have commenced for all stakeholders.

1.6.5 Recommendations:

- Address shortcomings in the ATA 2002, (as amended 2015 & 2016) to align it with the international standards.
- Intensify training for LEA staff on investigation and prosecution of TF.
- Build capacity of FIA and LEAs to handle TF.
- Roll out awareness campaigns for the public.

1.7 TERRORIST FINANCING RISK AT SECTORAL LEVEL

Financial Institutions:

Banking sector:

Thus far there have been no reported instances of assets held in the banking sector by UN-designated individuals or entities. The vulnerability of the banking sector may arise from weaknesses in KYC in respect to a unified (controlled) identification system in the country. This might be exploited by terrorist groups and individuals to launder money for Terrorist Financing although there is no act reported of banks being abused for TF.

The overall vulnerability for the Banking sector for TF is **Medium**.

Insurance sector

While there is some level of vulnerability arising from the issues noted by the ML analysis of the sector, the risk of the insurance industry of being abused for TF purposes is low.

The overall vulnerability for the insurance industry for TF is **Low**.

Securities sector

While there is some level of vulnerability arising from the issues noted by the ML analysis of the sector, the risk of the securities industry of being abused for TF purposes is very low.

The overall vulnerability for the securities industry for TF is **Very Low**.

Other Financial Institutions

In the regulated category, the forex bureaus and money remitters have the highest vulnerability. These two sectors also have reasonable exposure to terrorism financing owing also because of their links to some high risk jurisdictions. In the unregulated sector, the risk is more relevant for microfinance institutions.

FOREX Bureaus

As noted in the assessment of other financial institutions, ownership of these institutions is varied; however, there is a strong presence of the Somali, Indian and Pakistani citizens in the forex bureau business. This link to some high risk jurisdictions is considered a potential threat with regard to terrorism financing. In terms of inherent vulnerability, the biggest concern is the highly cash nature of the transactions and the poor compliance and detection of suspicious transaction systems. Whereas the Central Bank has circulated the UN sanctions list to all forex bureaus, only a few actually screen their clients against this list.

The overall vulnerability for the FOREX sector for TF is **High**.

Money and Value Transfer Services (MVTs)

As noted in the assessment of the other financial institutions, key threats arise from the high cash nature of the operations with most of the money remittances terminating into cash drawn over the counter. In addition, there is exposure to risk jurisdictions such as Somalia (outflows), where foreign remittances form a key source of livelihood. Uganda has several Somali refugees who send remittances back home to support their families. This exposure coupled with the absence of enhanced due diligence poses not only money laundering threats, but terrorism financing threats as well.

The overall vulnerability for the money remittance segment for TF is **Medium High**.

Money lending

There is some inherent TF risk due to the existence of a black market and the relative ease to have access to lending (as opposed to more regulated financial institutions). Reports indicate that the law is often ignored with many money lenders operating without licenses. The business thrives because money lenders offer quick access to funding without a lot of formal loan application requirements.

The overall vulnerability for the money lending sector for TF is **Medium**.

Microfinance Institutions (MFI)

The vulnerability for this sector is largely driven by the absence of regulatory/supervisory oversight. These MFIs are not subject to any form of supervision or oversight. In addition, there are limited entry controls, with no screening of persons interested in the business. All that is required is simple business registration as a limited company or as a non-Government Organisation. In addition, there is limited knowledge of AML under MFIs in addition to absence of compliance functions and suspicious activity monitoring. Whereas the overall client profile indicates that the transaction amounts are small, the assessment also revealed that some of the MFIs have international financiers in form of donors while others have foreign equity holders. These findings together with the high cash nature of the transactions pose some vulnerability to terrorism financing.

The overall vulnerability for the MFIs sector for TF is **Low**.

Financial Inclusion Products:

The analysis of financial inclusion-related products (in particular mobile money international remittances and mobile money persons to persons transfers) has shown that the vulnerability of mobile money products to TF risk is considered to be high given the rapidity of transactions

as well as well as cross-border transactions available for some of the products. Some of these products have no maximum threshold on transaction count per day. For those products that have transaction thresholds, they are relatively high compared to the risk of TF, as they range from 4 to 5 million UGX and they are set as daily limits (hence one can receive the upper limit amount daily thus allowing high values). Customers are also able to hold multiple SIM-cards⁸⁷ (accounts) with same or different network operators. Although they are subject to KYC, some of the product users have not yet accessed the national IDs. Alternative identifications such as Employment IDs are also allowed with may not be easy to verify.

The overall vulnerability for the mobile money service providers for TF is **High**.

Designated Non-Financial Businesses and Professions

In the DNFBP sector the higher TF risks is on real estate agents, other DNFBPs are considered to be at low risk for TF.

Real Estate Industry:

The unregulated Real Estate industry in Uganda is comprised of agents, property managers and property developers. Some individual entities are registered with URSB. However, the majority of the Real Estate agents/brokers who form the largest part of the industry are not registered.

This lack of sufficient regulation and a comprehensive legal framework covering the Real Estate sector raises the risk of TF in this sector. Some Terrorist groups can take advantage of real estate as a channel to finance their activities.

The overall vulnerability for the real estate sector for TF is **high**.

NPOs/NGOs:

Africa Network International, a charity organization with links to ADF and based in London and some other NGOs (not disclosed for fear of jeopardizing investigations) are currently being investigated for their involvement in TF.

The NGO Registration Act Cap 113 was repealed and replaced by the NGO Act 2016, to make provision for the corporate status of the National bureau for NGOs and provide for its capacity, to register, regulated, coordinate and monitor NGO's activities and other related matters. While, with the enactment of the new Act, the risk of this sector may decrease, the sector is currently exposed to a vulnerability for TF.

The overall vulnerability for the NGOs segment for TF is **Medium**.

⁸⁷ In one case (not related to terrorism of TF though) a person was found having more than 50 sim-cards associated to mobile money.

ASSESSMENT OF NATIONAL VULNERABILITY⁸⁸

Summary of findings

Uganda's vulnerability was established to be high at 0.76, this was brought about by its low money laundering combating ability (0.30) and the very high (0.82) overall sectoral money laundering vulnerability. Measures against money laundering through the enactment of the Anti-Money Laundering Act (AMLA) and the establishment of the Financial Intelligence Authority (FIA) have been undertaken. Despite these efforts, the country remains vulnerable to money laundering. The major vulnerability identified by the team include: the ineffective performance of FIA and other LEA due to inadequate resources (both technical and financial), the existence of a predominantly cash economy, the poor control of the country's porous borders and the absence of an up to-date AML policy.

Assessment results: Major findings;

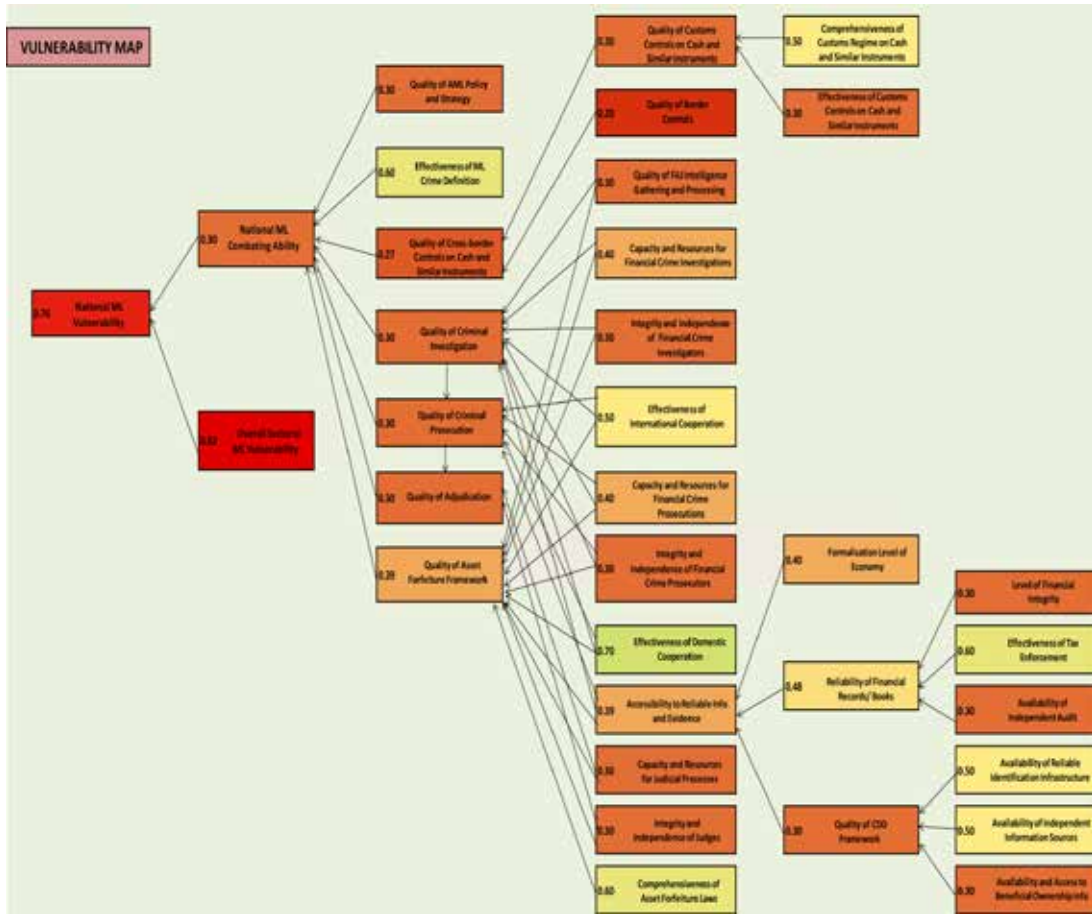
Figure 5: Entries for input variables (in the Entry Page tab)

Assessment results: Major findings;

⁸⁸ The National Vulnerability team consisted of representatives of the following institutions: Directorate of Public Prosecution, Tax Investigation Department, Uganda Revenue Authority, Financial Intelligence authority, Inspectorate of Government, Makerere University Kampala, Anti-Corruption Division of the High Court, Criminal Investigation Directorate, Uganda Police, Uganda Police (Anti-Narcotics Department), Ministry of Justice, Ministry of Finance, Uganda Registration Services Bureau (URSB, Min. of Internal Affairs, Auditor General's Office.

Figure 5: Entries for input variables (in the Entry Page tab)

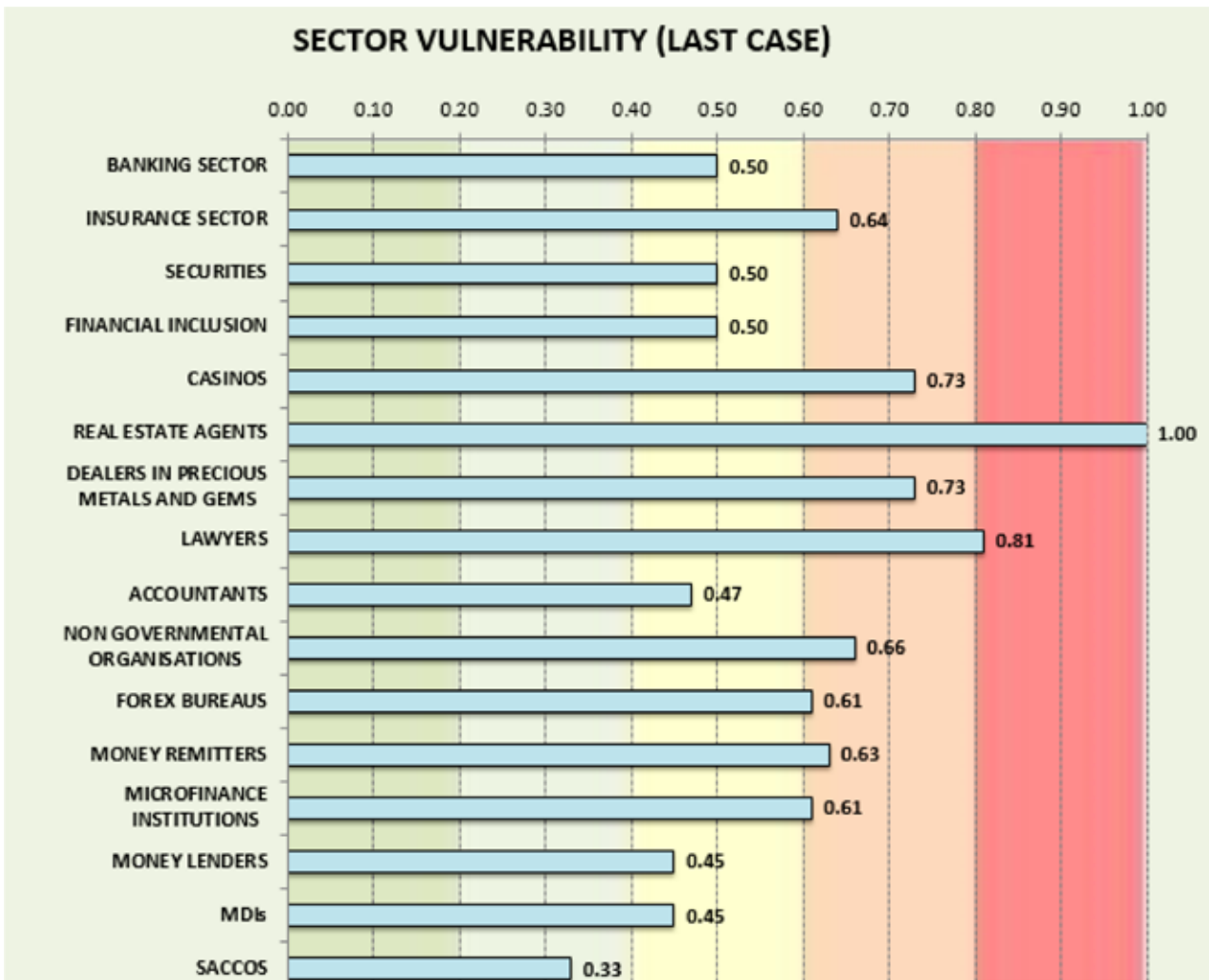
A. INPUT VARIABLES/NATIONAL ML COMBATING ABILITY FACTORS	ASSESSMENT RATING	
Quality of AML Policy and Strategy	(0.3) Low	0.3
Effectiveness of ML Crime Definition	(0.6) Medium High	0.6
Comprehensiveness of Asset Forfeiture Laws	(0.6) Medium High	0.6
Quality of FIU Intelligence Gathering and Processing	(0.3) Low	0.3
Capacity and Resources for Financial Crime Investigations (incl. AF)	(0.4) Medium Low	0.4
Integrity and Independence of Financial Crime Investigators (incl. AF)	(0.3) Low	0.3
Capacity and Resources for Financial Crime Prosecutions (incl. AF)	(0.4) Medium Low	0.4
Integrity and Independence of Financial Crime Prosecutors (incl. AF)	(0.3) Low	0.3
Capacity and Resources for Judicial Processes (incl. AF)	(0.3) Low	0.3
Integrity and Independence of Judges (incl. AF)	(0.3) Low	0.3
Quality of Border Controls	(0.2) Very Low	0.2
Comprehensiveness of Customs Regime on Cash and Similar Instruments	(0.5) Medium	0.5
Effectiveness of Customs Controls on Cash and Similar Instruments	(0.3) Low	0.3
Effectiveness of Domestic Cooperation	(0.7) High	0.7
Effectiveness of International Cooperation	(0.5) Medium	0.5
Formalization Level of Economy	(0.4) Medium Low	0.4
Level of Financial Integrity	(0.3) Low	0.3
Effectiveness of Tax Enforcement	(0.6) Medium High	0.6
Availability of Independent Audit	(0.3) Low	0.3
Availability of Reliable Identification Infrastructure	(0.5) Medium	0.5
Availability of Independent Information Sources	(0.5) Medium	0.5
Availability and Access to Beneficial Ownership Information	(0.3) Low	0.3



SECTORAL FINDINGS.

SECTOR VULNERABILITY

SECTORS	FINAL VULNERABILITY SCORE	WEIGHTS
BANKING SECTOR	0.5	8
INSURANCE SECTOR	0.64	3
SECURITIES	0.5	7
FINANCIAL INCLUSION	0.5	10
CASINOS	0.73	2
REAL ESTATE AGENTS	1	6
DEALERS IN PRECIOUS METALS AND GEMS	0.73	3
LAWYERS	0.81	5
ACCOUNTANTS	0.47	2
NON GOVERNMENTAL ORGANISATIONS	0.66	4
FOREX BUREAUS	0.61	9
MONEY REMITTERS	0.63	2
MICROFINANCE INSTITUTIONS	0.61	1
MONEY LENDERS	0.45	1
MDIs	0.45	1



Assessment Results: Findings Concerning Each Variable

4.1 Quality of AML Policy and Strategy

Assigned rating of this variable was 0.3(Low). Although efforts are in place to revise the AML policy, an effective and focused policy can only be made after an NRA has been concluded and has identified the ML risks, which the policy should seek to address.

Deficiencies noticed during the evaluation of this variable are the fact that the NRA is still progress and the absence of an up-to-date AML policy. The last AML policy was in 2002 and considering the deficiencies in attaining the objectives, there has been a lukewarm approach to implementation of the objectives

4.2 Effectiveness of ML Crime Definition

Assigned rating of this variable was 0.6 (Medium-High) because The AMLA comprehensively defines the money laundering offence, although the MER noted an issue in the existence of different standard of proof in the provision criminalizing ML (Sections 3 and 116) which are currently being handled by the Amendments to the AMLA 2013. The penalties are both proportionate and dissuasive and are also applicable to both natural and legal persons. However, it has to be considered that no convictions have been obtained so far on ML.

4.3 Comprehensiveness of Asset Forfeiture Laws

The assigned rating for this variable was 0.6 (Medium-High) because the country has comprehensive laws to seize, freeze and forfeit proceeds and instrumentalities of crime. However, the MER questioned whether tainted property covers instrumentalities intended to be used in the commission of money laundering or predicate offence. Despite the absence of non-conviction forfeiture provisions, the Asset Forfeiture laws broadly provide for seizure and forfeiture of crime proceeds under the conviction based system.

For improvement with regards to this variable, there is need to enact the non-conviction forfeiture provisions and civil forfeiture laws.

4.4 Quality of FIU Intelligence Gathering and Processing

The assigned rating for this variable is 0.3 (Low). The FIA effectively triggers and supports money laundering and asset forfeiture investigations by collecting, storing, analyzing and disseminating suspicious transaction reports as well as threshold transaction reports (where required) effectively and efficiently though its effectiveness is greatly affected by the lack of the data analysis machine. The FIA was established by the AMLA which empowers it to carry out several functions aimed at controlling ML activities. However, the powers of the Board under the AMLA may have a bearing on the operational independence of the FIA. The inability to tap into intelligence information available in large cash transaction reports due to lack of an IT system to consolidate the reports and facilitate meaningful analysis. Lack of direct interface with other national databases like URSB, URA, Immigration, Police crime records greatly undermines the efficacy of the analysis. The above criteria is evidenced by the number of STRs received by and disseminated from the FIA as shown in the tables below. The decline in the STR reports is deemed to be due to an increased awareness of the reporting entities as to what constitutes a suspicious transaction.

The FIA should be adequately resourced and provided with data mining tools in addition to the AMLA being amended to provide for operational independence.

STATISTICS ON SUSPICIOUS TRANSACTIONS JANUARY 1, 2015 – DECEMBER 31, 2015

1	Total Reported STRs	309	
	Status	Number	Percentage
1	Disseminated	54	17.5%
2	Closed	64	20.7%
3	Work in Progress	191	61.8%
	Total	309	100.0%

2.	Breakdown of STRs Received By Category of Accountable Persons		
	Category	Number	Percentage
1	Commercial Banks	301	97.4%
2	Credit Institutions	4	1.3%
3	Microfinance Deposit Taking Institutions	1	0.3%
4	Forex Bureaus	1	0.3%
5	Insurance Companies	1	0.3%
6	Mobile Network Operator	1	0.3%
	Total	309	100.0%

3.	Breakdown of STRs by Entity Disseminated to		
	Entity	Number	Percentage
1	Uganda Revenue Authority	26	48.1%
2	Police CIID	26	48.1%
3	Inspectorate of Government	2	3.7%
	Total	54	100.0%

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	Total	54	100.0%

SUMMARY OF STR STATISTICS FOR THE PERIOD JANUARY – JUNE, 2016

1. Statistics on Suspicious Transactions

No.	Status	Number
1	Received	92
2	Closed	18
3	Disseminated	18

2. Breakdown of STRs Received By Category of Accountable Persons

	Category	Number	Percentage
1	Commercial Banks	90	97.8%
3	Microfinance Deposit Taking Institutions	2	2.2%
	Total	92	100.0%

3. Breakdown of STRs by Entity Disseminated to

No.	Institution	Number
1	Inspectorate of Government	5
2	Uganda Revenue Authority	11
3	Uganda Police (CID)	2
	Total	18

From the disseminated STRs, all STRs to IGG, Police, URA and DPP have resulted into cases for investigation (please refer to analysis of threat for further details on the ML investigations/prosecutions).

4.5: Capacity and Resources for Financial Crime Investigations (including Asset Forfeiture)

The assigned rating for this variable was 0.4 (Medium Low) this is because although there are dedicated AML units under CID, URA and IG⁸⁹, Uganda has relatively inadequate capacity and resources to effectively investigate money laundering offenses, associated predicate offenses and the proceeds of foreign predicate offenses, including deliberately aiding or facilitating all such offense. Uganda's Financial crime investigators are not well equipped in capacity as evidenced by the inadequate resource allocation as per budget allocation as contrasted with actual requests by the entities as per attached annex, and the Mutual Evaluation report paragraph

⁸⁹ The economic and anticorruption division in CID deals with ML cases. URA has also a number of investigators (3 investigators) specialized on AML. The Directorate of Special Investigations under IG deals with corruption and ML cases

146 which speaks out about the lack of a set structure to pursue parallel financial investigations, neither is it appreciated that it is an important tool in criminal investigations, paragraph 150 which states that much as the police is aware of the duty to investigate money laundering, it's not yet well equipped in terms of resources and training to handle ML investigations.

Uganda Financial Crime investigators would benefit from current tools and equipment that would aid in reconstructing and tracing the proceeds of crime. For improvement, the curriculum of police training schools needs to be reviewed to incorporate the subject of money laundering elaborately in addition to Uganda creating its own specialized course or training program to train and certify financial crime investigators.

MANPOWER OF FINANCIAL CRIME INVESTIGATORS IN THE DIVISION OF ECONOMIC CRIMES AND ANTI- CORRUPTION CID HQS

	DEPARTMENT	NO OF INVESTIGATORS	REMARKS
1	CENTRAL GOVT FRAUDS	35	Handles cases of Corruption of Public officers including those of FIA
2	ECONOMIC CRIMES AND FINANCIAL INTELLIGENCE DEPT	21	Cases from FIA handled by officers of the Department
3	LOCAL GOVERNMENT FRAUDS	12	Handle cases from the Local Government Units
4	PROJECTS, URBAN GOVERNMENT FRAUDS	10	Handles cases of Government Projects and Urban Governments
5	PUBLIC ACCOUNTABILITY COMMITTEE(PAC) CID	7	Handles cases from the Accountability Committees of Parliament

SPECIAL INVESTIGATION DIVISION (SID) CID HQS

	DEPARTMENT	NUMBER OF INVESTIGATORS	REMARKS
1	ORGANISED CRIME	20	Has four desks namely; 1)Anti Human Trafficking 4 Investigators 2)War Crime Desk 5 Investigators 3)General Crime Desk 6 investigators 4) Homicide 5
2	COMMERCIAL AND TRANSNATIONAL CRIME	8	Has two Desks 1) Public Fraud Desk 5 investigators 2) Private Fraud Desk 3 Investigators

UGANDA REVENUE AUTHORITY- TAX INVESTIGATION DEPARTMENT

	SECTIONS	NUMBER OF INVESTIGATORS	REMARKS
1	FINANCIAL CRIME	19	Investigates cases forwarded and developed from intelligence section These also handle money laundering cases from intelligence
2	INTELLIGENCE	19	Collects, Collates and analyses data to make meaningful target profiles and briefs.
3	FORENSICS	7	Offer forensic support when required.
4	SCIENCE	9	Offer scientific inputs when a case requires it.

SN	ENTITY (1)	AMOUNT REQUESTED (AS PER POLICY STATEMENT) (2)	APPROVED BUDGET (INCLUDING SUPPLEMENTARY) (3)	AMOUNT RELEASED (4)	FUNDING GAP (4-3)	REMARKS
1	Uganda Police	435,030,600,000	661,925,803,204	660,738,344,652	(1,187,458,552)	Originally the entity had requested for less fund before supplementary
2	Inspectorate of Government	39,811,000,000	39,619,000,000	39,576,000,000	(43,000,000)	Do
3	Office of the Auditor General	77,591,000,000	47,660,000,000	47,496,000,000	(164,000,000)	Although releases against approved budget indicate no financial gap, originally the entity had requested for more fund before approved budget, thus leading to an apparent financial gap of UGX.30,095,000,000
4	URA	293,484,000,000	246,820,000,000	246,820,000,000	-	Although releases against approved budget indicate no financial gap, originally the entity had requested for more fund before approved budget, thus leading to an apparent financial gap of UGX.46,664,000,000

4.6: Integrity and Independence of Financial Crime Investigators (including AF)

The Inspectorate of Government 2014 Report "Tracking Corruption Trends in Uganda: using the Data Tracking Mechanism" points to the fact that corruption is widespread in Uganda. Although there are several integrity safe guard measures in place, their implementation has been lukewarm, and the situation is accentuated by frequent political, social and corruption interferences. The absence of integrity in handling financial crime was manifest in the handling of the pension scam case which was dismissed from court on the 13th of April 2015 as a result of failure to finalize investigations. The Daily Monitor Newspaper⁹⁰ quoted the head of the police Criminal Investigations and Intelligence as stating that the detectives who were handling the pension scam case took bribes and caused the collapse of the case where nine suspects had been charged with masterminding the plunder of Shs.165 billion/= belonging to pensioners. The Daily Monitor of 2nd August 2016, quoting a URA official, pointed to the extent of political interference in revenue collection which affects the independence and integrity of the LEAs. All of these issues undermine the ability of the crime investigators to conduct investigations without fear or favor thus bringing the assigned rating of the variable to 0.3 (Low).

For areas of improvement, the implementation of the safeguards should be improved by following up on the errant Law enforcement officers in addition to fast tracking the police code of conduct.

CID BUDGET ESTIMATES FOR 2016/2017

ACTIVITY	Unit	Cost (UGX)	Total Activity Cost
Recruitment and Induction of 600 Detectives	600	300,000	180,000,000
Recruit 200 Cadet officers	200	600,000	60,000,000
Procure Tool and Equipment			
10 M/Vehicles for investigating officers in 129 Districts and 26 Regional CID Units	10	120,000,000	1,200,000,000
70 Motorcycles	70	8,000,000	560,000,000
3 Motor vehicles for investigations in 3 Divisions at CID Hqs	3	120,000,000	360,000,000
4 Motor Vehicles for SID	4	70,000,000	260,000,000
Procure Investigation Equipment	30		300,000,000
Develop and Strengthen Criminal Record Management System in 129 Districts	25	7,000,000	175,000,000

90 The Daily Monitor Newspaper, "How Police Bribery Killed the Pension Scam Case" Wednesday April 22 2015 reported by Eriasa Mukiibi Serunjogi, Anthony Wesaka, Andrew Bagala and Yasin Mugerwa.

Develop Profile for dangerous and Terrorist criminal Suspects	4		120,000,000
Provision of adequate funding for actual investigation of Criminal offences 250,000 cases to be investigated	100,000	50,000	5,000,000,000
Classified funding for investigation	4	240,000,000	960,000,000
Summoning of witnesses for Court Sessions in 24 Location Per quarter	3,840	50,000	192,000,000
Processing of 500 exhibits for investigations	850	150,000	127,500,000
Strengthening technical capacity of the CID to manage specialized investigations in 15 Departments with 60 officers trained per department save for Media Crimes of 30, Anti-Terrorism 20 and organised crimes 30	720	Ranges from 300,000 to 800,000 depending on complexity of the course	285,000,000
Travel abroad for investigation, Training and Workshops	60 officers	3,700,000	222,000,000
Investigation of 15% of case backlog	7,500	200,000	1,500,000,000
TOTAL			11,547,500,00

MTEF FUNDS RELEASED TO CID IN 2015/2016

QUATERLY RELEASES

FIRST QUARTER	JULY –SEP 2015	167,500,000
2 ND QUARTER	OCT – DEC 2015	99,800,000
3 RD QUARTER	JAN –MARCH 2016	175,000,000
4 TH quarter	APRIL –JUNE 2016	175,000,000
Total		617,300,000

NB: These funds covers the entire CID: Headquarters, Special Investigation Division (SID), 27 Regions and 130 Districts and Divisions

No motor vehicles nor motor cycles were procured

CURRENT CID MANPOWER STRENGTH AND ESTABLISHMENT AS AT 11-8-201691

Rank	AIGP/ DIRECTOR	SCP/ DEPUTY	CP	ACP	SSP	SP	ASP	IP	AIP	SGT	CPL	CONS	TOTAL
ESTABLISHMENT	1	2	13	15	40	172	439	480	2463	3791	1122	3,440	11978
CURRENT STRENGTH	1	3	6	6	33	54	212	175	559	778	1190	1900	4927
GAP SHORTAGE		-1	7	9	7	118	227	295	1904	3013	-68	1540	7051

4.7 Capacity and Resources for Financial Crime Prosecution

The Financial crime prosecutors do not have adequate capacity and resources to handle ML cases as evidenced by the lack of specialized trainings to be undertaken by the prosecutors thus having the rating of 0.4(Medium Low).

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ACRONYMS

- AIGP Assistant Inspector General of Police/Director CID
- SCP Senior Commissioner of Police/Deputy Director of CID
- CP Commissioner of Police/Head of Department
- ACP Assistant Commissioner of Police
- SSP Senior Superintendent of Police
- SP Superintendent of Police
- ASP Assistant Superintendent of Police
- IP Inspector of Police
- AIP Assistant Inspector of Police
- SGT Sergeant
- CPL Corporal
- CONS Constable

DPP ANTI CORRUPTION DEPT MANPOWER STRENGTH AND ESTABLISHMENT 2016⁹²

	S/ ADPP	A/DPP	SPSA	PSA	SSA	SA	PS	Drv
ESTABLISHMENT	4	4	4	4	5	0	1	1
CURRENT STRENGTH	0	0	6	2	7	4	1	1
GAP SHORTAGE	4	4	3	2	-2	-4	0	0

Despite the challenges arising from insufficient resources and training, the financial crime prosecutors have secured convictions in majority of the cases at an average conviction rate of 60% since the inception of the Anti-Corruption Division in 2009⁹³.

There is need for adequate support for resources and training to effectively handle ML cases in addition to specialized unit being created in DPPs office to handle ML cases.

CAPACITY AND RESOURCES FOR FINANCIAL CRIME PROSECUTORS⁹⁴**RECURRENT BUDGET FOR DIRECTORATE OF PUBLIC PRESECUTIONS**

Expenditure Head	Approved Budget FY 2015/2016 (UGX)	Approved Estimates FY 2016/2017 (UGX)
Wage	6,042,420,000	6,318,130,000
Non-Wage	14,569,702,000	14,152,581,000
Total	20,612,122,000	20,470,711,000

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ACRONYMS

S/ADPP	Senior Assistant DPP
A/DPP	A/DPP
S/PSA	Senior Principal State Attorney
PSA	Principal State Attorney
SSA	Senior State Attorney
SA	State Attorney
PS	Personal Secretary
DRV	Driver

93 This conviction rate is attributable to the prosecutors' commitment, cooperation with the investigative authorities together with the one off training that have been provided by some international organizations including the StAR (World Bank) and the Basel Institute.

94 The quoted data has been extracted from Directorate of Public Prosecutions Vote 133 Policy Statement for FY 2016/2017 presented to Parliament for debate on Budget Estimate for Revenue and Expenditure Pages 56 and 57

DEVELOPMENT BUDGET

Expenditure Head	Approved Budget FY 2015/2016 (UGX)	Approved Estimates FY 2016/2017 (UGX)
GoU (Assistance to Prosecution	7,930,251,000	7,975,351,000
External Financing	0	0
Total	7,930,251,000	7,975,351,000

Total for Approved Budget for FY 2015/2016 **28,542,373,000/=**

Total Excluding Taxes and Arrears for FY 2015/2016 **27,587,473,000/=**

Total for Approved Budget for FY 2016/2017 **28,446,062,000/=**

Total Excluding Taxes and Arrears for FY 2016/2017 **27,348,482,000/=**

The approved establishment of the DPP requires UGS 21,724,628,196/= as opposed to UGS 7,181,109,073/= which has been provided in the FY 2016/2017.

The DPP approved establishment is for about 829 Lawyers and 511 support staff.

NO. OF DPP PROSECUTORS WHO HAVE BEEN TRAINED IN ML AND AR

S/N	NATURE OF TRAINING	TRAINER	NO. OF PROSECUTORS TRAINED	PERIOD OF TRAINING
1.	Attachment to the Asset Forfeiture Unit of South African	Asset Forfeiture Unit of South Africa	06	One month
2.	Handling of Asset Recovery and Money Laundering Cases	Basel Institute Under the SUGAR Project	07	One week
3.	Training on Asset Recovery and Financial Crimes	StAR under the World Bank	19	One week

4.8 Integrity and Independence of Financial Crime Prosecutors (including Asset Forfeiture)

The assigned rating for this variable was 0.3 (Low) because as much by law and in practice there are safe guards of the prosecutors integrity and their ability to operate without fear or favor, there is often failure to prosecute some high profile cases due to political and corruption interferences⁹⁵.

For improvement, there is need for actual political support to curb interferences in high profile cases, a committee to review arbitrary directives taken by the prosecutors for example in the case of Daniel Serwadda v The Director CID and Bank of Uganda and the use of integrity assessment tools when recruiting prosecutors.

For improvement, there is need for actual political support to curb interferences in high profile cases, a committee to review arbitrary directives taken by the prosecutors for example in the case of Daniel Serwadda v The Director CID and Bank of Uganda and the use of integrity assessment tools when recruiting prosecutors.

The Chogm case is an interesting example of possible undue influence. Three ministers who had been accused of abuse of office and causing government a financial loss of Shs14 billion ahead of the 2007 Commonwealth Heads of Government Meeting (Chogm), were acquitted and discharged. The acquittal has not gone down well with anti-corruption crusaders. "It's unfortunate and sad that the state has failed to produce evidence against the ministers after assuring us that they had the evidence to pin them. What explanation do they have that witnesses they brought who were supposed to pin the accused rather exonerated them? There must be something fishy here," Ms Cissy Kagaba, the executive director of the Anti-Corruption Coalition Uganda, said. "The country is bleeding of rampant corruption and yet the big fish is never apprehended, it's only the small fish that has so far been convicted over the Chogm money and yet the audit report showed that a lot of money was stolen," she added.

DAN SERWADDA CASE

Dan Serwadda sued the Director Criminal Investigations and Intelligence Department (CIID) and Bank of Uganda in the High Court Civil Division for failure to hand over UGS 406 million Shillings equivalent to Euro's 120,000 which had been seized from him by Police officers at Oasis Branch, Kenya Commercial Bank (KCB) Branch, Kampala on the 27th May 2016, exhibited at Central Police Station, Kampala (CPS) and taken to Bank of Uganda for safe Custody. The DPP had in an earlier instruction directed the CIID to hand over the money to Dan Serwadda since further evidence from Madrid Spain and Manchester was not forthcoming.

The facts were that; on the 4th February 2014 Sserwadda Daniel opened Account No. 2201983445 at KCB Bank Oasis Branch with a deposit of Ugx. 100,000 indicating the source of funds will be receipts from his brother based in UK and unspecified business. The account was largely inactive and as at 26/05/2014 had a balance of only Ugx. 290,000. On the same day 26/05/2014 Euros 120,137 the equivalent of UGS 408,431,025 was received on his account through Electronic Funds Transfer (EFT) from Congregation De La Passion through Banco Santander S.A Madrid Spain, the purpose being purchase of land in Wakiso, Block 340, Plot 56.

Prior to crediting the funds, KCB Oasis Manager detected the funds not to match the profile of the customer and immediately alerted the Risks and Compliance Department which gave instructions to freeze the funds pending an investigation.

Sserwadda Daniel and Ssenfuka Charles filed a Civil Suit in MSC Application No. 318/2014 at Nakawa High Court against KCB Bank Ltd and were able to obtain an order to KCB dated 26/05/2014 to immediately release the funds to the applicants Account on the 27/05/2014. Although the Bank complied with the Court Order by crediting the funds to Serwadda's Account it also reported the Suspicious Transactions to the Police in terms of Regulation 12 of the Financial Institutions (Anti Money Laundering) Regulations 2010 to the Police. Police apprehended Serwadda as he had just withdrawn 406 Million shillings and placed it in his suitcase.

CID Headquarters contacted INTERPOL-(NCB Kampala) to obtain detailed statement from Jose Luis Quintero Sanchez the Provincial Secretary of Congregacion de la Passion de Jesuer who initiated and approved the Electronic Funds Transfer request to Dan Serwadda. Serwadda claimed to have known him, through his sister Mirembe who was Sanchez's boyfriend. Fortunately INTERPOL Madrid acted on Police request without necessitating the process of Mutual Legal Assistance (Letter Rogatory).

They submitted to National Centre Bureau (NCB) Kampala a detailed response including a statement obtained by Spanish Police from Jose Luis Quintero Sanchez.

In a nutshell it indicated that the money originated from a cheque drawn on a closed account in Barclays bank UK which was used by suspected e mail hackers to dupe on Jose Luis Quintero Sanchez the Provincial Secretary to send money (Euro's) to Serwadda's, Senfuka Account and others. He was not aware of any land purchase in Wakiso.

Although DPP had initially sanctioned charges of Money Laundering to be preferred on Serwadda, he complained to DPP and case file was called. After further perusal of case file, the DPP observed that there was need to obtain evidence from United Kingdom and Spain in admissible form to enable him prosecute the suspect which was not forthcoming. He directed Director CIID to hand over the money to Serwadda and that proper charges would be considered in future when evidence is received from Madrid and London. The Director CIID declined to hand over the money after it became apparent that KCB Bank had also received a recall of the monies from Banco Santander who also confirmed the fraud. After all attempts to use different government offices to have Director CIID release the cash failed to bear fruit, he sued the two.

On 8th June 2016 a ruling was made by Hon Justice Benjamin Kabito in which he said 'I decline to order for the release of funds to the applicant, in light of the request made by the sending bank for return of the funds, in question, on grounds that the payment was fraudulent, null and void and in light of the recent investigations undertaken and findings made by the 1st respondent and NCB Kampala. In the circumstances the application is dismissed with costs to the respondent'

4.9 Capacity and Resources for Judicial Processes (including Asset Forfeiture)

According to analysis, Uganda has inadequate capacity and resources to effectively undertake judicial processes for cases relating to money laundering offenses and associated predicate offenses, including proceeds of foreign predicate offenses; and asset forfeitures.

The judiciary lacks adequate technical capacity required to effectively adjudicate cases of ML and its predicate offences. Whereas a specialized High Court Division handles such cases for the entire country, it comprises only two judges and no such specialization exists at Court Of Appeal and Supreme Court level. This contributes in part to the case back log, particularly of the predicate offences. Further, although the Anti-corruption Division has four Magistrates attached to it handling less complicated corruption cases, they have no jurisdiction over money laundering cases⁹⁶.

Due to the mentioned assessment, the assigned rating for this variable 4.9 was: 0.3 (Low).

SUMMARY OF STAFFING POSITION OF THE JUDICIARY (COURTS OF JUDICATURE) AS AT 27TH JULY 2016

CATEGORY	ESTABLISHMENT	STRENGTH	SHORTFALL/GAP
JUDICIAL OFFICERS			
a) JUSTICES AND JUDGES	111	72	39
b) REGISTRARS AND MAGISTRATES	347	337	10
ADMINISTRATIVE AND SUPPORT STAFF	1701	1375	423
TOTAL	2159	1784	

NB: Most of the administrative staff are deployed by the Ministries of Public Service and Finance, Planning and Economic Planning, i.e., they are not directly recruited by the Judiciary.

SN	ENTITY (1)	AMOUNT REQUESTED (AS PER POLICY STATEMENT) (2)	APPROVED BUDGET (INCLUDING SUPPLEMENTARY) (3)	AMOUNT RELEASED (4)	FUNDING GAP (4-3)	REMARKS
1	Judiciary	97,076,954,000	109,729,579,793	108,324,773,366	(1,404,806,427)	Do

⁹⁶ This is because Section 1 of the AMLA defines "court" to mean the High Court.

COURTS OF JUDICATURE RECURRENT BUDGET SUBMISSION AND AFFORDABLE MTEF 97 CEILINGS FOR FY 2015/2016

Expenditure Head	Approved Estimates FY 2014/2015 (UGX)	Submitted Estimates FY 2015/2016 (UGX)	Affordable Estimates FY 2015/2016 (UGX)
Wage	24,876,142,152	160,099,142,152	25,876,142,152
Non-Wage	53,111,000,000	126,787,327,993	60,731,405,261
Total	77,987,142,152	286,886,470,145	86,607,547,413

DEVELOPMENT BUDGET SUBMISSION AND AFFORDABLE MTEF CEILINGS FOR FY 2015/2016

Expenditure Head	Approved Estimates FY 2014/2015 (UGX)	Submitted Estimates FY 2015/2016 (UGX)	Affordable Estimates FY 2015/2016 (UGX)
GoU Development	5,949,000,000	46,110,000,000	5,949,000,000
External Financing	580,000,000	4,018,268,000	0
Gross Taxes	2,613,477,190	2,117,590,000	760,000,000
Total Inclusive Taxes	12,180,745,190	52,245,858,000	6,709,000,000

SUMMARY OF FUNDS AVAILABLE FOR FISCAL YEAR 2016/2017

Expenditure Head	Affordable Estimates
Recurrent	
Wage	27,178,007,797
Non-Wage	83,423,431,136
Sub-Total	110,601,438,933
Development	5,949,000,000
Sub-Total Development	5,949,000,000
Grand Total	116,550,438,933

4.10 Integrity and Independence of Judges (including Asset Forfeiture)

The assigned rating for this variable was 0.3 (Low) because much as there are streamlined safe guards for the integrity of judges there still cases of interference through corruption as evidenced by JLOS Judicial integrity committee report of 2014 and their minimal control over support staff integrity who were complained about by the public to be extorting money from litigants in order to have their cases cause listed among others.

For improvement, transfers of undisciplined judges should be replaced by actual disciplinary actions and there should be a mechanism to control the indiscipline by support staff.

4.11 Quality of Border Controls

The assigned rating behind this variable was 0.2 (Very Low), this is because Uganda has porous borders and lacks natural barriers which make the borders loose and difficult to man, this makes it easy and convenient to cross borders coupled with the close proximity of the borders to urban areas. According to anecdotal evidence various traders in banned substances in Uganda and Rwanda admitted to taking advantage of the long porous Rwanda-Uganda border especially Kagitumba, Kizinga, Buziba-Kamwezi and Gatuna⁹⁸. Additionally, on interviewing a customs officer, it was revealed that smuggling mainly takes place at borders that are unmanned. For improvement, there is need to build the capacity of Immigration officers and increase of manned border points and controls.

In addition to Entebbe, Uganda has 19 border points. Uganda has the presence of enforcement at the manned border stations and border management is carried out by all stake holders e.g. Border Internal Security Officer (BISO), District Internal Security Officer (DISO), Chieftaincy in Military Intelligence (CMI). Use of scanners at Entebbe, Malaba and Busia borders.

The introduction of One Stop Border Points for the EAC at all major borders like Malaba, Busia, Elegu (still under construction). There is no specific number of people since the numbers keep changing according to the work load at a particular border in a given period.

4.12 Comprehensiveness of Customs Regime on Cash and Similar Instruments

The assigned rating behind this variable is **0.5(Medium)** because Uganda has a legal and regulatory framework according to the MLAs¹⁰ and the AML Regulations, but there are still some issues: it is not entirely clear if authorities have the power to request/obtain further information in the case of a false declaration and to whom exactly the declarations should be filed.

4.13 Effectiveness of Customs Controls on Cash and Similar Instruments

Although Uganda is gradually improving its enforcement mechanisms through improved ICT and intelligence in addition to increasing the effectiveness of customs laws and regulations, illegal smuggling of gold remains, to an extent, still an issue. Whereas there are Scanners that

98 *The East African* October 3, 2014 –Edmund Kagire

show everything else including precious stones, there is an inadequate distribution of scanners at entry points and no emphasis on cash and BNIs. Random physical searches are carried out effectively but no emphasis on cash and BNI. Integrity issues of officers at the crossing points may also affect effective implementation of these requirements. There are also inadequate distribution of scanners at entry points.

The Forms C and D as stipulated in the AMLA S.10 were operationalized in July 2016 and a notice sent to the public about the same through the leading newspapers by the Uganda Revenue Authority, but implementation is in a nascent stage. This brings the assigned rating to **0.3 (Low)** because it has recently been operationalized thus the effectiveness is yet to be measured.

For improvement, there is need for increasing resources for URA and Immigration to implement Forms C and D in addition to digitalization of the process of cash and similar Negotiable instruments.

4.14 Effectiveness of Domestic Cooperation

Uganda's relevant AML agencies cooperate effectively and coordinate domestically with each other to combat money laundering as evidenced by the efforts to coordinate the agencies much as there is no legal framework for the cooperation apart from MOUs amongst various agencies, the absence of the legal framework doesn't have a strong impact on the output of the FIA. There are also arrangements for AML/CFT coordination: for example, the Inter Agency Forum which meets once a month to improve coordination especially on the Public Sector and Corruption related issues. There is also the AML Committee, which serves as a forum, inter alia, to facilitate coordination. Coordination between DPP, CID occurs during prosecution led investigations. The assigned rating for this variable is 0.7 (high).

For improvement, there is need for a legal framework providing for Joint Investigations, corporation and sharing of Information and synchronization of databases of various agencies.

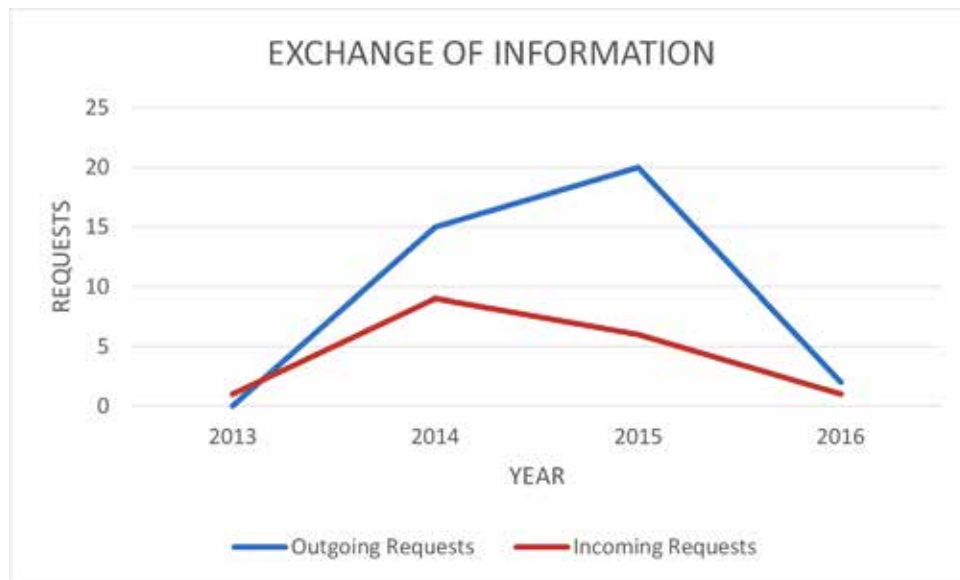
4.15 Effectiveness of International Cooperation

Assigned rating and brief reasoning behind it: 0.5 Medium

International coordination is done informally at times which makes International Cooperation ineffective however, some agencies like police effectively utilize INTERPOL coordination and co-operation mechanisms in addition to the presence of the Exchange of Information (EOI) mechanism facilitating information sharing both domestically and internationally. There also MOUs signed between some agencies and other countries including Exchange of information Agreements. Additionally, Uganda, is a member of the Assets Recovery Inter- Agency Network for Eastern Africa ARINEA. ARINEA is an informal network that was established under the auspice of the Anti- corruption authorities in Eastern Africa. One of the key objects is to informally share information with other people in other jurisdictions that might be needed in the course of their investigations and before a formal mutual legal assistance request is sent. In Uganda the focal

persons were chosen from the anti-corruption agency (IG), Police and Directorate of Public Prosecutions (DPP). Due to the reasoning given, the assigned rating for this variable was **0.5 (Medium)**.

E.O.I statistics:



STATISTICS OF REQUESTS SENT AND RECEIVED BY INTERPOL KAMPALA F/Y 2016

CRIME AREA	REQUESTS SENT TO INTERPOL MEMBER COUNTRIES.	REQUESTS RECEIVED FROM INTERPOL MEMBER COUNTRIES.
ENVIRONMENTAL CRIME	14	43
DRUGS	5	15
STOLEN MOTOR VEHICLE	78	45
HUMAN TRAFFICKING	15	30
HIGH TECHNOLOGY AND FRAUD	4	

All the incoming requests were responded to within the stipulated time frame of 120 days.

For improvement, there is need to enact the law on Mutual Legal Assistance/ framework, fast tracking joining Egmont to facilitate information sharing and the FIA to sign more agreements with countries dealing with Uganda like China amongst others. As shown in the attachment, Uganda is not yet a member of Egmont and has no Mutual Legal Assistance laws.

4.16 Availability of Independent Audit

The assigned rating for this variable **was 0.4 (Medium Low)** because the mechanism of auditing small business enterprises, especially SMEs, is not mandatory unlike in public entities and registered private companies which makes it a loophole in the availability of Independent Audit since SMEs are on a constant rise in Uganda. In addition, there is no follow up mechanism to ensure that all private companies comply with the provisions in the Company's Act of filing audited accounts. Independent auditors/audit firms conduct audits in accordance with generally accepted auditing standards (GAAS), which may include International Standards on Auditing (ISAs). These Standards are also followed by the Auditor General when conducting audits of public entities. This is done in addition to regular and effective engagement and communication between the independent auditors/audit firms and the audit committees/oversight committees of the organizations.

For improvement, there is need for establishing a legal framework to improve the audit requirements for small business enterprises, and devise follow up mechanisms to ensure that all registered private companies file audited accounts.

4.17. Level of Financial Integrity

Assigned rating and brief reasoning behind it: 0.3 Low

The level of financial integrity in terms of business quality, professional ethics and tax transparency in the country is low as evidenced by the number of prevailing tax crimes as shown in the annex.⁹⁹ Uganda's tax framework provides for transparency of financial matters of citizens and residents, and the sharing of information by the tax authorities and law enforcement agencies, where appropriate, this is evidenced by some institutions publishing their books of accounts at the end of the financial year. The above however is watered down by the presence of the large informal sector which facilitates non transparency.

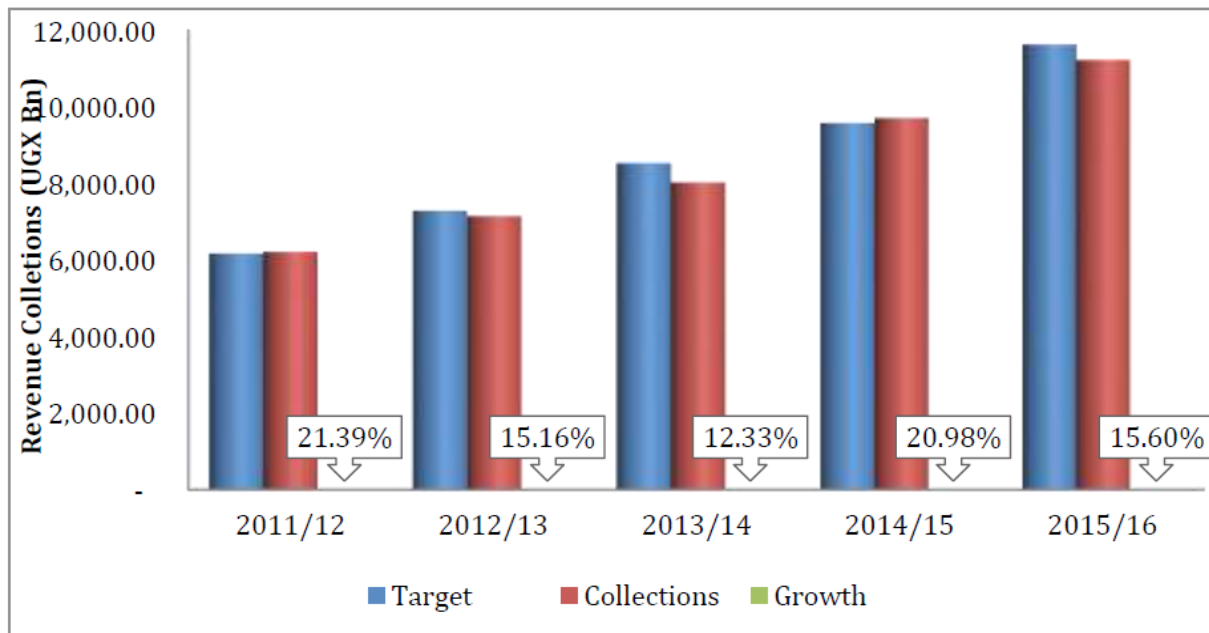
For improvement, there is need for formalization of the economy to promote further financial inclusion and integrity and the need to amend laws to require compulsory disclosure of beneficial owners.

4.18. Effectiveness of Tax Enforcement

The tax enforcement in Uganda is relatively effective and efficient in addition to the laws being enforced fully, fairly, and consistently, through regulatory enforcement such as tax inspection and criminal and civil litigation, in order to promote voluntary compliance with the tax laws and to maintain public confidence in the integrity of the tax system as evidenced by the increase in the tax bodies' collection annually as shown in the table below:

⁹⁹ The number of seizures means search and seizure done during an investigation process in search for additional evidence.

COMPARISON OF NET REVENUE COLLECTIONS FROM 2011/12 TO 2015/16



Source: URA data bases

. The URA has adequate capacity and resources and enjoys sufficient operational independence and autonomy to effectively and efficiently undertake tax enforcement as evidenced by the tax audit programs which are adequately resourced in terms of skills, capacity and trainings as evidenced by the courses in place like Post Graduate Diploma in Tax and Revenue (PODITRA), Total Tax Person (TTP) in addition to sponsoring staff to study professional courses like ACCA, ACAMS and CPA. In addition, a client satisfaction survey was carried out at the end of FY2014/15 with findings and recommendations documented in the Annual M&E report FY 2014/15 show it was rated at 77%.

The assigned rating after comprehensively assessing the variable was 0.6 (Medium High).

Much as the formal sector is effectively taxed, there is need to bring the informal sector in the tax bracket, as shown in the analysis of the following variable.

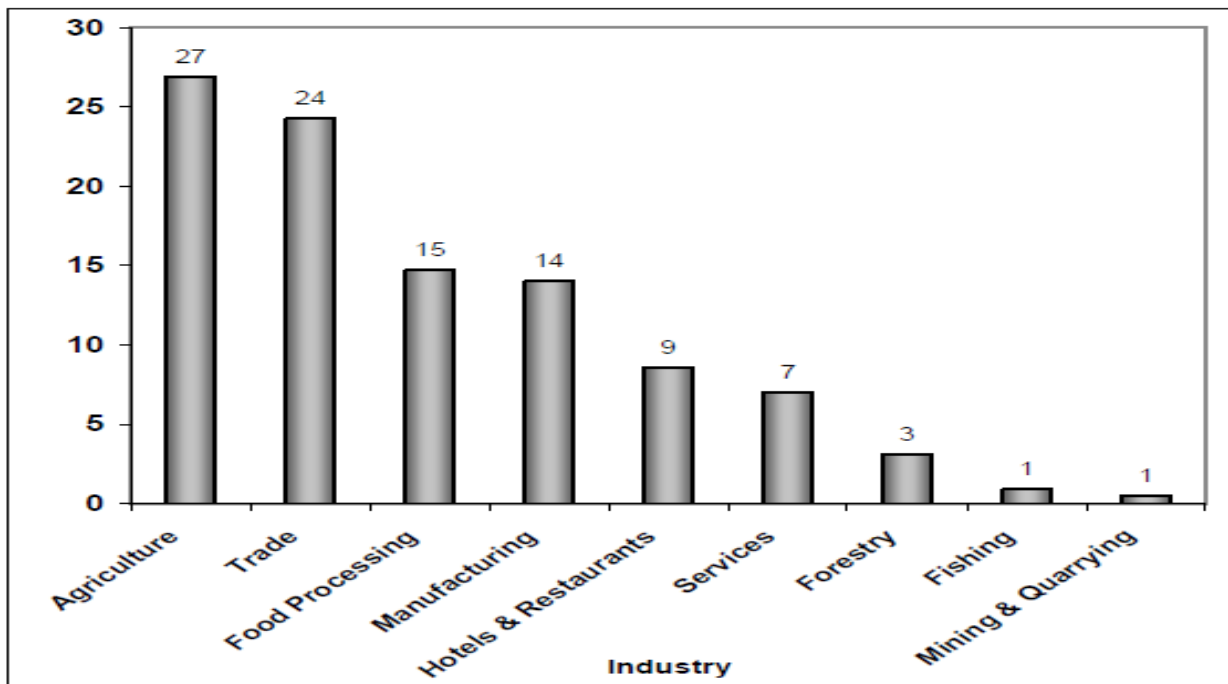
4.19 Level of formalization of the Economy

The assigned rating for this variable was 0.3 (Low) Uganda's economy highly informal as evidenced by the World Bank SECOND ECONOMIC UPDATE of 2013, which stated that The non-agriculture informal sector currently employs 2.1million people or 14 percent of the labor force, of which 86 percent of the informal sector jobs are household based,

According to the 5th Edition of the Uganda Economic Update (Feb 2015) by the World Bank, 70% of Uganda's labour force is employed in the informal sector. According to UBOS (2014), the informal sector's contribution to GDP is > 50%.

In addition, according the Uganda National Household Survey Report 2009/2010 by the Uganda Bureau of Statistics (UBOS), the following table refers to the distribution by industry the employment in the informal sector.

DISTRIBUTION OF THE INFORMAL SECTOR BY INDUSTRY (%)



Uganda is also a cash-based economy, which makes it difficult for law enforcement authorities to access transaction and client information. Informal/unregistered economic activities pose challenges for law enforcement agencies when they investigate and attempt to prosecute money laundering offenses and trace proceeds of crime. Level of formalization is low.

There is need to formalize the economy through registration of small businesses.

4.20. Availability of Independent Information Sources

Accordingly, the variable was rated as medium with a score of 0.50 (Medium) because independent information sources of comprehensive, reliable historical information and data on clients that can be used to determine or verify their transactional patterns and commercial history are used in Uganda. This data can be easily accessed publicly or on request by the various reporting entities.

Independent sources of comprehensive, reliable historical information and data on clients that can be used to determine or verify their transactional patterns and commercial history are used in Uganda.

Generally, data held by the Credit Reference Bureau (CRB) is used for assessing the

creditworthiness of the customer. In this process, financial institutions can understand the history of the customer and his banking relationships. Information on previous banking relationships and employers are obtained on customer's request. Further salary slips from reputed organizations can be used for verification of source of funds. Financial Institutions use utility bills and bank statements in order to verify the customer's address. Electricity, water or fixed line telephone bills are used to verify address as those connections are related to a fixed physical location.

However, the above information cannot be obtained for all prospective customers because the systems updated when one has ever acquired a credit facility, has ever been employed by a recognized institution or has ever applied for a utility. Short of the above, such information is hard to get.

The above can be improved by increasing the number of information sources e.g. Mobile telephone numbers (telecommunication companies), registration bureau (URSB) and national registration and identification (NIRA) sources.

4.21. Availability of Reliable Identification Infrastructure

The variable was rated as medium high with a score of **0.50 (Medium)** because much as there is an identification mechanism, there is no publicly available database which the public can access.

In April 2014 the Government of Uganda embarked on the exercise of creating a National Identification Register and subsequently issuance of National Identity Cards, a project which was entrusted to the Ministry of Internal Affairs. This entailed registering nationals or citizens above 18 years of age and was comprehensive in capturing all relevant information about the individual citizen capturing such vital information like parentage, preferred polling station, telephone contacts etc. It is biometric and photographic capture of the registered citizen.

According to the National identification and Registration Authority (NIRA) the Technology employed meets the International Civil Aviation Organization Standard (ICAO) standards. 16,587,303 persons have so enrolled into the system and Uganda's population is 34,634,650 people. This is 48.7% of the population and therefore the National ID has become the primary identification document.

In addition, driving license and passport are also accepted as valid identification documents. Local Council/ Residence Identity Cards, Employee/Work Identity Cards, National Voters Card, Refugee Identity Card and Students Identity Card are also forms of identification in Uganda.

Other means of identification include the birth certificates, Utility bills like water bills, electricity bills, the National Social Security Fund (NSSF) identity card since it is issued after all the bio data has been obtained. According to the 2014 Population and Housing Census 7.6% of Ugandans possess long birth certificates while only 20% possess short birth certificates.

4.22. Availability and access to beneficial ownership information

Accordingly, the variable has been rated as low with a score of **0.30** (low) because there is no requirement for the URSB or the companies themselves to record and maintain beneficial ownership information and such information is not available at the companies' registry. While the AMLA requires reporting entities to record and maintain beneficial ownership information of corporate customers, the definition of "beneficial owner" provided under the same Act falls short of that provided by the FATF Standards.

The FATF Recommendations defines a beneficial owner as a natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

However, this will be addressed if the AML Amendment bill, 2015 is passed into Law, the Uganda AML/CFT law will be in line with the FATF standards. Bill echoes the FATF definition and thus states that a beneficial owner means the natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is conducted including a natural person who exercises ultimate effective control over a legal person or legal arrangement.

Regardless of the fact that there is a requirement under section 6(c)(ii) of the AMLA for financial institutions and DNFBPs to identify and verify the identity of a beneficial owner when dealing with a customer who is a legal arrangement, the implementation of the CDD requirements concerning beneficial ownership is not effective in such a way that the AML policies and/or basic KYC measures are in place, but do not apply to identification and verification of the identity of beneficial owners (shareholders in general) as their procedures are directed mostly at identifying directors of legal persons. As a result no specific additional measures are applied in respect of beneficial owners such as PEPs. Therefore all obliged entities cannot maintain accurate and up-to-date information on the beneficial owners of their clients that are legal entities or trusts.

The lawyers in Uganda form the legal entities but not exclusively. Company Directors also form, incorporate or register legal entities too.

Reference is made to S.1 of the Trustees Incorporation Act Cap 165, which provides that Trustees or a trustee may be appointed by anybody or association of persons established for any religious, educational, literary, scientific, social or charitable purpose, and such trustees or trustee may apply, in the manner hereafter mentioned, to the Minister for a certificate of registration of the trustees or trustee of such body or association of persons as a corporate body. The Ministry of Lands registers these trusts.

Authorities are able to have timely access to basic company information like legal ownership (shareholder information) from the URSB.

There is no requirement for the USRB or the companies themselves to record and maintain beneficial ownership information and such information is not available at the companies' registry.

Companies are required under the Companies Act to file basic information and to update such information through filing of annual returns (sections 132-136).

However, some of the information is not always up to date and accurate because they rely on the information brought by the customers at the registry and do not carry out due diligence to verify the information and there is no legal requirement under the Trustees Incorporation Act, for trustees to disclose beneficial ownership information or to register all trusts.

Section 119 of the AMLA imposes criminal liability on financial institutions and DNFBPs who fail to comply with CDD requirements, including the requirement to identify beneficial owners as required under section 6(c) (ii) of the same Act.

BANKS

Introduction

a) Overview

The Banking sector in Uganda is regulated by the Central Bank – Bank of Uganda (BoU). There are 25 licensed commercial banks, 4 Micro Deposit-taking Institutions and 4 Credit Institutions. These institutions are supervised through on-site examinations and off-site analysis. During 2015, BOU conducted on-site examinations of all the 25 licensed commercial banks. In line with the risk based supervision approach, the on-site examinations focused on the areas that posed the highest risks to the banks including AML/CFT risk. Of the 25 Banks the breakdown is foreign owned-14, Regional presence/EAC-7 and Local- 4). The Total Assets of the banking sector are Ushs 22 Trillion with Foreign owned banks having 64%, share, Regional presence/EAC-15% and Local- 21%. Depth and importance of the Domestic Credit Provided by financial Sector as a % of GDP as at 2014 compared across the East African markets. It is obvious from below that while the sector is important for AML/CFT it is actually very small in the developing countries as compared to South Africa and Kenya to a large extent.

Credit to private sector to GDP (%) (Source: WB Statistics)

- ✓ Uganda - 16.8% (2015)
- ✓ Kenya - 44.6% (2015)
- ✓ Tanzania - 20.2% (2015)
- ✓ South Africa - 185.7% (2015)
- ✓ Nigeria - 21.3% (2014)

All banks are adequately capitalized. However, some banks exhibited weaknesses in the management of Money Laundering and Financing of Terrorism (ML/TF) among other risks.

The banking Industry has 3 Systemically Important Banks (SIBs) in industry and the 2 largest ones are represented in the primary data sample which implies about 60% data has been collected on commercial banks with 25% each of MDIs and CIs respectively.

Banking sector offers a wide range of lending and deposit products to the customers. These products can be broadly classified under corporate banking and retail banking.

Based on the generally accepted principles and the banks staff's own experience, most banks have categorized their customers based on risk and the customer demand and contribution to the varied products offered. But the banks do not have a proper mechanism to assess specific ML risk at present

1. Overall Assessment

The vulnerability of the banking sector may arise from weaknesses in AML general controls and product specific variables. The vulnerability is assessed based on the mentioned variables provided by the tool. The overall banking sector vulnerability to ML risk is rated medium with a score of 0.5. This is mainly due to the weaknesses and deficiencies in the enforcement of AML controls i.e. Availability and Enforcement of Administrative Sanctions which obtained a medium low rating with a score of 0.4, effectiveness of suspicious activity monitoring and reporting is rated medium low with a score of 0.4 and the availability of independent information sources obtained a medium rating of 0.3 which are very poor ratings considering the nature and gravity of the respective variables.

Some banks were yet to effectively automate the suspicious transaction monitoring process, undermining their ML/TF risk management framework. Most banks have categorized their customers based on risk and the customer demand and contribution to the varied products offered. But the banks do not have a proper mechanism to assess specific ML risk at present.

Customer outreach is still largely through branches and point of sale outlets. Banking sector offers a wide range of lending and deposit products to the customers. These products can be broadly classified under corporate banking and retail banking.

The sanctions regime on AML/CFT under the AMLA does not provide for administrative sanctions. Although, criminal sanctions under the same Act appear to be dissuasive, proportionate and effective, the sanctions are still to be tested in the courts of law as there have been no prosecutions or convictions on ML yet. The administrative sanctions regime provided under the FI Act as read with the FI AML Regulations is not proportionate, dissuasive and effective.

a) Quality of AML/CFT General Controls

The assessment considered 13 general input variables and these have been summarized in the table and justification given below

BANKING SECTOR	ASSESSMENT RATING	
A. GENERAL INPUT VARIABLES		
Comprehensiveness of AML Legal Framework	(0.7) High	0.7
Availability and Enforcement of Criminal Sanctions	(0.3) Low	0.3
Level of Market Pressure to Meet AML Standards	(0.8) Very High	0.8

Availability and Effectiveness of Entry Controls	(0.6) Medium High	0.6
Effectiveness of Supervision Procedures and Practices	(0.5) Medium	0.5
Availability and Enforcement of Administrative Sanctions	(0.4) Medium Low	0.4
Integrity of Banks' Staff	(0.5) Medium	0.5
AML Knowledge of Banks' Staff	(0.5) Medium	0.5
Effectiveness of Compliance Systems	(0.4) Medium Low	0.4
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.4) Medium Low	0.4
Availability and Access to Beneficial Ownership Information	(0.3) Low	0.3
Availability of Reliable Identification Infrastructure	(0.5) Medium	0.5
Availability of Independent Information Sources	(0.5) Medium	0.5

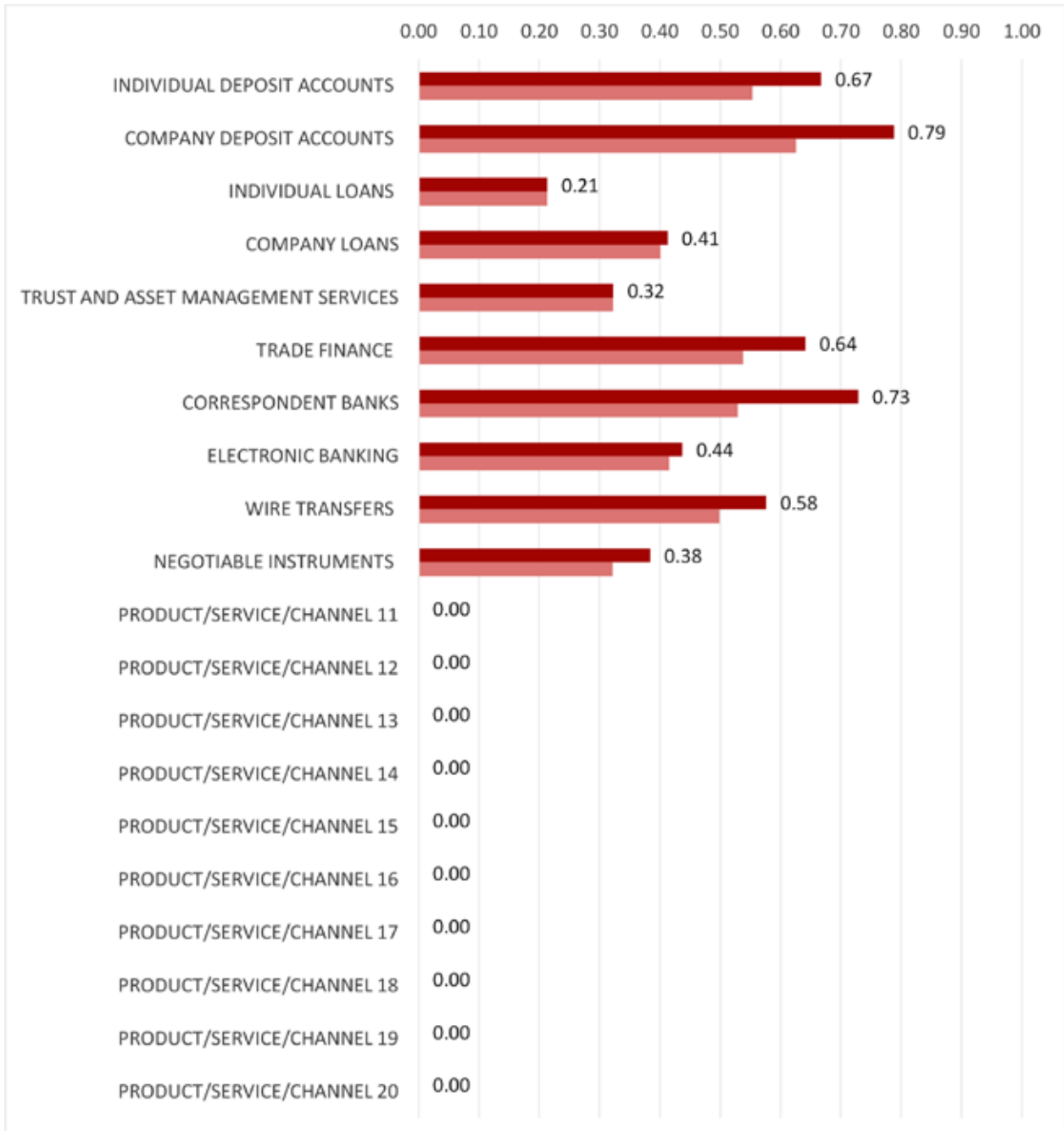
Risk analysis of products/services

The Risk analysis of product and services was based on the following products and services: Individual accounts and loans, company accounts and loans, trust and assets management services, trade finance, correspondent banks, electronic banking, wire transfers and negotiable instruments.

Considering the overall vulnerability of the products/ services offered by the banking sector, the most vulnerable products Company Deposit Accounts, Correspondent Banks and Trade Finance signifying high vulnerability with a score of 0.79. This is followed by the next highest vulnerable product Correspondent Banks which is also rated high with a score of 0.73. The least vulnerable product is Individual Loans which is rated medium low with a score of 0.21.

The vulnerability of all products overall lies on the medium-high/high category.

Product Vulnerability.



NRA Excel product analysis data

The data below refers to each of the analyzed products and services.

Individual Accounts		
1. Number		2,632,043
2. Value		2,894,165,000,000
3. Average		1,099,589
4. Profile		Low
5. Investment/Deposit feature		Yes
6. Level of cash activity		High
7. Frequency of International transactions		Low
8. Other Vulnerable factors		None
Company/Entity Accounts		
1. Number		163,242
2. Value		2,098,588,000,000
3. Average		5,203,418,453
4. Profile		Medium
5. Investment/Deposit feature		Yes
6. Level of cash activity		High
7. Frequency of International transactions		High
8. Other Vulnerable factors		None
Individual Loans		
1. Number		171,963
2. Value		1,943,835,562,856
3. Average		11,303,801
4. Profile		Low
5. Investment/Deposit feature		N/A
6. Level of cash activity		N/A
7. Frequency of International transactions		N/A
8. Other Vulnerable factors		N/A
Company/Entity Loans		
1. Number		5,317
2. Value		1,997,652,987,829

3. Average	375,710,549
4. Profile	Low
5. Investment/Deposit feature	N/A
6. Level of cash activity	N/A
7. Frequency of International transactions	N/A
8. Other Vulnerable factors	N/A
Trust and Asset Management Services	
1. Number	1,440
2. Value	-
3. Average	-
4. Profile	Low
5. Investment/Deposit feature	N/A
6. Level of cash activity	N/A
7. Frequency of International transactions	N/A
8. Other Vulnerable factors	N/A
Trade Finance	
1. Number	1,205
2. Value	-
3. Average	483,921,500,805
4. Profile	Low
5. Investment/Deposit feature	N/A
6. Level of cash activity	N/A
7. Frequency of International transactions	N/A
8. Other Vulnerable factors	N/A
Correspondent bank	
1. Number	32
2. Value	-
3. Average	314,133,000,000
4. Profile	Low
5. Investment/Deposit feature	N/A
6. Level of cash activity	N/A
7. Frequency of International transactions	N/A

8. Other Vulnerable factors	N/A
Electronic Banking	
1. Number	85,126
2. Value	2,530,000,000,000
3. Average	29,720,649
4. Profile	Low
5. Investment/Deposit feature	N/A
6. Level of cash activity	N/A
7. Frequency of International transactions	N/A
8. Other Vulnerable factors	N/A
Wire Transfers	
1. Number	195,863
2. Value	8,051,000,000,000
3. Average	41,105,262
4. Profile	Low
5. Investment/Deposit feature	N/A
6. Level of cash activity	N/A
7. Frequency of International transactions	N/A
8. Other Vulnerable factors	N/A
Negotiable Instruments	
1. Number	787,948
2. Value	2,976,000,000,000
3. Average	3,776,899
4. Profile	Low
5. Investment/Deposit feature	N/A
6. Level of cash activity	N/A
7. Frequency of International transactions	N/A
8. Other Vulnerable factors	N/A

DETAILED ASSESSMENT OF THE 13 INPUT VARIABLES AND PRODUCTS

a) **Comprehensiveness of the AML Legal Framework**

Uganda enacted the Anti-Money Laundering Act (AMLA) in 2013, which gave a legal framework for the creation and establishment of the Financial Intelligence Authority.

The FIA through collaboration with other stakeholders has ensured implementation of the observations of the ESAAMLG Mutual Evaluation observations: amendments to the AML Legal framework evidenced in the passing of the Anti-Money Laundering Regulations in 2015, the Anti-Terrorism Act Amendment in 2016 as well as the 2015 Anti-Terrorism Regulations. The AML regulations have addressed several of the deficiencies noted by the MER, for example by requiring accountable persons to conduct an assessment of risk, to understand the intended nature and purpose of the business relationship, by extending CDD to beneficiaries of life insurance, by beefing up record keeping requirements and provisions concerning reliance on third parties and by requiring enhanced ongoing due diligence in the case of PEPs, inter alia

Ugandan Banking sector has clear legal framework: The Financial Institutions Act, 2004 which is complimented by the Financial Institutions Amendments in 2016. In light of the above, Uganda has a pretty strong legal framework.

The key tenants of the legislations on AML and CFT and other laws are now largely reflective of international standards of FATF.

- Uganda has an Anti-Money Laundering Act 2013 which provides the backbone of the Anti-Money Laundering framework in the country and gave it powers
- The Anti-Money Laundering Regulations 2015 enhance the framework with operationalization of the AML Act 2013 provisions and adoption of the recommendations of the Mutual Evaluation Report
- The Anti-Money Laundering Act also created the financial intelligence Authority, the primary regulator for Anti-Money Laundering Act under section 18, Part IV of the Act.
- Further, amendments to the Anti-Terrorism Act of 2016 and the Regulations under it also enhance the overall framework by providing the linkage of terrorist financing to the Anti-Money Laundering framework.
- The amendments to the Financial Institutions Act in 2016 also took away the ambiguity associated with reporting of suspicious transactions by stipulating these will be reported to the Financial Intelligence Authority.
- The Financial Institutions Act Amendments in 2016 under sections 79 to 81 provide for Bank of Uganda as the supervisory authority for Anti Money Laundering and Counter Terrorist Financing.

- The AML Law gives guidelines on; Customer Due Diligence from Section 6 of the Act, Record keeping under section 7, Enhanced Due Diligence for Politically Exposed Persons (PEPs) under section 29, and high-risk countries, Customer Due Diligence in case of correspondent banking under section 10 and 31, new technologies under Regulation 9 of the AML Regulations, and wire transfers, Suspicious Transaction Reporting under section 39, Tipping-off and confidentiality under section 117, Internal controls.

Accordingly, the variable was rated 0.7 representing a high strength because of the comprehensiveness of laws and regulations that are currently prevailing with regard to AML preventive measures and AML supervision in the country. This has been given a high although we identified the existence of certain gaps and deficiencies in the prevailing AML laws and regulations and certain corrective measures have already been taken to rectify the same. For example, as noted by the MER, the definition of beneficial owner is not fully in line with FATF's, no legal obligations exist for financial institutions to take reasonable measures to determine whether beneficiaries and/or where required the beneficial owner of the beneficiary are PEP's, there is no clarity on the application of the AMLA requirements on domestic PEPs; and the measures provided in relation to PEPs do not extend to beneficial owners of the PEPs.

b) Effectiveness of Supervision Procedures and Practices

The Effectiveness of Supervision Procedures and Practices is rated 0.5 (Medium). Despite the existence of adequate laws and regulations there is some contradiction on the designated supervisory authority in the laws. In addition, the Risk Based Anti-Money Laundering Examination process is still at its initial stages thereby susceptible to the learning curve effect. In 2015 the Parliamentary Public Accounts Committee has faulted the BoU for laxity in its regulatory and supervisory role in regard to a pension scam involving a bank, which revealed also significant weaknesses in its AML/CFT KYC policies. However, BOU clarified that already in 2009 it had reprimanded that bank for inadequate compliance with KYC requirements.

As stipulated in Sections 79-81 of the Financial Institutions Act, 2004, the Bank of Uganda (BOU) is the Supervisory Authority empowered to conduct AML/CFT supervision and oversight. The BOU conducts annual on-site examination for all Supervised Financial Institutions (SFs) in accordance with the BOU policy requirement which stipulates that all SFIs must be subjected to annual on-site examination. In general, there are no AML specific on-site inspection, but rather all on-site examination as well as off-site reviews of AML are conducted as a general supervision in which AML/CFT forms a component of the report under the Operational risk.

In November 2015, the BOU issued the Anti-Money Laundering and Combating the Financing of Terrorism Supervision Manual which stipulates processes and procedures for AML Compliance examination processes. Thus, effective November 2015 all on-site examination of SFI was based on the processes and procedures stipulate in the AML/CFT Supervision Manual Pages 30 – 62.

AML/CFT supervision consists of offsite and onsite inspections. The AML/CFT off-site analysis is

conducted by obtaining responses on the AML/CFT questionnaire from the Supervised Financial Institutions (SFIs). The data is then analyzed and incorporated in the scope memorandum which informs the scope of the on-site risk-based examination of the ML risk. The onsite inspections look at Corporate Governance and Role of the Board¹⁰⁰, Management Information Systems¹⁰¹, Risk Management Function¹⁰², Customer Due Diligence (CDD/KYC)¹⁰³; Monitoring and Reporting Suspicious Activity, Recordkeeping, Internal Controls and Internal and External Audit¹⁰⁴, Compliance¹⁰⁵ and Training and Human Resources

Twenty Six (26) or 59% of the Commercial Banking Department staff are designated with roles to participate in On-site Examination of SFIs. All these staffs have been trained and possess adequate knowledge to conduct a comprehensive AML Compliance on-site Examination in line with the AML Supervision Procedures Manual 2015. Thirteen (13) examiner have undergone AML training which include the following programs namely; joint India-IMF Training in Anti-Money Laundering & Financing of Terrorism Analyst, Course on Anti-Money Laundering, Know Your Customer (KYC) and Countering the Financial of Terrorism (October 2013), AFREXIMBANK Annual Customer Due Diligence and Corporate Governance Forum, Attachment on the AML/CFT Supervision to Reserve Bank of Malawi (2014), Bank Examiner Exchange Program with Federal Deposit Insurance Corporation (FDIC), 2014, Attachment on the AML/CFT Supervision to Reserve Bank of Malawi (2014) and South Africa Reserve Bank.

¹⁰⁰ The examiner ascertains whether the Board of Directors have adopted and oversee the implementation of the AML/CFT program, issued specific risk management policies and procedures with respect to ML/TF risks and communicated the policies and procedures throughout the organization, ensured that the AML/CFT program is effectively implemented by all relevant offices or units, conducted reviews of AML policies and procedures and allocated adequate financial, human and other resources for AM/CFT.

¹⁰¹ The examiner determines whether the policies/procedures establish requirements for the ML/TF risk management information system, recording relevant information on all customers classified on the basis of inherent ML/TF risk, recording relevant information on all new customer relationships, recording relevant information on all terminated customer relationships, identifying instances where relationships were not commenced or were terminated for reasons related to ML/TF concerns, reviewing of customers against databases that contain information relevant to a customer's ML/TF risk profile, identifying instances where CDD information is outstanding, maintaining information in a manner that is easily retrievable and that allows reconstruction of transactions, analyzing transactions and customer behavior in a manner that identifies unusual activity, raising an alert when unusual or suspicious activity is identified and raising an alert when a transaction reaches the threshold for reporting as established under Article 8 of the AML Act

¹⁰² The examiner ascertains whether the policies and procedures define an effective role for a risk management function and whether there is a specialized Risk Management group or unit within the institution to address ML/TF risks.

¹⁰³ The examiner evaluates the implementation of the AML/CFT policies and procedures for customer identification and verification with respect to: resident individuals, non-resident individuals, legal entities, beneficial owners, PEPs etc.,

¹⁰⁴ The examiner determines whether the internal audit function review and test the AML/CFT program, policies and procedures and in particular aspects related to CDD, STR and record keeping as well as the review of the audit plan to ensure the AML/CFT is included in the plan.

¹⁰⁵ The examiner evaluates the policies and procedures and ascertain whether it clearly defines effective role for a compliance function in the management of ML/TF risk, the relationship between the operating units and the compliance function

The BOU Examiners are largely knowledgeable and possess up-to-date skills in AML Compliance examination. This can be demonstrated by the majority of Officers from the On-site division who undertook AML e-learning during the financial year 2015/2016. Furthermore, we can also demonstrate this fact from the content of a sample of Examination Reports of SFIs issued during the year 2015/2016. The on-site Examination Reports have in most cases raised AML weakness relating to lapses in customer risk profiling, Know Your Customer (KYC) documentation, weakness in Suspicious Transaction Reporting (STR) and maintenance of records.

c) Availability and Enforcement of Administrative Sanctions

The Availability and Enforcement of Administrative Sanctions is rated 0.4 (Medium-Low) on account of the absence of any successful administrative sanction in accordance with the sections of the FIA, 2004 and the FI (AML) Regulation, 2010, coupled with the absence of a provision for administrative sanctions in the AMLA 2013 as amended in 2016.

The AMLA 2013 does not provide for administrative sanction, however, the BOU can impose sanctions on financial institutions it supervises under the Financial Institutions Act (FIA), 2004 as read with Regulation 19 of the Financial Institutions (Anti-Money Laundering) Regulations, 2010. During the year 2015, the BOU levied penalties related to non-compliance with AML totalling Shs.26m.

Examples of the breached that have been penalized are listed below:

- Contrary to the BOU circular referenced EDS.306.2 dated February 27, 2013, the "bank" had not implemented an automated system to monitor and report suspicious transactions – contrary to section 126 (2) – this was established in November 2015, the bank was penalized **Shs.2,000,000**
- The bank defied the BOOU directive to freeze accounts belonging to M/S XX International and M/S Holdings Limited whose accounts were frozen in November 2012 – this was established in September 2015 - the bank was penalized **Shs.20,000,000.**
- Contrary to regulation 7(4) of the FI (Anti-Money Laundering) Regulations, 2010, the bank did not conduct company search for business accounts prior to establishing business relationships - the bank was penalized **Shs.2,000,000.**

The Mutual Evaluator Report (ESAAMLG) 2015 which reviewed the fines levied for noncompliance with the AML regulation were considered not commensurate with the risks posed by the weaknesses identified.

Furthermore, the value of the administrative sanctions (fines) were reported to be too low to dissuade non-compliance behaviour with AML obligations, and also the sanctions are not made

public to try and dissuade the delinquent SFIs from engaging in similar conduct.

Most of the Officers believe that administrative action in form of penalty would be initiated in case of non-compliance with laws and regulations as well BOU directives which include AML compliance issues.

There is no record for administrative enforcement actions taken in the past by law enforcement authorities regarding non-compliance with AML requirements within the Banking Sector.

d) Availability and Enforcement of Criminal Sanctions

This variable assesses whether the country takes criminal enforcement steps against a bank or individual member of management or staff in case of non-compliance with AML obligations. The Availability and Enforcement of Criminal Sanctions is rated 0.3 (Low) on account of the absence of any successful Money laundering prosecution, coupled with the conflicting extent of penalties, fines and duration of imprisonment for the ML offence.

Considering the threat arising from the sector and the deficiencies in the existing legislature in the

Country it can be concluded that the enforcement of the AML obligation is at a poor position. Hence, improvement is required in the enforcement arena.

e) Availability and Effectiveness of Entry Controls.

The Availability and Effective Entry Controls was rated 0.6 (Medium- High) on account of the clearly defined laws and regulations and streamlined licensing process. Financial Sector regulators in Uganda have authority to license institutions under their supervision, provided by the primary legislations. The authority to license commercial banks and credit institutions is stipulated sections 10 – 17 of the FIA, 2004 and MDI Act 2003 Part III (Licensing).

The licensing Body which is the BOU has good understanding of ML risk associated with the Commercial Banks which is taken into consideration during the licensing process. For instance, the promoters of proposed Banks are required to submit policies and procedures including the AML compliance policies. Additionally, the examiners review the organizational structure of the proposed institution to ensure key functions/sections/units including the compliance are in place before commencement of operations. The BOU Procedures Manual (June 2014) for the Licensing of new FIs clearly streamline detailed procedures for processing of license applications to include verification and assessment of the ownership and management structure. Consequently, determination of the ultimate/beneficial shareholders and others who may exert significant influence to the FI has always been of paramount importance and highly considered in the manual.

Bank of Uganda strictly follows the above provisions of the law in the licensing of financial institutions and always vets the proposed management, promoters, controllers, substantial shareholders and directors of financial institutions both locally and internationally wherever the proposed management, ownership and directors of existing and proposed financial institutions originate from.

Year	2011	2012	2013	2014	2015	2016
Number of applications for Banking License	1	2	2	NIL	NIL	1
Number of Granted Applications		2	2	NIL	NIL	
Number of denied application	1	NIL	NIL	NIL	NIL	
Remarks	No Islamic Banking Law in Place					Licensing process ongoing

Verification of information provided by applicant's especially foreign applicants is done through requesting and obtaining opinions from competent regulators such as Central Banks.

With regards to vetting of shareholders, Directors and senior managers, as a background check, BOU requires financial institutions, MDIs, forex bureaus and money remittance companies licensed by the Central Bank to submit a clearance from Interpol or a National Security Agency of the individual's residence for purpose of ascertaining that the person has not been involved in criminal activities and in addition BOU request for a confidential report from their former employers and or regulatory authority to be sent direct to BOU for verification.

A recent case involving a bank, however, shows the use of offshore jurisdictions by companies owing the bank, which may pose additional challenges in ensuring full transparency of the beneficial owners of those companies.

f) Integrity of Banks' Staff

All Financial Institutions have an obligation to recruit, vet and employ people of high integrity. All banks have a fraud detection and preventive unit that oversees the bank activities which includes the behaviour of staff. This variable has been rated 0.5 **medium**.

Bank of Uganda issued directions to test on Fit and Proper of Directors and Key Management Persons. These directions are issued in par with the international standards of the same. But there have been instances where frauds and theft have been reported by banks. There are mechanisms to identify these thefts and frauds and banks do report them to the regulator accordingly. Cases of fraud are handled internally but reported to the authorities as fraud is a criminal offence in Uganda.

The AML Act also caters for penalties for noncompliance to the law increasing the prevention of staff to be non-compliant. Although there are isolated cases of insider facilitated frauds (see table below) they not enough to tag the whole industry as lacking integrity, if we compare the frauds with the volume of transactions going through the banks (which are in millions) and, most importantly, with the number of banks' employees (the industry employs over 10,000 employees. However, given the issues of corruption noted by the analysis of the threat and national vulnerability, a conservative approach in the rating of this variable has been followed.

Quarter 1 - Jan-March 2016

Type of fraud	No. of cases reported	Period	Amount involved(Ushs)
Cash withdrawn from account with forged customer signature	3	Q1	204,650,000
Processing of forged credit applications	18	Q1	900,000,000
Cash theft from the vault and customer's funds.	1	Q1	15,000,000
E-mail Hacking and fraudulent instructions for transfer of funds made.	2	Q1	194,700,000
Fraudulent cash transaction using fake ids.	1	Q1	119,000,000
Use of forged cheques at the Teller till	1	Q1	27,300,000
Cash suppression by staff	2	Q1	48,000,000
Cash shortage resulting from non-compliance to procedures when processing Money transfers (Money gram, Western Union, Express money etc.)	1	Q1	22,000,000
External cash in Transit(CIT) Fraud	1	Q1	1,000,000,000
Payment against un-cleared effects	1	Q1	158,000,000
Cash fraud in mobile money	1	Q1	8,820,000
			2,697,470,000

Quarter 2 - April - June 2016

Type of fraud	No. of cases reported	period	Amount involved -Ugx
Cash withdrawn from account with forged customer signature	3	Q2	40,085,000
Card skimming fraud.	1	Q2	11,088,000
Processing of forged credit applications	3	Q2	468,000,000
Cash theft from the vault and customer's funds.	1	Q2	50,000,000
Account opened with fake KYC documents.	1	Q2	76,200,000
Use of forged cheques at the Teller till	7	Q2	46,000,000
Cash suppression by staff	4	Q2	33,300,000
External cash in Transit(CIT) Fraud	1	Q2	40,000,000

Cash fraud in mobile money	1	Q2	6,000,000
Agent suppression of customer funds	1	Q2	67,000,000
			837,673,000

The Uganda Bankers Association has a Frauds and forgeries committee that discusses fraud in the banking sector and market. They meet on monthly basis. They exchange notes on emerging trends. Names of convicted staff are shared within the industry as well as with regulator.

There is a whistle blower policy in all banks encouraging staff to escalate matters that may come across them in their work. The policy requires non-recourse to staff that do decide to report or raise issues.

g) AML Knowledge of Banks' Staff

The banks have their own training programmes on AML Laws, policies and procedures. This includes training given at the induction as well as training given periodically to upgrade the staff knowledge. The questionnaire sent to all banks confirmed this situation by responding with a high degree of compliance team's knowledge on AML/CFT procedures and more than 60% of the banks responded with the good level of understanding on the AML enforcement measures. These factors conclude that the compliance team's knowledge is quite high but there is a concern on the training given to all bank staff. At present, it is revealed that there is a requirement on specific AML training given to all bank staff other than the compliance team. Furthermore, this requirement is more on customer risk profiling and categorization by many banks since the knowledge and awareness of bank staff is comparatively lesser in these areas.

Most trainings are designed by foreign entities – The UIBFS should take on rigorous training citing more local examples. No data set of local examples- this will become better as more data is gathered on the local AML cases and penalties

The banks need to ensure that they give confidence and assurance to employees by providing sufficient support and training to make it easier for the employees to embrace the required level of responsibility and competency in their AML obligations when engaged in their day to day work processes. This variable was rated **medium** with a score of 0.5.

h) Effectiveness of Compliance functions (organization)

The Bank of Uganda Risk Management Guidelines provide for the Compliance Function under Guideline 15, mandate for the function, the Head of Compliance having a senior position in management and Bank of Uganda has subjected this to Annual On-site Examination. All banks have internal compliance departments that undertake programs that are commensurate to the level of risk, taking into account factors such as the volume and nature of the products provided,

the client base profiles, the transaction patterns, and the cross-border nature of transaction. Each bank is mandated to appoint a sufficiently resourced and independent AML compliance officer (Money Laundering Control Officer) at a senior management level as per the AMLA- section 6. Breach of Compliance Policies is usually ground for administrative processes against the defaulters including disciplinary measures

Bank of Uganda consistently conducts reviews on Compliance and AML and CFT in their annual on-site examination of banks and this is available in the Bank of Uganda Consolidated Supervision Report of 2014 pages 15 and 34. Bank of Uganda also issues circular letters to the industry highlighting areas of improvements resulting from the findings of its inspections. Generally, these findings include failure to automate the STR monitoring process, weakness in customer risk profiling, operationalising account with incomplete KYC documents, and opening company accounts without conducting company searches. There is a functional Compliance Committee of the Uganda Bankers Association that provides feedback to changes in the Compliance environment and meets on a periodic basis to address aspects of Compliance.

The results of the questionnaire reveal that the AML compliance officer and the other staff are given internal training to a certain satisfactory level. But more training is required in order to strengthen the AML knowledge and understanding of the staff so that it will positively contribute to having an effective AML function in the banking sector.

This variable is given a rating at **medium-low** with a score of 0.4.

i) Effectiveness of Suspicious Activity Monitoring and Reporting

Most of the major banks have proper information systems to collect, record and monitor the data/transactions. They have specific AML applications installed which attends to keeping the records of transactions and any unusual or suspicious transactions. This includes the threshold / large cash reporting as well as STRs reporting. These applications are used in part with the prevailing manual systems. Most of the smaller banks have manual systems to collect data and to perform AML monitoring and record keeping. Regardless of the fact that the availability of data depends on the software application that is installed or the manual system, most of the banks have records in a format that enables supervision and monitoring of transactions.

When considering the STR reporting by all institutions in the financial sector, banks have reported the most number of STRs as shown by the table below.

STATISTICS ON SUSPICIOUS TRANSACTIONS JANUARY 1, 2015 – DECEMBER 31, 2015

1 Total Reported STRs 309

	Status	Number	Percentage
1	Disseminated	54	17.5%
2	Closed	64	20.7%
3	Work in Progress	191	61.8%
	Total	309	100.0%

2. Breakdown of STRs Received By Category of Accountable Persons

	Category	Number	Percentage
1	Commercial Banks	301	97.4%
2	Credit Institutions	4	1.3%
3	Microfinance Deposit Taking Institutions	1	0.3%
4	Forex Bureaus	1	0.3%
5	Insurance Companies	1	0.3%
6	Mobile Network Operator	1	0.3%
	Total	309	100.0%

3. Breakdown of STRs by Entity Disseminated to

	Entity	Number	Percentage
1	Uganda Revenue Authority	26	48.1%
2	Police CIID	26	48.1%
3	Inspectorate of Government	2	3.7%
	Total	54	100.0%

SUMMARY OF STR STATISTICS FOR THE PERIOD JANUARY – JUNE, 2016

1. Statistics on Suspicious Transactions

No.	Status	Number
1	Received	92
2	Closed	18
3	Disseminated	18

2. Breakdown of STRs Received By Category of Accountable Persons

	Category	Number	Percentage
1	Commercial Banks	90	97.8%
3	Microfinance Deposit Taking Institutions	2	2.2%
	Total	92	100.0%

3. Breakdown of STRs by Entity Disseminated to

No.	Institution	Number
1	Inspectorate of Government	5
2	Uganda Revenue Authority	11
3	Uganda Police (CID)	2
	Total	18

4. Exchange with Information Other FIUs

Date	Requesting FIU	Requested FIU	Status
March 2016	Financial Intelligence Authority, Uganda	Anti-Money Laundering Bureau, Peoples Bank of China	Awaiting Response
March 2016	Financial Intelligence Authority, Uganda	Financial Reporting Centre, Kenya	Request Handled

Currently the majority of disseminated STRs come from banks. But the number of STRs reported can increase and improve. It is observed that still there is some resistance from bank staff to report a STR. The general negative perception of STR reporting and also lack of awareness of staff in identifying an unusual transaction can be highlighted as the most commonly identified reasons for this. Furthermore, few of the banks have a system for monitoring unusual transactions. This can be minimized by enhancing the awareness of the bank staff of the importance and gravity of identifying and reporting a STR.

This variable has been rated **Medium- Low with a score of 0.4**

j) Level of Market Pressure to Meet AML Standards

Market pressure to meet AML standards is rated high with a score of 0.8. Uganda being a developing country it relies a lot on external financial market for remittance in and out of the Country. Uganda also imports a lot of commodities. Such transactions which are foreign currency (USD, GBP and EURO) denominated require foreign banks for clearance.

Therefore every Bank/Financial Institution in Uganda requires a correspondent Bank/Institution in Developed Countries (USA, Asia and Europe) to be able to facility international transactions for their customers.

The AMLCFT legal regimes in such developed markets is very stringent and as such the correspondent Banks in those jurisdictions demand and exert a lot of pressure on Local Bank to meet Best Practice in AML/CFT standards in order to access their markets.

Further still, following the passing of AML /CFT laws and regulation, there is increased scrutiny from supervisors/regulators and therefore the level of market pressure to meet AML standard is very high hence our assessment.

It was revealed that there is immense pressure from the international rating agencies as well as foreign investors to meet the AML standards. This has a direct impact on establishing business relationships with the investors and also in maintaining the relationships with the existing customers. Because of this immense pressure the banks are very sensitive to the reputational risk that might arise to their banks especially if there is negative outlook in the market on the respective bank as a bank which does not correspond to the international AML standards. Therefore, they are very concerned about the negative impact and the damage it will cause to the image and reputation of the bank which is of paramount importance for their survival in the banking industry. Therefore, considering the immense pressure by the market forces and the response of the bank management to meet the AML standards we have arrived at a high rating for this variable.

k) Availability and Access to Beneficial Ownership Information

In the analysis of this variable, reference has been made to the FATF Recommendations, main findings of the Mutual Evaluation Report (MER) on technical compliance with FATF Recommendations 24, 25 and 10 and the situation on ground in Uganda.

While the AMLA requires reporting entities to record and maintain beneficial ownership information of corporate customers, the definition of "beneficial owner" provided under the same Act falls short of that provided by the FATF Standards.

The FATF Recommendations defines a beneficial owner as a natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

It should be noted however that when the AML Amendment bill, 2015 is passed into Law, the Uganda AML/CFT law will be in line with the FATF standards

Its definition in the Bill echoes the FATF definition and thus states that a beneficial owner means the natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is conducted including a natural person who exercises ultimate effective control over a legal person or legal arrangement.

Regardless of the fact that there is a requirement under section 6(c)(ii) of the AMLA for financial institutions and DNFBPs to identify and verify the identity of a beneficial owner when dealing with a customer who is a legal arrangement, the implementation of the CDD requirements concerning beneficial ownership is not effective in such a way that the AML policies and/or basic KYC measures are in place, but do not apply to identification and verification of the identity of beneficial owners (shareholders in general) as their procedures are directed mostly at identifying directors of legal persons. As a result no specific additional measures are applied in respect of beneficial owners such as PEPs. Therefore, all obliged entities cannot maintain accurate and up-to-date information on the beneficial owners of their clients that are legal entities or trusts.

The lawyers in Uganda form the legal entities but not exclusively. Company Directors also form and incorporate or register legal entities too.

Reference is made to S.1 of the Trustees Incorporation Act Cap 165, which provides that Trustees or a trustee may be appointed by anybody or association of persons established for any religious, educational, literary, scientific, social or charitable purpose, and such trustees or trustee may apply, in the manner hereafter mentioned, to the Minister for a certificate of registration of the trustees or trustee of such body or association of persons as a corporate

Authorities are able to have timely access to basic company information like legal ownership (shareholder information) from the URSB. But as far as beneficial ownership is concerned, there is no requirement for the URSB or the companies themselves to record and maintain beneficial ownership information and such information is not available at the companies' registry.

Companies are required under the Companies Act to file basic information and to update such information through filing of annual returns (sections 132-136). It should be noted however that some of the information is not always up to date and accurate due to that fact that they rely on the information brought by the customers at the registry and do not carry out due diligence to verify that information brought.

Similarly, there is no legal requirement under the Trustees Incorporation Act, for trustees to disclose beneficial ownership information or to register all trusts.

Section 119 of the AMLA imposes criminal liability on financial institutions and DNFBPs who fail to comply with CDD requirements, including the requirement to identify beneficial owners as required under section 6(c) (ii) of the same Act.

However, identification of all beneficial owners and verification beyond a threshold as stated above is an integral CDD requirement and transparency in beneficial ownership is an important aspect in an AML/CFT programme. The variable is rated **low with a score of 0.3**.

l) Availability of Reliable Identification Infrastructure

All licensed banks in the country require natural persons and legal persons to have a reliable and valid Identification document before commencing any banking transactions as required by the KYC/CDD Rules issued by Bank of Uganda. The identification infrastructure in the country is not so strong that the general does not have one reliable form of identification. However, there is remarkable improvement in the identification infrastructure after the issuance of over 14,534,134 National Identity Cards which are now widely accepted. It should be noted that the previous ID's like Local Council (LC) Resident ID's with inadequacies are still recognized in the financial institutions as part of Know your Customer KYC identification documents.

Accordingly, at an account opening, customers are required to produce an identification document to carry out proper KYC and CDD verification process. Individuals are required to have the National Identity Card which is issued by the National Identification and Registration Authority, Passport which is issued by the Department of Immigration (Ministry of Internal Affairs) or the driving license which is issued by the Ministry of Works and Transport through Face Technology. A company will be required to provide their business registration documents with the business registration number issued by the Registrar of Companies (Uganda Registration Services Bureau). These issuing agencies are government institutions which are independent and reliable sources where the identification of the customer can be verified. **This variable was rated Medium with a score of 0.5.**

m) Availability of Independent Information Sources

There are independent information sources available in the country. But most of them are not easily accessible by the banks. Copies of company records can be obtained in 2-5 days. The information from Credit Reference Bureau (CRB) takes time to be verified. Information on previous banking relationships are accessible easily but subject to certain procedures to be followed prior to receiving this information. This information is of high reliability and independence and results in a high quality customer due diligence process. The banks have access to utility bills of customers before entering into transactions when doing customer due diligence.

Accordingly, the variable was given the rating **medium with a score of 0.5**.

1. Product/Service Vulnerability (Last Case)

Vulnerability emanating from product or services in the banking sector has been summarized in the chart below.

a) Individual Deposit Accounts

Individual deposit accounts have a significant size/value of a total deposits- Ushs 14,780 Bn as at 31 December 2015 in the banking sector in Uganda and approximately Ushs 5,000 Bn out of the sampled financial institutions (5 Banks and 1 MDI). This would increase the level of ML vulnerability if any associated risks are not mitigated, also considering that 3 cases of ML involve the use of individual deposits.

Individual deposit account for 58% of total deposit- Ushs 2,894 billion out of the sampled institutions is a significant value of the total deposits in the Banking sector. The average number of individual transaction is relatively low, whereas the total value of individual accounts amount to 58%. The Number of client under this product (2.8 million in the sampled institutions) account for 94% - 2.6 million which implies that the average transaction is low.

Due to the fact that the product is for individual it's vulnerable to all types including high-risk customers will include politically exposed persons (PEPs), non-residents, and high-net-worth individuals

In most of the financial institution individual deposit account has an investment feature, which makes it susceptible to ML. Individual who launder money are likely to place them into Fixed Deposits and take loans against them to try and legitimise or clean their monies and the use of cash under this product is extensive. Most individual accounts operate within country and a few transact internationally.

Hence the product is rated **medium with a score of 0.59**

b) Company Deposit Accounts

Company deposit accounts have a significant size/value of the total deposits Ushs 14,780 billion as at 31 December 2015 in the banking sector in Uganda and approximately Ushs 5,000 billion out of the sampled financial institutions (5 Banks and 1 MDI). This would increase the level of ML vulnerability if any associated risks are not mitigated. Company deposit account for 42% of total deposit which is a significant value of the total deposits. Another factor that might increase the vulnerability is the legal issues noted by the MER on beneficial ownership and PEPs (in particular the lack of requirements to establish whether the beneficial owner is a PEP and the relevant application of enhanced due diligence measures).

The average number of company transaction is relatively high, whereas the total value of company accounts amount to 42%-Ushs 2,098 billion in the sampled institutions. The Number of

client under this product account for 6%- 163,000 in the sampled institutions which implies that the average transaction is high. The average number of company transaction is relatively high, whereas the total value of company accounts amount to 42%. The Number of client under this product account for 6% which implies that the average transaction is high.

In most of the financial institution company deposit account have investment feature, which makes it susceptible to ML. companies who launder money are likely to place them into FDs and take loans against them to try and legitimise or clean their monies and Uganda being a high cash economy company deposits are still susceptible to high levels of cash.

Whereas most companies operate locally, they are involved in international transactions due to the fact that Uganda is a net importer of goods and services. Hence the product is rated **medium high with a score of 0.66.**

c) Individual Loans

Individual loans have a significant size/value of a total deposits in the banking sector in Uganda- Ushs 10,558 billion as at 31 December 2015 and Ushs 3,941 billion in the sampled institutions (5 Banks and 1 MDI). This would increase the level of ML vulnerability if any associated risks are not mitigated. Individual loans account for 49%- Ushs 1,944 billion in the sampled institutions of total loans which is a significant value of the total deposits.

The average number of individual loan transaction is relatively low, whereas the total value of individual loans amount to 49%. The Number of client under this product (171, 000 in the sampled institutions) they account for 97% which implies that the average transaction is low.

Due to the fact that the product is for individual it's vulnerable to all types including high-risk customers will include politically exposed persons (PEPs), non-residents, and high-net-worth individuals. Hence the product is rated **medium low with a score of 0.21.**

d) Company Loans

Company loans have a significant size/value of a total deposits in the banking sector in Ushs 10,558 billion as at 31 December 2015 and Ushs 3,941 billion in the sampled institutions (5 Banks and 1 MDI). This would increase the level of ML vulnerability if any associated risks are not mitigated. Company loans account for 51%- Ushs 1,997 billion in the sampled institutions of total loans which is a significant value of the total loans

The average number of company loan transaction is relatively high, whereas the total value of company loans amount to 51%. The Number of client (5,000 in the sampled institutions) under this product account for 3% which implies that the average transaction is high.

The risk is assessed as medium, mainly because all companies are registered but there

promoters are vulnerable to all types including high-risk customers which include politically exposed persons (PEPs), non-residents, and high-net-worth individuals.

Most company loans are disbursed to companies with Bank accounts and there is limited use of cash in this product and some loans for companies are extended to foreign companies registered in Uganda. Hence the product is rated **medium with a score of 0.41**

e) Trust and Asset Management Services

These types of services are high risk as they are done on behalf of another person. They expose the bank to legal issues were the rightful owner to lodge a complaint. The law has however streamlined requirements that accountable persons must ensure they put in place when opening such an account. Because of the stringent nature and the fact that these are on behalf of accounts, most banks are not very keen and so the numbers are small while values are pretty high as most of these have multiple ultimate beneficiaries. In the sampled institutions, only 1,440 were noted and in one institution.

The Law is still new and it will take some time for all accountable parties to come to expected standards. All accountable parties should in their annual account review ensure they cover Trusts etc....They are all be marked as high risk accounts to allow close scrutiny and monitoring. **This product is rated low with a score of 0.32**

f) Trade Finance

Trade is a high risk product by AML standards by its nature. This is because banks deal in Documents and at times money launderers use it to hide illegal means. Open a trade transaction and then cancel it to get back clean money. Or ask for a guarantee from a reputable bank. Being in third world some trades can be pretty complex and vetting of all parties may not be readily feasible. In the sampled institutions, 1,200 clients and with a value of 483 Bn was noted which is significant.

The banks follow international rules e.g. URC522 and UCP 600. Banks only communicate between each other using SWIFT messages for example MT707/MT799 and MT730. This implies that transactions are only done for customers who are already banking with banks and thus their profiles are monitored. In view of the fact that banks will only deal with the documents supporting the trade transaction rather than the goods themselves, there are opportunities to exploit the trade cycle for criminal purposes. That is, non-face to face transaction occurs mostly. **The product is rated medium high with a score of 0.58**

g) Correspondent Banks

All the 25 Banks in Uganda have correspondent relationship with banks with strong AML/CFT procedures and systems. All the banking transactions are subject to normal KYC regulations. Therefore, before establishing the business relationship, customer due diligence is done.

The variable has therefore been rated medium with a score of 0.58

h) Electronic Banking

Electronic Banking, mainly internet banking and mobile banking.

The volume and average transaction size are quite low and this is mostly accessed by individual customers and a few corporate customers. The mobile banking is mainly by individual customers. The volume and average transaction size are medium. In the sampled institutions, there are 85,000 clients with an estimated valued of Ushs 100 Bn. The most prominent vulnerable feature is the fact that the customer is not identified in person. Hence the non-face to face feature is available in this product. However, there are adequate controls with regard to the amount that can be transformed in the mobile banking.

In fact this product is fast evolving in the banking sector. Hence, the opportunities for money laundering also rise. Therefore, more specific controls are required to regulate and monitor these transactions. **The variable has therefore been rated medium with a score of 0.44**

i) Wire Transfers

The volume and the average transaction size are medium. The money transfers can either be high or low value and international or domestic fund transfers. In the sampled institutions 190,000 transfers are done annually with a total value of Ushs 8,000 billion.

The volume and average transaction size are medium. Client profile is mixed, individuals and companies. This services the flow of funds through money transfer both in and out. The product involves some non-face to face transactions where by customers can simply write to the bank asking to transfer certain amounts to a different account or bank/ or through internet banking.

The small value transaction can mainly be done in Uganda through Inter Bank Payment System and this is mainly used by many institutions for the payment of salaries to their employees.

There are several Money Value Transfer Services operating in Uganda such as Western Union, Money Gram, and Express Money etc.

Most Money Value Transfer Service providers have established partnerships with banking system as their remitting partners. When the banks act as the money remitting partners, their licensing requirement is covered under the banking license and KYC/CDD rules issued to licensed banks are applicable for the remittance service as well. **The variable has therefore been rated medium with a score of 0.54.**

j) Negotiable Instruments

Significant values are paid/settled through the negotiable instruments. Negotiable instrument transactions are limited to Ushs 20M. In the sample institutions, 787 instruments were processed

with total value of approximately Ushs 2,976 Bn. The Base profile is both individual and Companies and both are susceptible to ML risk as individuals are vulnerable to high risk customers as well as promoters of companies. **This product is rated medium-low with a score of 0.37**

k) Recommendations

In order to reduce the vulnerability resulting from the banking sector, the team made the following recommendations;

1. Address outstanding legal shortcomings noted by the MER
2. Continue to improve knowledge of bank employees with regard to understanding of ML issues and their obligations (duties and responsibilities) on their part, in curbing ML. This should take into account, the quality of the training materials, frequency and level of training and type of staff trained. This will in turn contribute towards achieving staff integrity to a much higher level.
3. Banking Sector should adopt a ML Risk assessment for their banks, based on the findings of this report and on the guidelines of FIA and BoU. Hence, all banks should identify, assess and understand their ML/TF risk and apply measures to commensurate the risks. Enhanced measures must be in place to address higher risks while simplified measures must be in place to address lower risks. Customer risk profiling and identification of product specific risk are major areas of concern in this assessment.
4. Based on the experience on the AML/CT risk-based approach introduced in 2015, the BoU should test the effectiveness of the AML/CFT supervision, implement the AML/CFT procedure manual and should also consider adopting the AML/CFT risk based supervision as a separate procedure compared to the current approach which incorporates the ML risk assessment as a component of the Operational risk.
5. There should be punitive measures for non-compliance to ensure non-repetition of malpractices.
6. Allocation of supervisory resources and implementation of specific process to supervise the individual banks needs to be based on ML/TF risks involved. Furthermore, supervisors need to have a clear understanding of ML/TF risks identified in the NRA process. They must have access to relevant information on risks associated with customers, products and services of banks. There should be procedures to review and update risk profiles of banks on regular basis and in light of significant events. Frequency and intensity of the supervisory process needs to be based on the bank's AML/CFT risk profile and bank's risk assessment policies.
7. Banks should make arrangements to improve the existing AML monitoring system or mechanism where they are in a position to perform effective customer screening and other advanced monitoring methodologies and unusual transaction identification. This system

should be a dedicated system for AML monitoring and it should improve the efficiency and effectiveness of the compliance function of the bank. Furthermore, it should minimize the manual intervention so that it will reduce the reliance and dependence on the compliance staff.

8. Issue more specific guidelines on the identification of the ultimate beneficial owner since the bank staff knowledge and awareness in this area is very low. These guidelines may address the practical concerns and issues in the identification process.

1. Ranking of Priority Areas

Priority areas have been identified from the assessment as follows. PRIORITY RANKING - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	
Availability and Enforcement of Criminal Sanctions	6
Level of Market Pressure to Meet AML Standards	
Availability and Effectiveness of Entry Controls	8
Effectiveness of Supervision Procedures and Practices	1
Availability and Enforcement of Administrative Sanctions	3
Integrity of Banks' Staff	7
AML Knowledge of Banks' Staff	1
Effectiveness of Compliance Systems	3
Effectiveness of Suspicious Activity Monitoring and Reporting	5
Availability and Access to Beneficial Ownership Information	10
Availability of Reliable Identification Infrastructure	8
Availability of Independent Information Sources	11

INSURANCE¹⁰⁶

¹⁰⁶ The Insurance team was comprised of Regulators, representatives from Uganda Insurers Association and Uganda Association of Insurance Brokers and Policy analysts from the Ministry of Finance.

The findings of the mutual evaluation of June 2015 conducted by ESAAMLG revealed that all sectors needed to undertake a risk assessment in order to understand the vulnerabilities and threats in each sector. The assessment of the insurance sector is being carried out within the framework of the National risk assessment in conformity with the FATF standards

3.9 Overview of the insurance sector

The insurance sector in Uganda is regulated by the Insurance Regulatory Authority of Uganda (IRA) established under the Insurance Act (Cap 213), Laws of Uganda 2000 and amended by the Insurance (Amendment) Act, (Act No.13 of 2011). The Insurance Act provides the relevant legal framework for supervision and regulation of insurance companies, insurance broking companies, insurance agents and loss adjusters/assessors. The aim/objective of IRA is to enable the development of the insurance market, maintain its safety and sound operation, protect the interests of the insured clients and their beneficiaries and ensure the supply of high quality and transparent insurance services and products.

There are 1,421 licensed players including 29 Insurance companies (out of these, 22 are registered to carry on non-life/general business and 8 are registered to carry on life business), 29 Insurance Brokers, 1 Reinsurer, 20 loss adjusters, 1,335 agents and 7 Health management organizations (HMOs) as at 31st December 2015.

The overall insurance penetration, which is expressed by the gross written premium as a percentage of GDP, is still low and was only 0.76% as at end of December 2015. This compares unfavorably, except for Tanzania, with the regional peers of Kenya and Rwanda that registered penetration rates of; 2.8%; 0.7%; and 1.6% respectively as at end of the same period.

Country comparison of the insurance market 2015

Country	Total Premium (USD)	Insurance density	Insurance Penetration (compared to GDP)
Kenya	1,691,823	37.1	2.8%
Tanzania	302,938	5.6	0.7%
Rwanda	141,318	12.5	1.6%
Uganda	170,045	4.7	0.76%

The gross written premium collected by the industry was UGX 612,149 million of which brokers contributed 40.07 % of the overall production. Non-Life recorded UGX 464,426 million accounting for 75.86% of the total industry premiums. Life premiums amounted to UGX 99,852 million

accounting for 16.31%, HMOs premiums of UGX 47, 870 million accounting for 7.83%.

The statistics of the performance of the sector for the past 5 years up to 31st December 2015 are summarized in the table below, and show that the non-life business is on an upward trend and that it drives the growth of the insurance market; the life business has tripled over the 5-year period:

	2011	2012	2013	2014	2015
Non-life business(million)	262,000	313,200	352,000	382,287	464,426
Life business(million)	35,000	38,033	55,400	74,036	99,852
Health Management Org(million)	-	-	53,863	46,768	46,873
Total premium(million)	297,000	351,233	461,263	503, 092	612,149
Growth rate in Total premium (%)	23.75%	18.2%	31.3%	9.07%	21.68%
GDP		53,202,000	54,688,000	72,129,000	79,984,000
GDP growth rate %			2.79%	31.9%	10.9%
Penetration		0.66	0.84	0.69	0.76

Source; IRA records

As at end of the year 2015, Gross Written Premium (GWP) was UGX 612 Billion, compared with that written as at end of the year 2014, which was UGX 503 Billion. Over the same periods, premiums written for non-life, life and Health Management Organization (HMOs) constituted; 75.87%, 16.31% and 7.82 % respectively; compared with 75.99%, 14.72% and 9.30% the year before¹⁰⁷, which shows a significant increase in the HMOs. The gross premium underwritten by the insurance industry increased from Ugx.502,655 million in 2014 to Ugx.611,125 million in 2015 representing a composite growth of 21.58%. Non-life business recorded Ugx.458,343 million accounting for 75.99% of the total industry premiums compared to life business which recorded Ugx.99,858 million accounting for 16.34%, and the HMO's recorded Ugx.46,873 million contributing 7.67% of the total premiums in 2015.

107 Source: IRA Market Report

The table below shows the assets for non-life and life insurance companies.

Assets of Insurance companies (millions)

	2011	2012	2013	2014	2015
Non-life insurance companies	453,235	541,184	638,188	749,651	910,384
Life insurance companies	105,436	116,309	135,684	165,460	227,207
Total	558,671	657,493	773,872	915,111	1,137,591

3.0 Overall risk assessment

Overall, the vulnerability of the insurance sector to the money laundering risk is rated at **0.64 (medium high)**, on account of: the low quality of regulation of the sector due to lack of comprehensiveness of the AML/CFT laws; lack of provisions for administrative and criminal sanctions; weaknesses in the effectiveness of both the compliance function and suspicious activity monitoring and reporting; and high level of cash intensity - despite the low level of assets in relation to GDP(1.4%) 2015; fairly enforced entry controls and low level of international transactions.

3.1. Summary of Detailed assessment of the variables.

Although the AML legal framework exists, it is not comprehensive enough and falls short of the FATF standards. However, amendments to the Insurance Act, providing for the sector regulator to undertake AML/CFT supervision and to administer administrative sanctions for non-compliance have been proposed and presented before Parliament, but not yet passed. As a result, the insurance sector regulator currently does not conduct effective AML/CFT supervision and hence the vulnerability rating of 0.5 (medium) that has been assigned. Similarly, although the administrative sanctions have been provided for in the proposed amendments, currently they are not available at the disposal of the regulator for enforcement and hence the rating of 0.2 (very low). It is also noted that whereas criminal sanctions are available, their enforcement leaves a lot to be desired as there are no prosecutions that have so far been successfully concluded. As a result, the rating of 0.5 (medium) is assigned to this variable. With respect to entry controls, the regulator effectively enforces the licensing requirements to all sector players. Licenses are renewed annually upon satisfactory fulfillment of all the requirements, in accordance with the licensing regulations and procedures in place. It was observed that appropriate sanctions for non-compliance with the licensing requirements are enforced. In addition, the "fit and proper" vetting of board and management positions are being enforced. However, the licensing regulations are yet to be amended, in line with the proposed amendment to the main Act, to provide for licensees to have adequate AML controls in place; including having compliance manuals and staff dedicated to this function. In addition, the licensing processes need to be revamped in terms of getting qualified and skilled personnel to screen and enforce AML/CFT - specific entry controls. As a result, for availability and effectiveness of entry controls, the rating of 0.4 (medium low) has been assigned.

In general, insurance companies screen staff for integrity during the recruitment process and the incidents of staff involvement in insurance fraud is low, except for a few cases that have been reported in the recent past involving non-remittance of premiums collected from clients by staff. Although insurance companies undertake stringent screening of staff during the recruitment, similar measures and procedures are not being applied by intermediaries. As a result, the rating for this variable for the sector as a whole is 0.4 (medium low). The AML knowledge among staff in the sector is still very low. Although all insurance companies and large international brokers have designated officers to serve in the positions of MLCOs, a majority of intermediaries have not done so. For those designated as MLCOs, exposure to AML/CFT has been limited to that acquired through workshops and seminars with no rigorous training involving certification. As a result, the rating for this variable was assigned as 0.2 (very low). From the analysis of the feedback got from the questionnaire that was administered to the insurance companies, it was found that there are lapses in monitoring of compliance function within the companies. Most companies have not established units that are dedicated to enforcing the compliance function and therefore the reporting mechanisms to ensure that AML/CFT programs are run as required have not been implemented. This was a general problem that was also being reflected in terms of weaknesses in company-specific policies and procedures which all trace through to the existence of gaps within the law, regulations and low levels of training and appreciation of AML/CFT matters by staff. Although reported by the insurance companies, these weaknesses may probably be bigger in the case of intermediaries as they were not part of the respondents for the questionnaire. In addition, no AML specific audits have been conducted on sector industry players in general. Hence, in the absence of both risk assessment of products and risk profiling of clients, the rating assigned to effectiveness of compliance function was 0.3, which is low. Similarly, the effectiveness of suspicious activity monitoring and reporting was rated at 0.3 (low), as it was equally driven by factors similar to those mentioned above. While some insurance companies and insurance brokers (especially those with international presence), have capacity to acquire systems that can be relied upon to easily monitor transaction, the absence of any suspicious activity/transactions reports (save for only one, that was reported in 2014) that have been filed with the FIA from the whole sector is an indicative validation for this low rating.

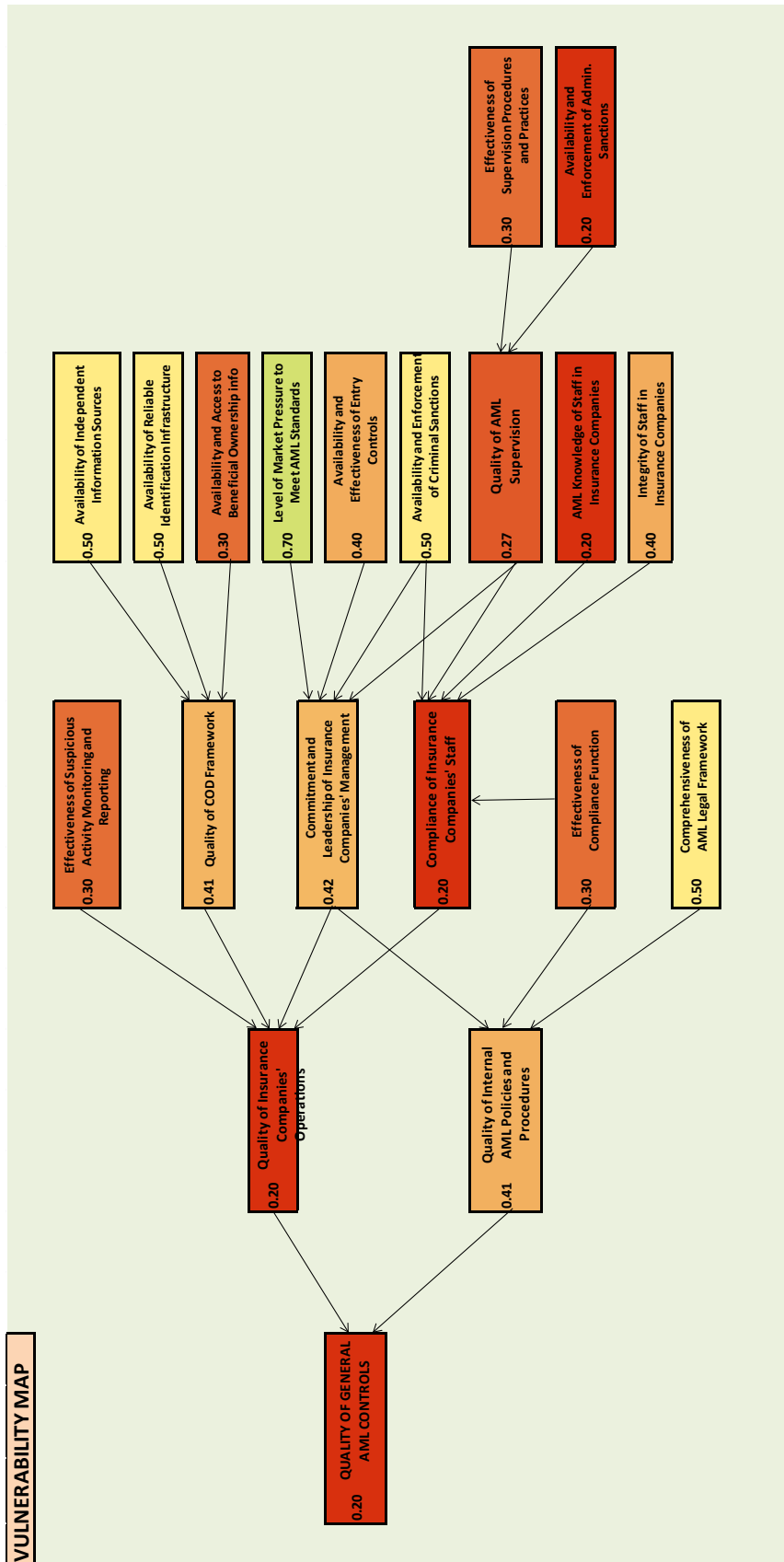
4.0. KEY ANTI MONEY LAUNDERING DEFICIENCIES IN THE INSURANCE SECTOR

1. There are weaknesses in the monitoring and reporting of suspicious transactions, with insurance players displaying limited knowledge of what a suspicious transaction is. This was particularly noted among insurance agents and brokers where there is limited knowledge of Anti Money Laundering (AML). For the insurance companies especially, those of foreign origin, they understand AML issues as they are required/trained by their parent companies on the issues. However, major weaknesses exist in the reporting of suspicious activities to the Financial Intelligent Authority (FIA). As noted by FIA only one suspicious activity report has been submitted by an insurance company since the

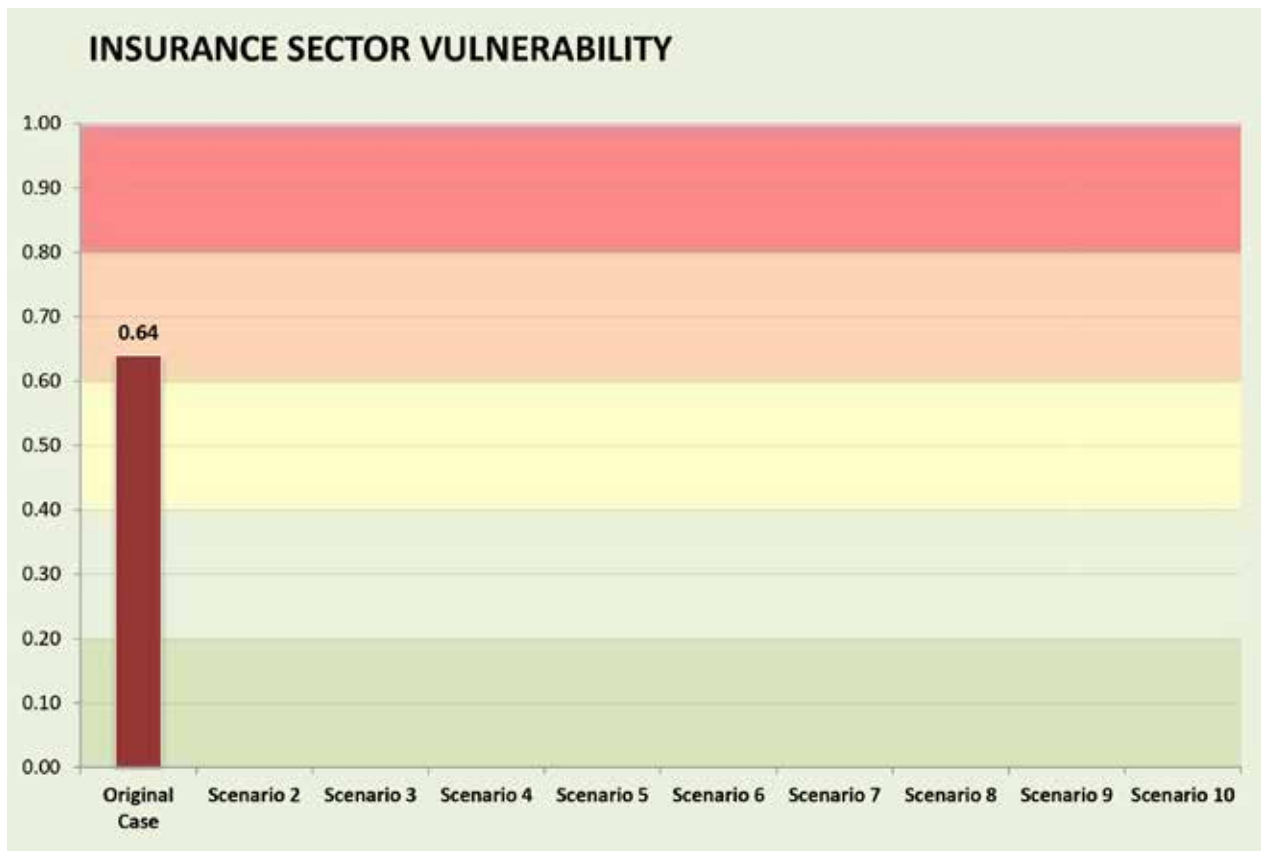
existence of FIA. Additionally, regulations are not yet fully implemented for purposes of detecting suspicious transactions among others.

2. Whereas insurance companies have been told to develop AML policies which the Insurance Regulatory Authority (IRA) has approved, very little is done to ensure compliance as the mandate to inspect the companies on AML matters and the power to impose any sanctions has not yet been given to IRA in its current law. Whereas there are strong deterrent criminal sanctions in the AML law, major challenge was noted in the enforcement of the same, with no reported cases of successful prosecutions and conviction of AML offences in the sector.
3. There are major gaps in client screening mechanism/customer profiling mechanisms. In addition no screening of politically exposed persons (PEP's) is done. This therefore, poses reasonable exposure to AML/CFT risks to the insurance sector. In addition, there are no guidelines in the legislations to collect information for the PEP's.
4. There are weaknesses in the development of management information systems used by the insurance companies, with inability to automate the identification of suspicious transactions. Even in big insurance companies, there are weaknesses in the monitoring of suspicious transactions due to semi-automated systems in place. This may account for the low level of reporting of suspicious transactions in the sector to. Financial Intelligent Authority.
5. The Insurance act does not specifically provide for supervision of AML/CFT. There is no oversight in form of AML supervision or regulation for insurance players under the Insurance Act leading to weak compliance regime which affects implementation of appropriate AML policies and procedures.
6. The Know your customer (KYC) procedures are not well articulated in the insurance companies' underwriting processes making it difficult for the firms to detect suspicious transactions in the sector.
7. Insurance products are not adequately assessed to ascertain the extent of exposure on AML to the sector.
8. Inadequate resources for IRA to develop AML/CFT. No training is done. Staff and agents are not adequately trained on AML/CFT issues.
9. Beneficial owners and sources of funds are not adequately vetted.

A Detailed assessment of the variables can be found in Annex...of this report.



Sector vulnerability



PRODUCT VULNERABILITY

The products selected for this analysis are as follows:

Individual Life – although the product uptake is still low, this is considered the highest risk product in the market. It is also highly marketed through agents. In the year 2015, the total premium written in respect to individual life was UGX.24 billion (24% of the total life premiums) and group life was UGX.57 billion (58% of the total life premiums).

The overall rating of this product was **0.42 (medium)**. The product attracts cash pay outs and has investment features and as such can be attractive to money launderers. In addition, it is mainly sold through agents

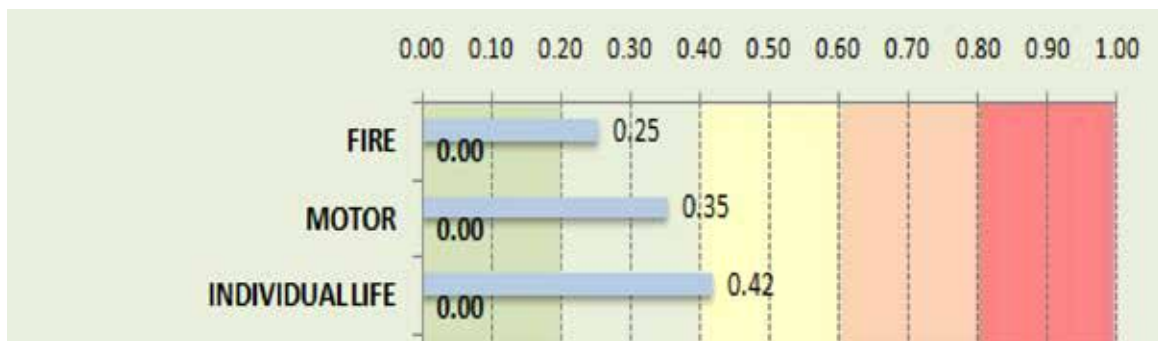
Motor Insurance – Motor insurance accounts for around 25% of the total premium revenues in the market. It involves significant sales through agents and has been associated with the largest number of insurance fraud cases in Uganda and the region (KPMG East Africa Insurance Fraud Risk Survey, 2015).

The overall rating of this product is **0.35 (medium low)**. This is majorly driven by the product can be sold by brokers and agents in which Insurance companies depend on the integrity of these intermediaries to process the policies. This makes the product susceptible to fraud.

Fire Insurance - Fire Class of insurance is the second biggest single product producer of premium at UGX68 billion equivalent to 15.7% share of Non- Life Premiums as of December 2015.

The overall rating of this product is **0.25 (medium low)**. This is majorly driven by the fact that the product does not have cash value or any investment feature and as such not attractive to the buyer who intends to launder money.

A detailed assessment of the analysis of the product variables can be found in Annex.... To this report.



Main areas of priority to mitigate the vulnerability

PRIORITY RANKING - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	6
Effectiveness of Supervision Procedures and Practices	2
Availability and Enforcement of Administrative Sanctions	3
Availability and Enforcement of Criminal Sanctions	9
Availability and Effectiveness of Entry Controls	6
Integrity of Staff in Insurance Companies	8
AML Knowledge of Staff in Insurance Companies	1
Effectiveness of Compliance Function (Organization)	4
Effectiveness of Suspicious Activity Monitoring and Reporting	5
Level of Market Pressure to Meet AML Standards	
Availability and Access to Beneficial Ownership Information	11
Availability of Reliable Identification Infrastructure	9
Availability of Independent Information Sources	12

5.0. RECOMMENDATIONS

1. IRA should develop a National AML/CFT awareness training and communication strategy to sensitize the sectors about activities which are proceeds of crime and how to control them. This should include training on identification and reporting of suspicious transactions.
2. There is need to promote electronic payment systems instead of cash as a measure to reduce exposure to ML and TF in the insurance sector and in the economy at large.
3. The amendment of the Insurance Act should be expedited to provide the IRA with the mandate to supervise the entities on AML matters.
4. There is need to further enhance the oversight and supervision activities on a ML/TF risk-based approach, to increase focus on money laundering and terrorist financing. This may require additional resources being allocated to IRA so as to improve AML/CFT effectiveness of the supervisory regime. IRA should consider whether conducting AML/CFT specific inspections that are separate from the prudential examinations or as part of the prudential examinations.
5. The IRA should be given enough resources so that it appropriately conducts its AML responsibilities. This includes training and carrying out awareness programmes on AML prevention.
6. There is need to strengthen the compliance function among insurance companies and brokers. As noted FIA has received only one suspicious transaction from the insurance sector which may be an indicator of weak compliance function. While it was noted that most insurance companies have appointed compliance Officers, they seem not to be doing what is expected of them partly due to lack of training.
7. There is need for insurance companies and insurance brokers to commit resources to automate systems with capability to flag suspicious transactions among others.

CURITIES¹⁰⁸

1:0 INTRODUCTION

The securities sector in Uganda is regulated by the Capital Markets Authority, an entity established by the Capital Markets Authority Act, Cap 84 (CMA Act). Presently, the Uganda has two Stock Exchanges that is the Uganda Securities Exchange (USE) and ALT Xchange. The country also has two licensed Securities Central Depository which are automated and regulated by the Securities Central Depository Act and run by the approved stock exchanges. The CMA is a member of the East African Securities Regulatory Authorities and has bilateral agreements on exchange of information with its counterparts in Nigeria, Mauritius, Malaysia, Kenya, Tanzania, Rwanda and Burundi. The CMA is also a member of IOSCO, which allows it general cooperation with other Securities Market Authorities.

There are currently 16 companies listed on the USE, seven of which derived from the privatization of Government parastatals. Trading of Government bonds on the USE was introduced in 2004. As of July 2015, Trading at the USE became automated and this reduced the clearing and settlement period from five days to three days.

As of 17th July, 2016, there are 9 Broker Dealers; 2 Stock Exchanges; 2 Securities Central Depositories; 9 Fund Managers; 4 Collective Investment Scheme (CIS) Managers; 2 Trustees; 6 Investment Advisers. As of 30th June 2016, the USE had listed 16 companies covering sectors like banking, electricity, manufacturing, investments, insurance and media with a market capitalization of approximately UGX.4.76 Trillion. The significance of the Capital Markets to the Ugandan economy is rated at 6.33% of the GDP.

The USE has witnessed a remarkable growth in the recent years. A comparison of this with regional countries is given below. It is evident that the USE'S market capitalization/GDP is still low compared to those of most other emerging markets in the region.

¹⁰⁸ The Securities Sector team was comprised of a diverse membership, including Regulators; Policy analysts from the Ministry of Finance, Planning & Economic Development representatives of the market intermediaries i.e. fund managers, broker dealers, securities exchange and collective investment scheme managers as follows: Capital Markets Authority, Financial Intelligence Authority, STANLIB, Crested Capital, Pine bridge East Africa, Ministry of Finance, Planning & Economic Development, African Alliance Uganda Limited.

TABLE 1: MARKET CAPITALIZATION IN THE EAST AFRICA REGION¹⁰⁹

	GDP (current US\$ billion)	Market Capitalization (USD Billion)	Mkt. Cap As a % of GDP
Country Name	2015	2015	2015
Uganda	22	7	32
Kenya	57	20	35
Tanzania	40	8.5	21
Rwanda	7	1.4	20

TABLE 2: SIZE OF THE SECTOR¹¹⁰

Indicator	Value
Total market Capitalization	USD 7 Billion
Market Capitalization/GDP (Significance of capital markets to the economy)	32 %
Value of Bonds outstanding:	
Government Debt	UGX 10 trillion
Corporate Debt	UGX 293.76 billion
Total Value of Bonds outstanding	UGX 10.3 trillion

The relevant regulatory framework for the securities sector mainly comprises of the CMA Act, Cap 84¹¹¹; the Collective Investments Schemes Act of, 2003 (the CIS Act),¹¹² the Securities Central Depository Act, 2009 (the SCD Act)¹¹³ and the Anti-Money Laundering Act, 2013 also applies to the securities sector licensed market players and the regulators who are deemed to be "accountable persons".

The Capital Markets Products in Uganda include Equities, Collective Investment Schemes, Corporate Bonds, and Government Debt. However, there are other products which are provided for under the Legal Framework though not issued and these include Exchange Traded Funds, Real Estate Investment Trusts, private placement; derivatives and depositary receipts. The predominant product is equities as traded on the stock exchanges.

¹⁰⁹ Estimates from Uganda Securities Exchange Market Capitalization Report of 2015

¹¹⁰ Uganda Securities Exchange Market Capitalization Report of 2015

¹¹¹ The mandate of the CMA under the CMA Act is to promote and facilitate an orderly, fair and efficient capital markets industry in Uganda. The CMA Act also makes provision with respect to stock exchanges, stockbrokers and other persons dealing in securities and prescribes securities offences.

¹¹² The CIS Act provides for the licensing and control of collective investment schemes by the Authority and other related purposes. Licensed schemes may be Unit Trusts Schemes or Investment Companies with Variable Capital. The CMA is also empowered to recognize foreign schemes.

¹¹³ The SCD Act provides for the establishment, operation and regulation of Securities Central Depositories in Uganda. The SCD Act provides for the efficient verification, inspection, identification and recording of all book entry securities.

4:0 FINDINGS

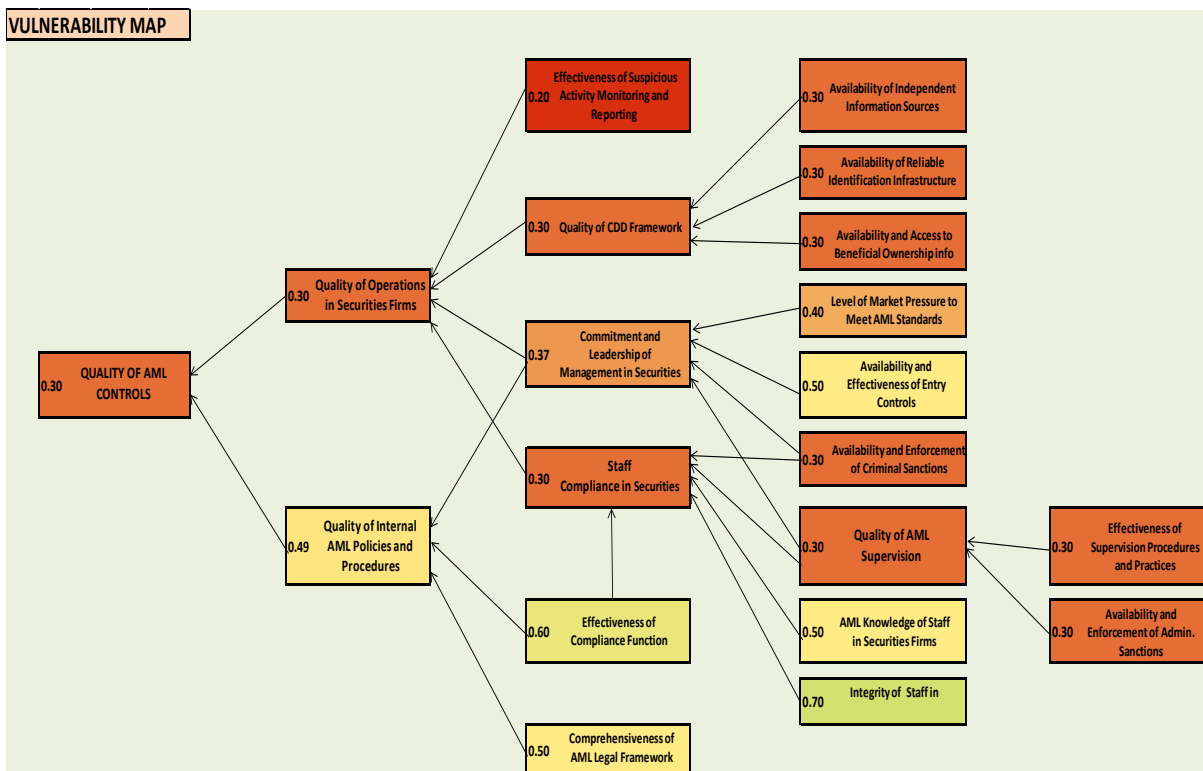
A detailed analysis of the securities sector in relation to the World Bank 13 variables and inherent Vulnerability factors are together with the findings is set out below:

The methodology used for the securities sector assessment was based on the vulnerability of the sector is mainly related to the efficiency of the AML general controls. The overall capital market vulnerability to ML risk is rated **medium** based on quality of general AML controls for the Fund Managers; Broker Dealers and Collective Investment Schemes Managers.

The findings were subsequently summarized based on the 3 institution categories that is Fund Managers, CIS Managers and the Broker Dealers for the purpose of compiling the report. The other required information such as number of client complaints, supervision and enforcement actions among others was collected from the CMA and the USE.

4:1 COLLECTIVE INVESTMENT SCHEMES MANAGERS

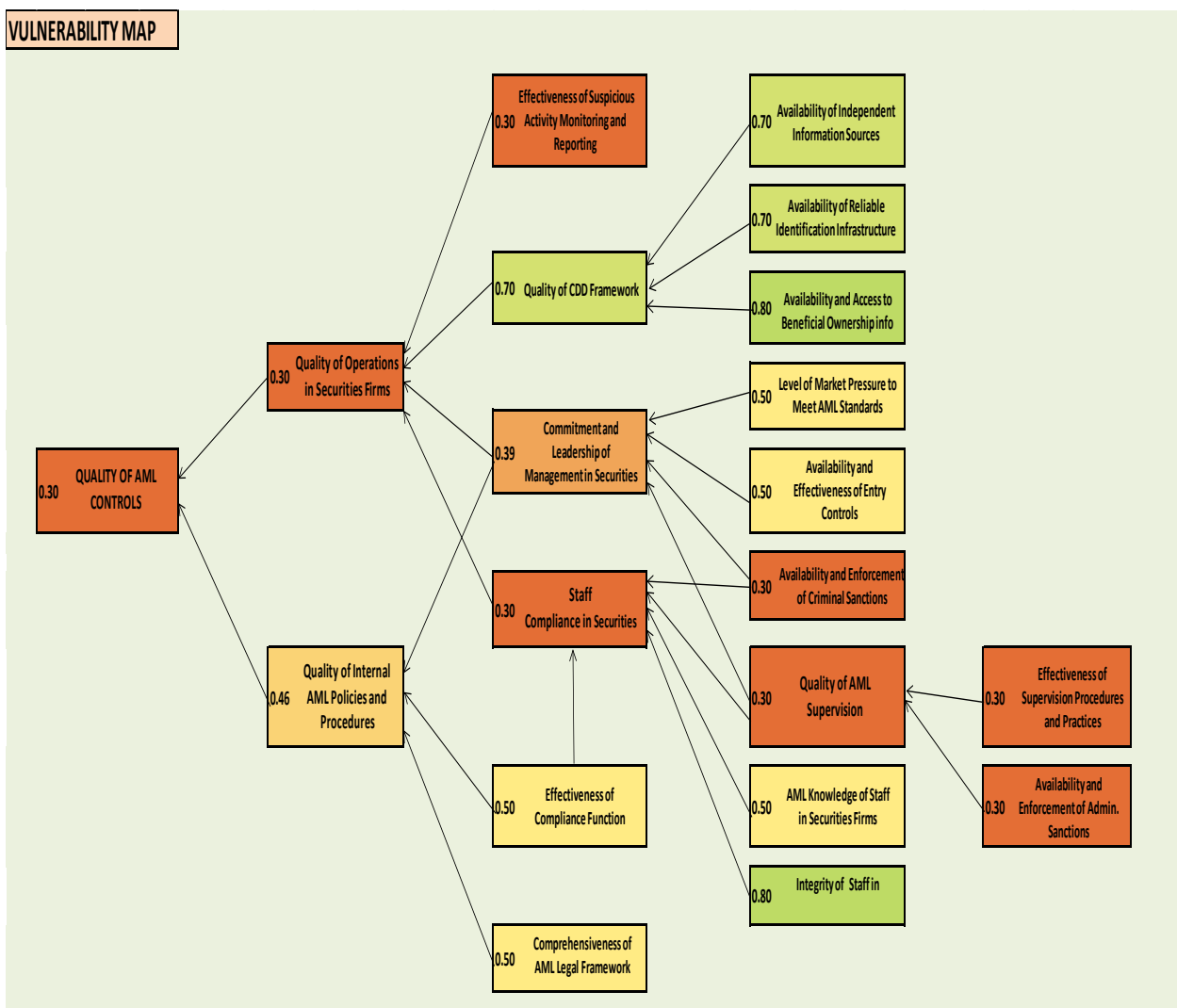
Overall, Collective Investment Schemes Managers are exposed to a slightly higher level of ML vulnerability than the Broker Dealers and Fund Managers. This is particularly due to the fact that the effectiveness of suspicious activity monitoring and reporting; quality of CDD Framework; availability of independent information sources; availability and access to beneficial ownership information; availability and enforcement of criminal sanctions and availability; and enforcement and availability of administrative functions have lower ratings compared to the Fund Managers and the Broker Dealers.



4:2 FUND MANAGERS

The Fund Managers have low risk for having money laundered into the financial system as they do not receive deposits and cash is deposited with the Custodian Banks. The Fund Managers rely on the banks to do due diligence for its customers.

The Fund Managers, the quality of the effectiveness of suspicious activity monitoring and reporting; availability and access to beneficial ownership information; availability and enforcement of criminal sanctions and availability; and enforcement and availability of administrative functions have been identified as priority areas.

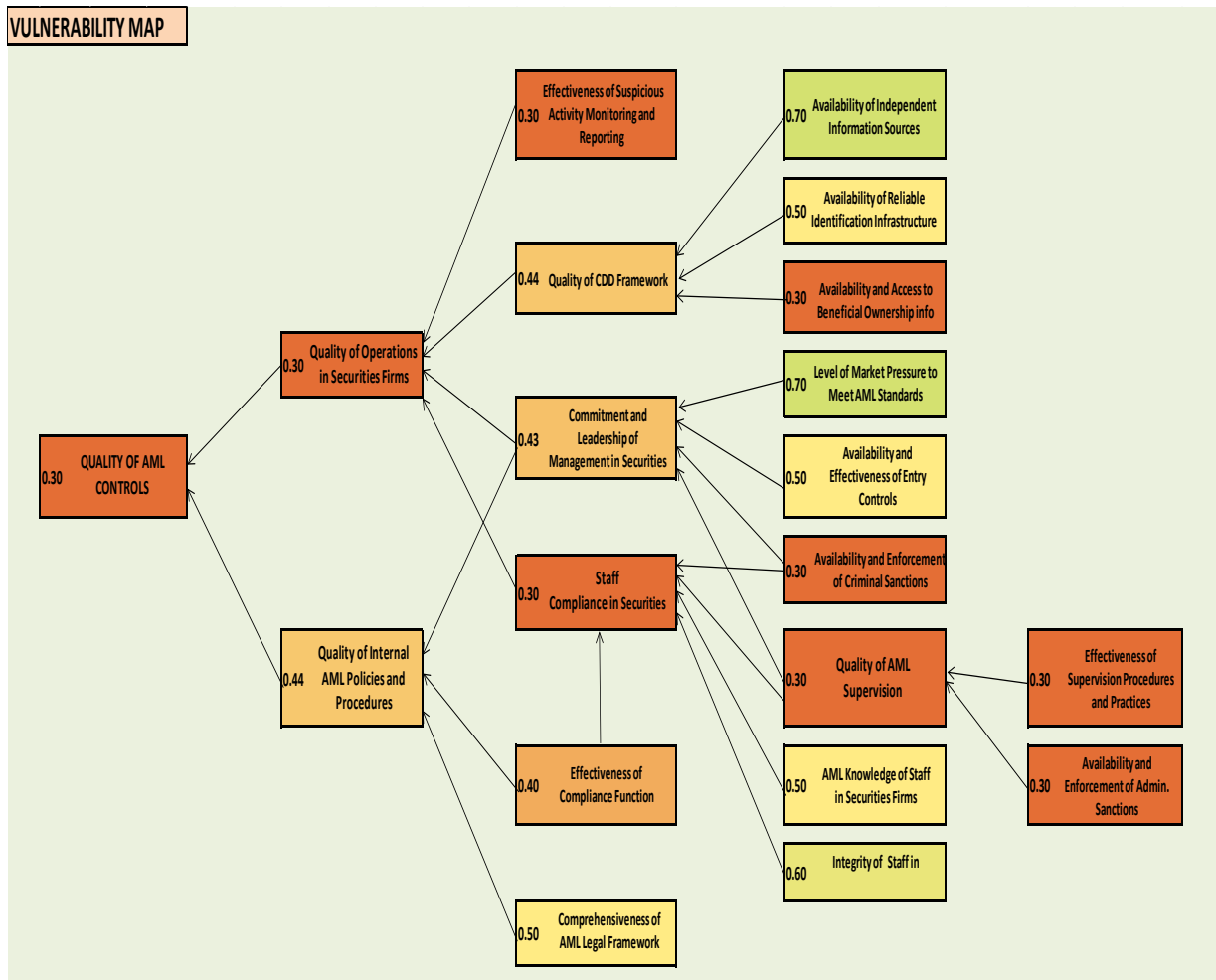


4:3 BROKER DEALERS

The Broker Dealers, the quality of the effectiveness of suspicious activity monitoring and reporting; availability and access to beneficial ownership information; availability and enforcement of criminal sanctions and availability; and enforcement and availability of administrative functions

have been identified as priority areas.

It was noted that AML/CFT aspects are embedded in the general supervision framework of the CMA.



5:0 SECTOR OVERALL ASSESSMENT

The overall capital market vulnerability to ML risk is rated medium low (0.30) with a score of 0.30 for quality of general AML controls for the Broker Dealers, Fund Managers and Collective Investment Scheme Managers. This has mainly resulted due to the quality of AML operations having a risk rating of medium (0.30). The quality of the AML operations is impacted by the effectiveness of suspicious activity monitoring and reporting (whose average rating is 0.27); quality of CDD Framework(whose average rating is 0.48); availability of independent information sources(whose average rating is 0.56); availability and access to beneficial ownership information(whose average rating is 0.46); availability and enforcement of criminal sanctions(whose average rating is 0.3) and availability; and enforcement and availability of administrative sanctions(whose average rating is 0.3) have lower ratings.

Most of the CIS Managers have retail and High Net worth Individuals who are not exposed to the non-face to face delivery channels. Further, it is observed that cash placement is also available but limited. This leaves room for a certain degree of vulnerability since the firms are only having general AML controls. It is also notable that the most of the foreign investments in the capital market are coming from the countries with medium/low ML risk which lowers the jurisdictional risk.

Although most of the Fund Managers, Broker Dealers and CIS Managers have AML policies in place, they do not comprehensively address some of important AML areas such as risk profiling of clients and ECDD for potential high risk clients and PEPs. The number of on-site inspections carried out by the CMA for the sector is not mainly focused on AML/CFT issues but on general supervisory work. The STRs submitted by the Firms also remain low due to limited knowledge and lack of clarity on what amounts to suspicious transaction.

Overall, CIS Managers are exposed to a slightly higher level of ML vulnerability than the Fund Managers and the Broker Dealers. This is particularly due to the fact that AML compliance function, staff knowledge, corporate governance, corporate and trust transparency and staff integrity of CIS Managers have lower ratings compared to the Fund Managers and the Broker Dealers.

6:0 GENERAL DEFICIENCIES IDENTIFIED IN THE SECURITIES FIRMS

1. There are no specific legal or other provisions under the AMLA providing powers to supervising authorities and self-regulatory bodies to supervise and monitor compliance, and compel production of information relevant to monitoring AML/CFT compliance. Double supervision by the CMA and the FIA creates confusion and inconsistencies for the institutions. There is need to clearly define the obligations of the two entities on matters relating to the AML/CFT.
2. The FIA and CMA have not issued comprehensive guidelines to assist reporting institutions in such areas as ML/TF risks, CDD, detection of unusual and suspicious transactions and PEPs. This is very important considering that AMLA is a new law.
3. The definition of beneficial owner as per the AMLA is not aligned and is inconsistent with that of the FATF, leading to inadequate measures being taken to identify and verify the identity of beneficial owners.
4. Insufficient resources for AML/CFT Compliance for the Supervisors that is CMA and the FIA.
5. Limited number of staff by the CMA and FIA assigned to handle AML/CFT activities like compliance and awareness campaigns.
6. The legal framework does not provide for administrative or civil sanctions for failure to comply with requirements meant to enhance implementation of targeted financial

sanctions related to terrorism and terrorist financing.

7. Need to sensitize the securities firms about the criminal sanctions for non-compliance with the AML/CFT procedures.
8. Clarity on the application of the criminal sanctions under the CMA Act and the AMLA needs to be provided in matters of non-compliance with AML/CFT matters.
9. The staff awareness on AML/CFT is not adequate and as such there's need for the FIA and CMA to provide trainings or material that is comprehensive to build on the knowledge of the employees of Securities Firms.
10. There are limited sources of information that may be relevant in determining the beneficial owners and the process is also lengthy and bureaucratic and even then there no guarantee that valid information would be got.
11. Not all individuals have national identification documentation which makes it had to enforce the requirement across the board especially for the amendment. It's important that the government continues to encourage (using moral suasion) to have majority if not all Ugandans register for the National Identification card.
12. The Broker dealers allow the investment /deposit of funds into the financial system given the nature of financial instruments and their settlement in the depository systems.
13. The subjectivity of risk ranking of individuals opens up the possibility that a fair score may be given to a highly risky client just because there is not conclusive evidence to strongly back up higher rating even when in actual senses such individuals may be very risk in terms of money laundering.
14. It's also hard to identify and also know corrupt public officials associates for screening purposes.
15. There was a concern that the cost of verification is relatively high hence could prove prohibitive. It is recommended that the cost of verification be lowered.
16. It was noted that clearing and settlement frameworks do not address AML/CFT issues. Settlement modules for securities do not address AML/CFT aspects. The operation of Securities Central Depositories (SCD) does not address AML/CFT issues, this is due to the difficulty of picking or identifying AML/CFT issues as the SCD records rely heavily on the information from the trading platform and the brokers hence the SCD has no opportunity to conduct its own Customer Due Diligence. Further the reporting of suspicious transactions as the transactions are initiated at the stage of engaging a broker/dealer and the settlement system is the final part of the transaction. For mitigating measures on the clearing and settlement, there is the need to enhance surveillance of SCD by supervisory authorities and participants who undertake transactions on behalf of brokers.

17. The assessment also established that the Regulators that is the CMA did not require the applicant for license or approval to indicate sources of funds to be used or used in establishing the business as part of the requirements at the initial licensing stage or entry controls.

7:0 RECOMMENDATIONS

1. Strengthen the AMLA and the securities laws to provide for the AML/CFT criminal and administrative sanctions for the Securities Firms.
2. The strengthening of the supervisors' capacity (CMA and FIA) is necessary due to the increasing complexity of the task and the framework for supervision should be enhanced.
3. Adopt a fully-fledged risk based approach to AML/CFT offsite and onsite supervision of the Securities Firms.
4. Definitely enforcement requires bolstering. It is possible that incidences could have happened in regards to money laundering and terrorist financing in the securities sector however never registered. Therefore an increase in enforcement is necessary as well as sanctions in case of breach for the Securities Firms.
5. Carry out sector specific training on AML CFT laws, regulations and requirements.
6. Systems used by the Securities Firms should be upgraded so as to be able to screen PEPs and related AML/CFT aspects.
7. Double supervision should be stopped and this clarity can only be provided through the amendment of AMLA to provide supervisory authority to the sector regulators.
8. Establish partnerships with government and local authorities to make it easy to access information on individuals for purposes of verifying their details. This can be done by developing a national database that has linkage of information from the different government institutions with similar or related information on individuals.
9. There is need for a centralized information system which is linked internationally and is available to all market participants as well as the regulators for surveillance, market monitoring and documentation viewing. This would enable efficient auditing and regulation and a secure structure would be a deterrent for AML/CFT.
10. The regulators that is the CMA and the relevant Stock Exchanges should engage the National Identification and Registration Authority (NIRA) so as to create a platform for verifying national identification documents or details.

11. There is need to establish and verify the source of funds and wealth for new applicants of license or approvals e.g. the capital adequacy funds or transactions involving amounts above the set threshold during the entry of the securities firms to the securities sector.
12. There is need to amend the SCD Act and Regulations to enhance AML/CFT supervision in the securities Central Depository.
13. Need for sector specific regulation for AML/CFT issues in the securities Market. For Uganda that will be drafting the Anti-Money Laundering regulations under the Capital Markets Authority Act.
14. Enhance Know Your Customer and Customer due diligence procedures through legislation and introduce mechanisms to ensure effective implementation of such requirements.

OTHER FINANCIAL INSTITUTIONS¹¹⁴

1.0 Introduction

3.10. 1.1 Overview

The Other Financial Institutions (OFIs) in Uganda comprise of both regulated and unregulated institutions. The Regulated institutions include forex bureaus, money remitters and Microfinance Deposit-taking Institutions (MDIs) all of which are under the supervisory purview of Bank of Uganda. OFIs also include mobile money service providers which are not directly supervised by Bank of Uganda. (BoU supervision focuses on the bank with which the mobile money provider must partner to provide the service). Unregulated institutions include Savings and Credit Cooperatives (SACCOs), Savings Clubs such as Village Savings and Loans Associations, Microfinance Institutions (MFIs) and Money Lenders. In the absence of an oversight body, no detailed statistics are available about the size of the unregulated market (MFIs, SACCOs & money lenders), however, press reports indicate that this market is widely spread. Anecdotal evidence¹¹⁵ suggests that money lenders, for example, are major funders for Members of Parliament, who are a category of politically exposed persons. According to the Finscope 2013 survey, 34% of the adult population accesses financial services through non-bank formal financial institutions such as SACCOs, and Unregulated MFIs². This implies that OFIs have a sizeable clientele for financial service consumers.

Uganda's economy is largely cash based, with low use of electronic payment options. This was a major factor in the AML assessment for the other financial institutions. Further, the unregulated market is not subject to any form of supervision or oversight, with very limited entry controls and limited knowledge of AML issues. Consequently, the unregulated sectors such as MFIs and money lenders had overall reasonably high level of vulnerability. In the regulated category, the forex bureaus and money remitters had the highest vulnerability. These two sectors also had reasonable exposure to terrorism financing owing to their links to some high risk jurisdictions.

MDIs had the lowest level of vulnerability among the regulated entities, which was attributed to the existence of good systems of risk management and the availability of adequate resources dedicated to training and reporting under the MDIs which are fairly big institutions with access to financial resources. In addition, the ratings for the regulated sectors (Forex Bureaus, Money Remitters & MDIs) were impacted by the entry controls implemented by the Central Bank and existence of onsite and offsite supervision, including the roll out of management information systems as part of automation to ease suspicious activity monitoring and reporting and annual

114 The OFIs team was comprised of a diverse membership, including practitioners, Regulators and Policy analysts from the following institutions: Bank of Uganda, FIA, Ministry of Finance, Uganda Revenue Authority, UFBMRA, UAE Exchange Forex Bureau, Stanhope Forex Bureau, City Forex Bureau, and Metropolitan Forex Bureau.

115 Ugandan Members of Parliament drown in debt – Aljazeera news, posted 03 Sep 2014 14:02 GMT; Government losing Billions to Money Lenders – Daily Monitor, March 10, 2014.

training. Under Central Bank supervision, AML inspection is conducted as part of prudential supervision. However, supervision is only indirect for mobile money service providers (it is not on the provider itself, but on the bank with which the provider must partner in order to be able to provide the service) and entry controls, which are not AML/CFT specific, apply only to providers that are Telcos. Considering all facts, mobile money providers (0.73), forex bureaus (0.61), money remitters (0.63) and microfinance institutions (0.61) had the highest overall vulnerability, followed by money lenders (0.45) and MDIs (0.45). SACCOs (0.33) had the lowest level of vulnerability among the other financial institutions.

3.0 Overall assessments

3.11. 3.1 Forex Bureaus

Uganda runs a liberalized foreign exchange market. The market is comprised of the whole sale market (commercial banks) and the retail market (both banks and forex bureaus). The forex bureaus are licensed under the Foreign Exchange Act, 2004 and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006.

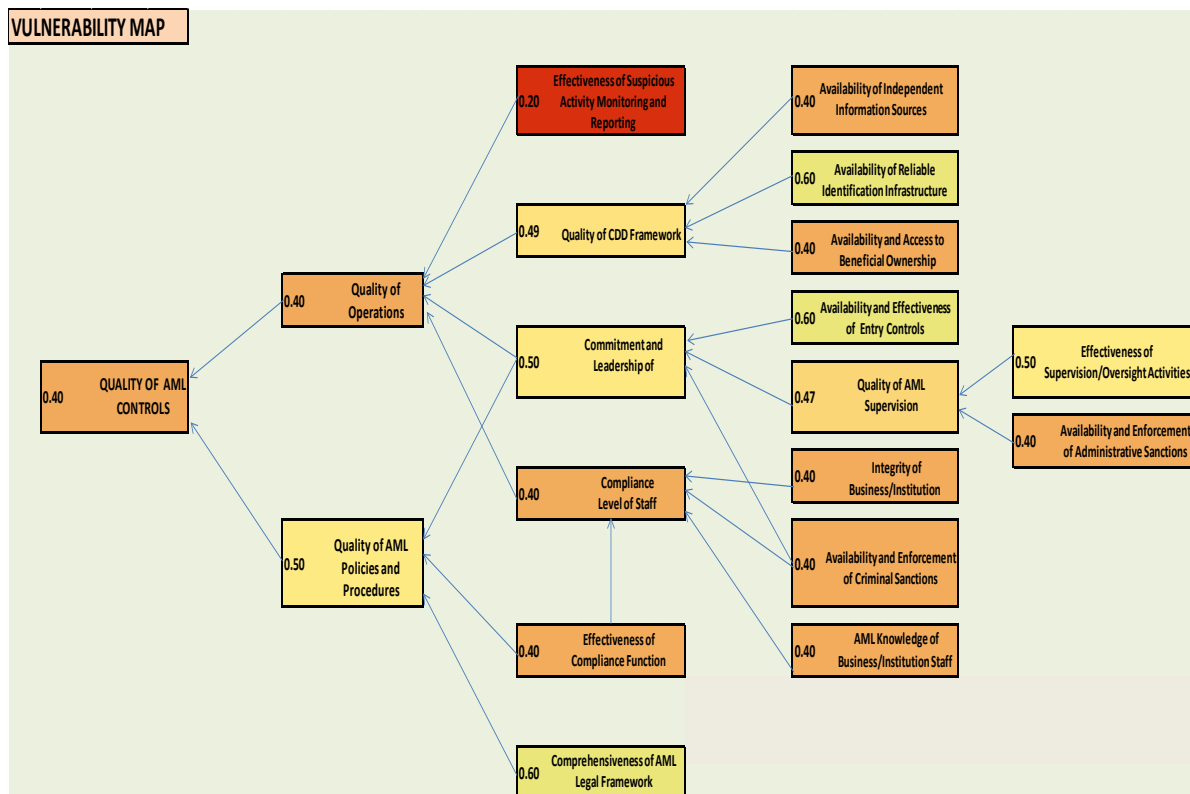
As at December 31, 2015, the sector had 207 licensed Foreign Exchange Bureaus with a total number of 280 outlets. More than 80% of these outlets are located in greater Kampala and Entebbe. 66 forex bureaus also hold money remittance licences and therefore work as both foreign exchange and money remittance dealers.

As at March 31, 2016, the asset holding for the sector was approximately Shs.95 billion (USD 28 million), which is less than 0.01% of the GDP. However the turnover is quite high, at approximately Shs.15 trillion for the year ended December 31, 2015. This is approximately 16% of the Country's GDP. Although no statistics are available, there is a thriving unlicensed foreign exchange market, especially at the border points. Given that the Foreign Exchange Act criminalises the engagement in foreign exchange business without a licence, this points towards weaknesses in criminal enforcement. According to the Bank of Uganda Annual Supervision Report 2015, the top ten (10) foreign exchange bureaus accounted for 53.2% of the total capital in this sector.

Ownership of the institutions is varied; however, there is a strong presence of the Somali, Indian and Pakistani citizens in the forex bureau business. This link to some high risk jurisdictions is considered a potential threat with regard to terrorism financing.

There are reasonably strong entry controls, with fit and proper tests conducted by the Central Bank for all shareholders, directors and senior staff of the forex bureaus. In addition, there is good enforcement of administrative sanctions with some licences revoked by the Central Bank over money laundering related violations.

The money laundering risk for the sector is considered high, with overall vulnerability at 0.61. The high vulnerability rating is largely driven by the low quality of controls (0.39), particularly ineffective monitoring and reporting of suspicious transactions and weak compliance functions in the institutions.



Poor knowledge of AML among staff, integrity concerns and ineffective criminal processes are a major influence on the rating. The overall quality of AML policies and procedures was rated fair at 0.5. Whereas a study conducted for the sector as part of the NRA revealed fair knowledge of AML, major weaknesses continue to be noted by supervisory authorities in terms of client due diligence and suspicious activity monitoring. Indeed, in July 2015, the Central Bank issued a directive for all forex bureaus to implement management information systems with the capability of issuing electronic receipts. This was meant to improve automation as a means of promoting suspicious activity monitoring. Whereas the Central Bank has circulated the UN sanctions list to all forex bureaus, only a few actually screen their clients against this list. In addition, no screening was noted to be done for Politically Exposed Persons (PEPs), but neither has there been any guidance to the institutions on how to handle PEPs. Another weakness is that forex bureaus are still required by Regulation 23(4) of the Foreign Exchange Regulations to report suspicious transactions to Bank of Uganda, while Regulation 27(2) requires them to report large cash transactions in excess of USD 5,000 to the Central Bank. This is contrary to the provisions of Regulation 39 of the AML Regulations which designate the FIA as the recipient of suspicious and large cash transactions and not consistent with the international standard, as it provides for a double reporting regime of suspicious transactions.

In terms of inherent vulnerability, the biggest concern is the highly cash nature of the transactions and the high volume of turnover. For the year ended December 2015, approximately 15 trillion (approximately USD 4.4 billion) which is about 16% of the Country's GDP was traded by forex bureaus in Uganda.

Whereas there are adequate AML laws, regulations and guidelines on Money Laundering, the relevant oversight bodies have not channeled enough resources to money laundering. Forex bureaus are supervised by the Central Bank, however, the examinations do not specifically focus on money laundering, but rather, money laundering is part of operational risk assessment from a prudential perspective. In an effort to improve AML awareness in the sector, the Central Bank in conjunction with the Uganda Forex Bureau and Money Remittance Association have held annual training workshops since 2012 at which AML has been discussed.

PRIORITY RANKING FOR AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	8
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	6
Availability and Enforcement of Criminal Sanctions	7
Availability and Effectiveness of Entry Controls	9
Integrity of Business/Institution Staff	5
AML Knowledge of Business/Institution Staff	1
Effectiveness of Compliance Function (Organization)	4
Effectiveness of Suspicious Activity Monitoring and Reporting	3
Availability and Access to Beneficial Ownership information	10
Availability of Reliable Identification Infrastructure	11
Availability of Independent Information Sources	12

3.12 3.2 Money Remitters

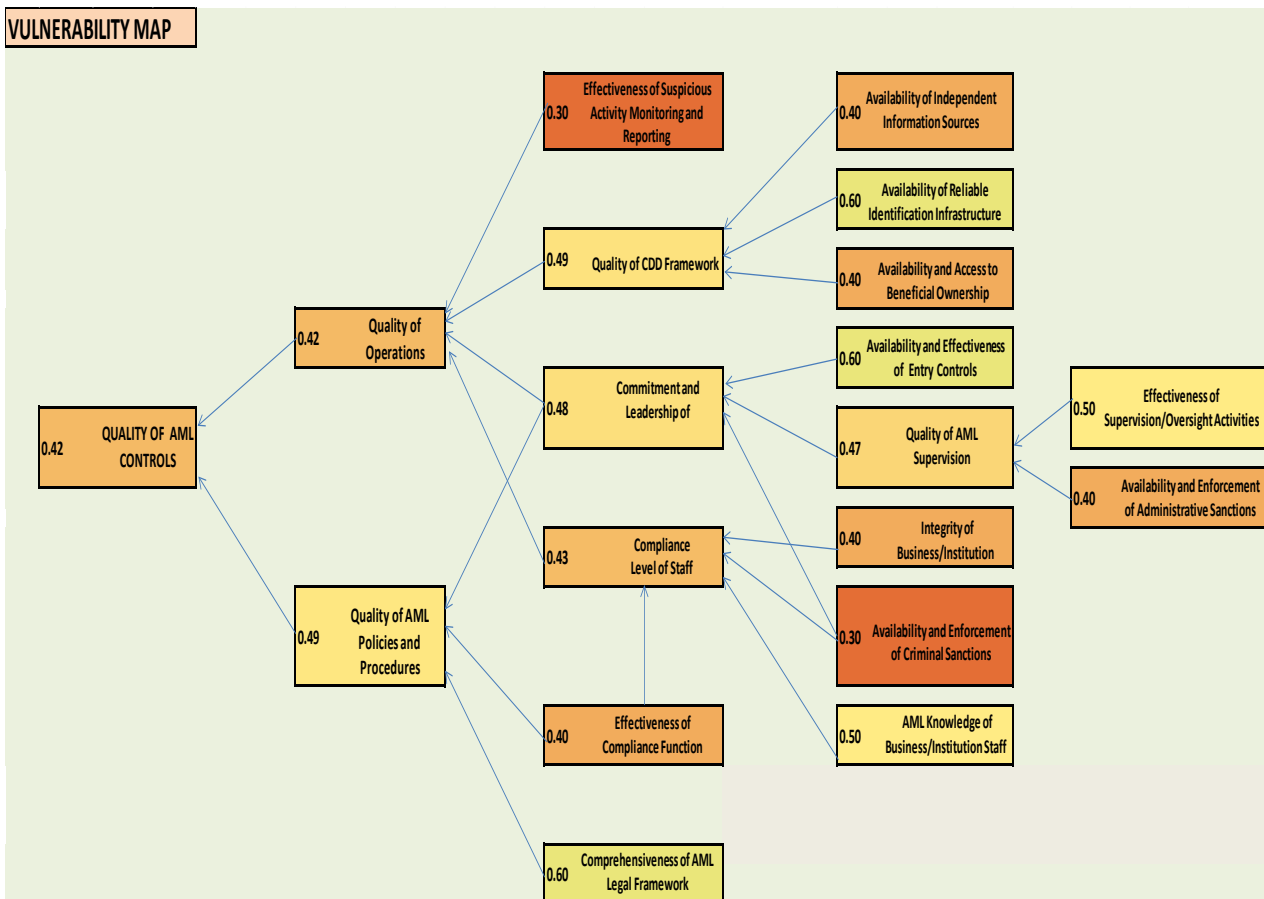
Uganda runs a liberalized foreign exchange market, which extends to the capital and current account. With the passing of the foreign exchange regulations in 2006, money transfer licences have since then been issued to companies that may not necessarily be banks. The money remittance licence allows the institutions to deal in funds transfer. Money transfer companies are licensed under the Foreign Exchange Act, 2004 and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006. The main players in the money transfer business are forex bureaus, with the other type of institutions in the business being Microfinance Deposit-taking Institutions (MDIs) and some Credit Institutions. The legal regime for money transfer is the same for both forex bureaus and MDIs.

As at December 31, 2015, Uganda had 66 Money Remittance Companies with a total number of 225 outlets. Approximately 50% of these outlets are run by licensed Credit Institutions (3

institutions) and Microfinance Deposit-taking Institutions (3 MDIs). The rest are forex bureaus which also hold money remittance licences and therefore work as both foreign exchange and money remittance dealers.

According to the Bank of Uganda annual supervision reports, on average, over the period 2012 – 2015 approximately USD 300 million was received into the country through money transfer companies while about USD 250 million was sent out. This is less than 0.01% of the Country's GDP. It is worth noting that most of the money transfer companies are sub-agents of commercial banks in the funds transfer business, with the parent commercial banks being representatives of international funds transfer companies such as Western Union and MoneyGram.

The overall vulnerability for the money remittance segment is at 0.63 (high), largely influenced by ineffective suspicious activity monitoring (0.3) and ineffective compliance functions (0.4). Lack of AML knowledge and weaknesses in enforcement of criminal sanctions are also major drivers of the ratings.



Integrity concerns exist with several reported cases of funds transfer fraud in the sector. Whereas there is no evidence of successful prosecution, information from the Central Bank indicates that these frauds point towards some connivance between the staff of the paying institutions and the fraudsters.

With regard to the inherent vulnerability, key threats arise from the high cash nature of the operations with most of the money remittances terminating into cash drawn over the counter. In addition, there is exposure to high risk jurisdictions such as Somalia South Sudan and Eastern Congo, where foreign remittances form a key source of livelihood. Uganda has several Somali refugees who send remittances back home to support their families. This exposure coupled with the absence of enhanced due diligence poses not only money laundering threats, but terrorism financing threats as well. In an effort to address this threat, the Central Bank issued a directive for all money remitters to implement management information systems as part of automation in the sector.

Another weakness concerns the suspicious transaction reporting system: money remitters are still required by Regulation 23(4) of the Foreign Exchange Regulations to report suspicious transactions to Bank of Uganda, while Regulation 27(2) requires them to report large cash transactions in excess of USD 5,000 to the Central Bank. This is contrary to the provisions of Regulation 39 of the AML Regulations which designate the FIA as the recipient of suspicious and large cash transactions and not consistent with the international standard, as it provides for a double reporting regime of suspicious transactions.

Notwithstanding the above, the sector has strong entry controls which include fit and proper tests and background checks for licence applicants, in addition to a requirement for AML policies and procedures as pre-licensing requirements. The Central Bank has also conducted annual training for the operators since 2012, with AML discussed at these workshops.

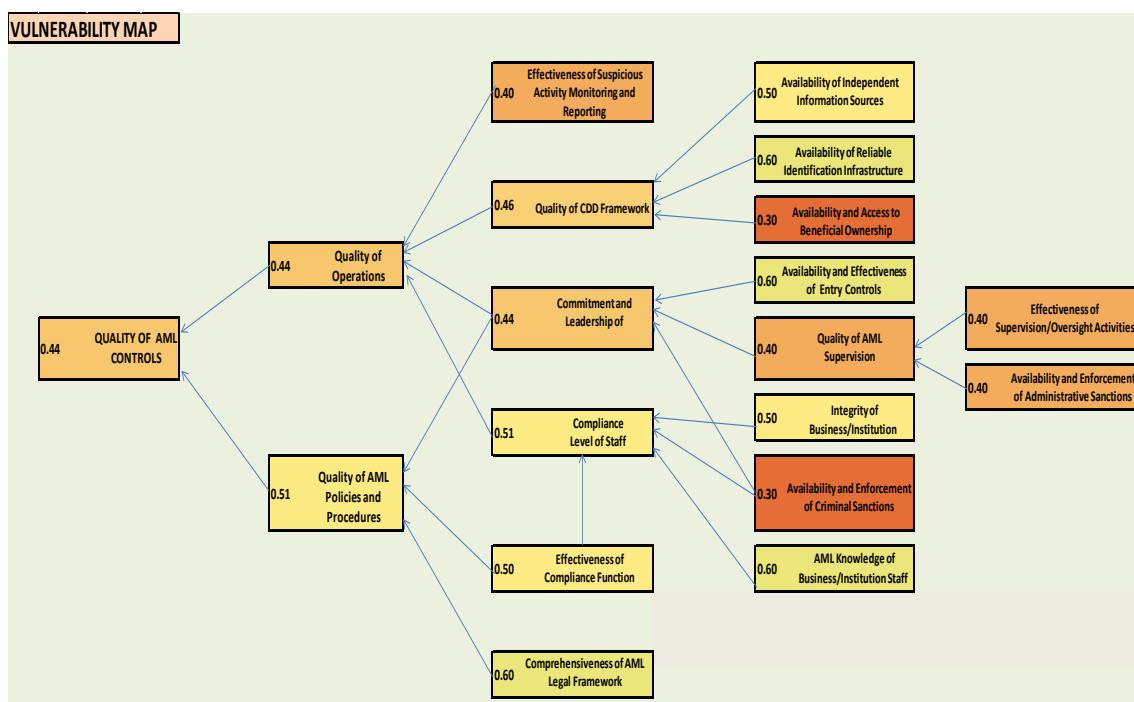
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Availability of Reliable Identification Infrastructure	11
Availability of Independent Information Sources	12

3.13 3.3 Microfinance Deposit – taking Institutions

Uganda uses a tiered framework to the supervision of financial institutions. Microfinance Deposit Taking Institutions (MDIs) operate under Tier 3 of this framework. MDIs are licensed and supervised by Bank of Uganda under the Microfinance Deposit Taking Institutions Act, 2003. As at December 31, 2015 there were five MDIs licensed by Bank of Uganda with a network of 84 branches spread out all over Uganda in urban, peri-urban and rural areas. MDIs predominantly serve the low end of the financial services market and offer products of a low complexity and have a high level of low value transactions. According to the Association of Microfinance Institutions in Uganda, MDIs serve approximately 53% of the micro borrowers in Uganda.

The total assets held by the sub-sector held as at December 31, 2015 amounted to Shs.401.02 billion which represents less than 0.1% of Uganda's GDP. In comparison, twenty five commercial banks held total assets amounting to Shs.21.7 trillion. This reflects the relative small proportion of market share held by MDIs.

The overall vulnerability to money laundering stands at 0.45 which is considered moderate. The quality of AML policies and procedures stands at 0.51 while the quality of operations is at 0.44. The rating is largely impacted on by the inherent vulnerability which reflects the sector's small asset holding, in comparison with the banking sector for example, the well-established compliance functions, absence of international transactions and the good knowledge of AML among the staff of the MDIs. Just like other sectors regulated by the Central Bank, there are strong entry controls with well laid out pre-licensing requirements. These include the vetting of all significant shareholders as well as requirements for risk management policies and procedures manuals.



The key threats to the sector arise from the ineffective monitoring of suspicious transaction activity, which is generally done on a manual basis by most MDIs. In addition, there is no enhanced due diligence for PEPs, coupled with the limited capacity of the FIA to effectively monitor and supervise suspicious activity monitoring and reporting. In addition most MDIs are yet to fully automate suspicious transaction monitoring. Therefore given the high level of cash activity in the subsector, this poses a certain level of threat.

PRIORITY RANKING FOR AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	8
Effectiveness of Supervision/Oversight Activities	1
Availability and Enforcement of Administrative Sanctions	6
Availability and Enforcement of Criminal Sanctions	5
Availability and Effectiveness of Entry Controls	9
Integrity of Business/Institution Staff	7
AML Knowledge of Business/Institution Staff	2
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	3
Availability and Access to Beneficial Ownership information	10
Availability of Reliable Identification Infrastructure	11
Availability of Independent Information Sources	12

3.14 3.4 Savings and Credit Cooperative Societies

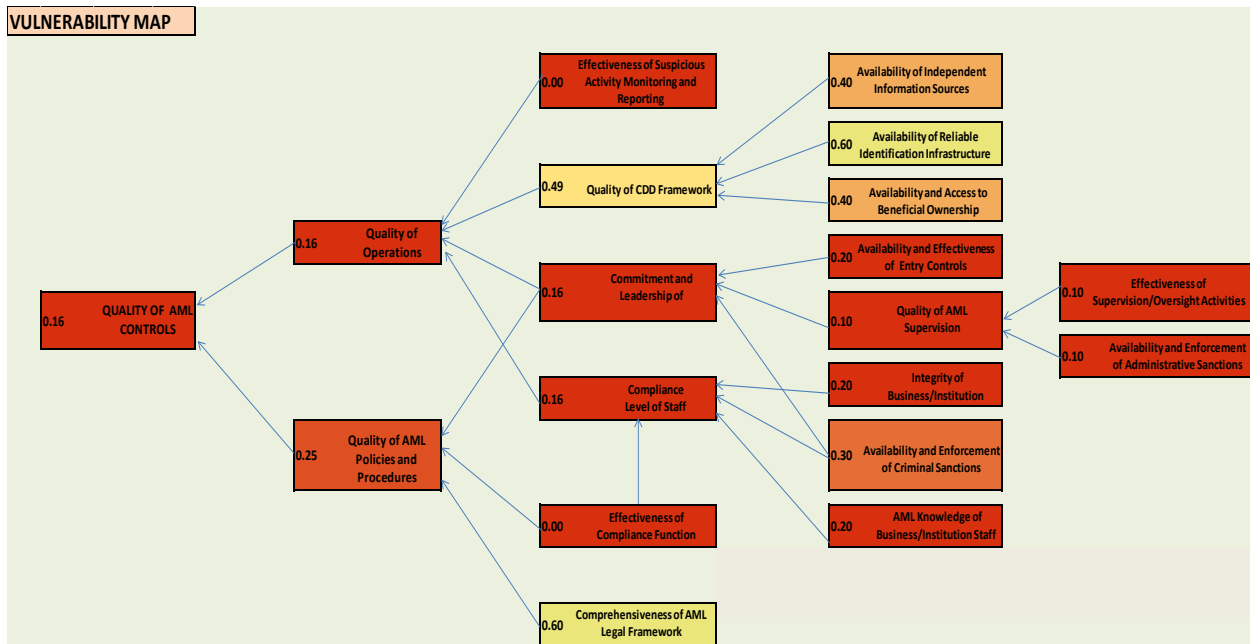
In the mid 2000's, the Government of Uganda rolled out a strategy to fight poverty through a campaign known as "Prosperity for All." This strategy involved provision of financial support which helped create a conducive environment for the growth of micro-finance institutions in the country, in particular Savings and Credit Co-operative Societies (SACCOs). In its pledge to ensure that the population has access to affordable financial services, government set up the Microfinance Support Centre to provide low interest wholesale credit to SACCOs as a boost to their activities with loans of an annual fixed interest rate of 9% per annum as well as business development and commercial loans at 13% per annum. Additionally, in order to invest more in capacity building of the SACCOs, the government established; a Project for Financial Inclusion in Rural Areas (PROFIRA) to support and ensure growth and sustainability of SACCOS.

SACCOs are member-owned, member-governed and member-managed cooperative financial institutions registered under the Cooperatives Societies Act. They provide savings, credit and other financial services to their members. Membership is based on a common bond, a linkage shared by savers and borrowers who belong to a specific community, organization, religion or place of employment. SACCOs pool their members' savings deposits and shares to finance their own loan portfolios rather than rely on conventional financing sources of capital. For purposes of the National Risk Assessment, this category of institutions also includes village savings and loan associations, rotating credit groups and savings clubs which are commonly registered as associations. According to AMFIU, most SACCOs are mid-sized SACCOs with a loan portfolio between Shillings 100m and 500m as of December 2012 and a total membership of about 500,000 people. This excludes the largest SACCO in the country, whose membership are serving officers of the Uganda People's Defence Forces. This SACCO holds assets estimated at shillings 180 billion contributed by a membership base of 68,000.

In the last ten years, the sector has experienced significant growth. According to the Association of Microfinance Institutions in Uganda (AMFIU), the market of micro borrowers and micro depositors is almost equally shared by formal and semi-formal institutions. According to the Association of Microfinance Institutions in Uganda, MDIs cover a market share of 53% of the depositors, Tier I and II (excluding Centenary Bank) cover 18.79% and SACCOs 27.72%. Unregulated MFIs are not allowed to take deposits, but among borrowers their share is 27%, almost equal to MFIs (27%) and Tier I and II MFIs (28%). The share of SACCO is the lowest with around 16%. The Uganda Cooperative Alliance, (which is an umbrella body for some Cooperative Societies) estimated the total assets of SACCOs at 69.4 billion as at December 2012. Given the growth of SACCOs and investment clubs registered in the past three years, the total assets for SACCOs are estimated at about 100 billion, an amount that is not considered significant.

In July 2016, the President assented to the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 which establishes an Authority (Microfinance Regulatory Authority) that will be charged with oversight of Tier 4 institutions such as SACCOs. In addition, SACCOS whose total savings are in excess of UGX 1.5 billion and whose capital is above UGX 500 million will be licensed by Bank of Uganda.

The overall vulnerability to money laundering for SACCOs is 0.33, characterized by very poor policies and procedures as well as poor quality operations.



The threats faced by the sector generally arise from the absence of any form of oversight regarding their operations. Whereas the registration of SACCOs is vested in the Ministry of Trade, Industry and Cooperatives, there is no form of oversight or supervision in place. This together with the near absence of entry controls, lack of knowledge of money laundering on the part of members and total absence of any form of suspicious activity monitoring or reporting pose the biggest risk. SACCOs membership however, does not comprise of high risk clients, neither are SACCOs exposed to international transactions or high net worth individuals. However, Politically Exposed Persons have been reported to be financially supporting SACCOs in different parts of the country, especially during political campaigns.

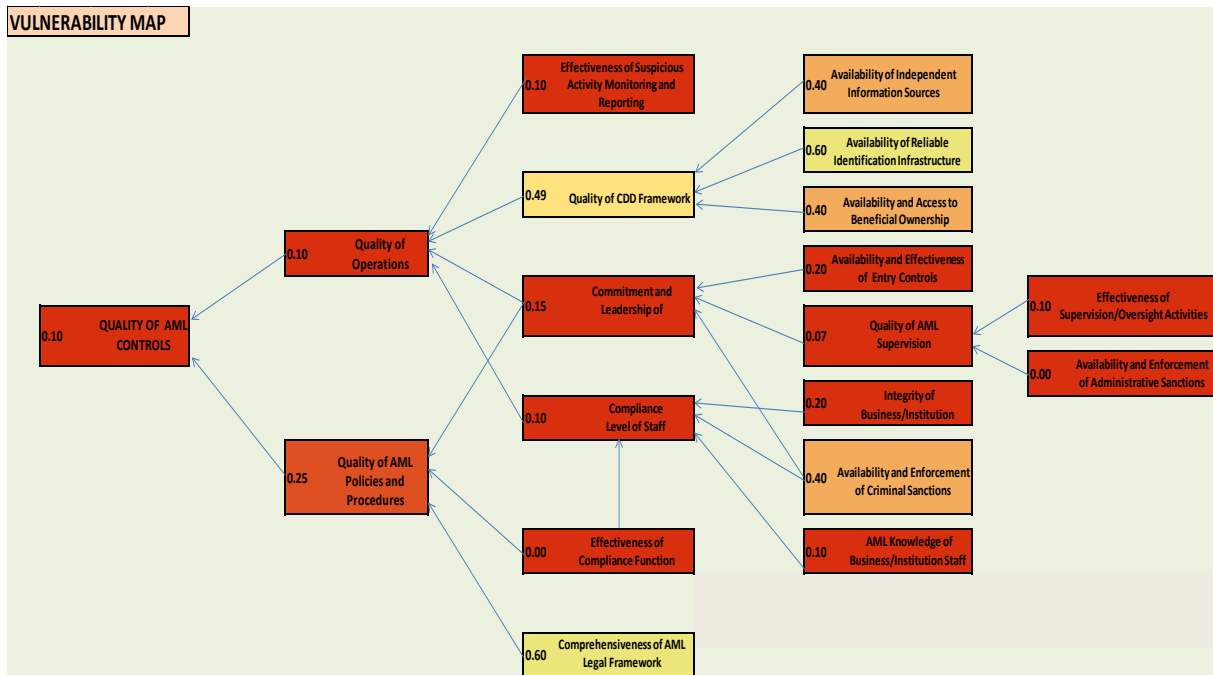
PRIORITY RANKING FOR AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING **
Comprehensiveness of AML Legal Framework	9
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	7
Availability and Enforcement of Criminal Sanctions	8
Availability and Effectiveness of Entry Controls	5
Integrity of Business/Institution Staff	6
AML Knowledge of Business/Institution Staff	1
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	4
Availability and Access to Beneficial Ownership information	10
Availability of Reliable Identification Infrastructure	11
Availability of Independent Information Sources	12

3.15 3.5 Money Lenders

Money lending business in Uganda is operated under the Money Lenders Act, 1952. The Law requires moneylenders to obtain licences from the Magistrates' Court in the areas of operation. Reports however indicate that the law is often ignored with many money lenders operating without licences. The business thrives because money lenders offer quick access to funding without a lot of formal loan application requirements. Further the willingness of money lenders to finance social life and other consumption needs has attracted clients to these lenders as opposed to other formal financial institutions.

No detailed statistics are available about money lending operations, however, Moneylenders are classified in categories; small equity holders typically have five to ten loans outstanding and loan sizes ranging from 50,000 to 200,000 Uganda shillings. Other moneylenders are substantially larger, more sophisticated, and better at debt management, often lending to salaried people with better guarantees, high value collateral and big business operations. According to the chairman of the Money lenders Association (a loose association of money lenders), the business is fairly big. In July 2016, the President assented to the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 which among others establishes an Authority to oversee the operations of money lenders. This law has repealed the Money Lenders Act, 1952.

The overall sector vulnerability to money laundering is at 0.45, largely influenced by the absence of a regulatory or oversight body. The controls are equally very poor at 0.1 while the quality of policies and procedures is at 0.25.



In the absence of any form of supervision, there is very low understanding of money laundering, a fact depicted in the poor record keeping and the absence of suspicious activity monitoring and reporting. There is also noncompliance with the provisions of the Money Lenders Act regarding provisions such as the interest rate ceiling and obtaining of licences. Reports indicate that on most occasions, money lending transactions are recorded as sales agreements in which the borrower sells their assets to the lender, yet the actual transaction is a lending transaction, secured by the underlying asset. Anecdotal evidence on the sector has further revealed that billions of money is lost in tax evasions by money lenders¹¹⁶. The sector is also highly exposed to high risk clients, with Politically Exposed Persons reported to be regular clients of money lenders¹¹⁷.

In addition, the press reports indicate that exorbitant interest rates that are as high as 10% per month are charged, owing to the ease with which funds can be obtained.

Comprehensiveness of AML Legal Framework	9
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	5
Availability and Enforcement of Criminal Sanctions	8
Availability and Effectiveness of Entry Controls	4
Integrity of Business/Institution Staff	7
AML Knowledge of Business/Institution Staff	1
Effectiveness of Compliance Function (Organization)	3
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Availability and Access to Beneficial Ownership information	10
Availability of Reliable Identification Infrastructure	11
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3.16 3.6 Unregulated Microfinance Institutions

Microfinance is a key segment of the financial sector for the low-income households in Uganda. In the last twenty years, the sector has experienced significant growth which was initially donor funded before self-sustaining funding initiatives were developed. On the other hand, the government of Uganda also participates in the sector through the Micro Finance Support Centre which provides loans to SACCOs and SMEs on behalf of government.

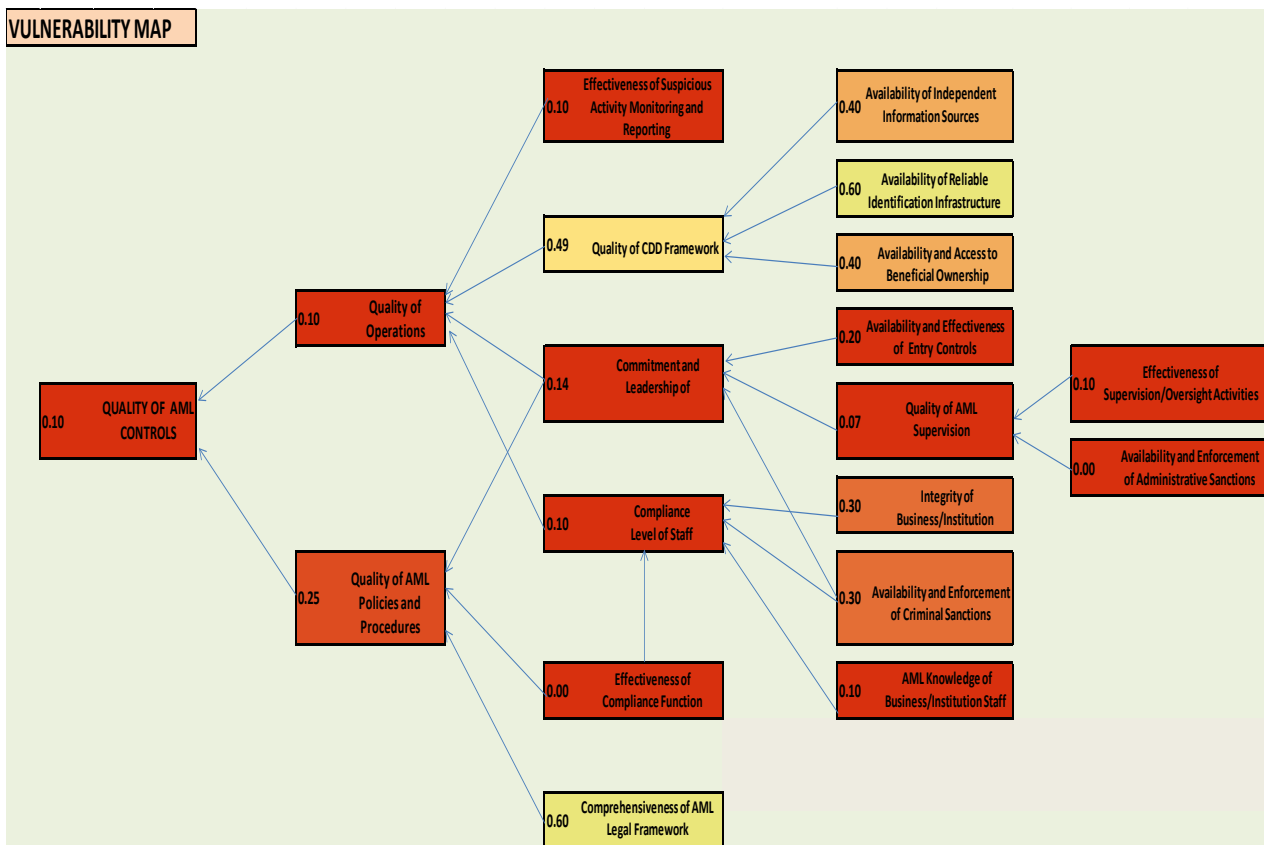
116 *Daily monitor Monday, March 10 2014.*

117 *Aljazeera, news September 3, 2014.*

Whereas Microfinance Deposit – taking institutions are regulated under the MDI Act 2003, several other microfinance/microcredit players are not regulated. These include urban based payroll lenders and rural based credit only institutions. These MFIs are mainly registered as companies limited by shares, companies limited by guarantee or as Non-Government Organisations. Following the Presidential asset to the Tier 4 Microfinance Institutions and Money Lenders' Act, 2016, the supervision and regulation of non-deposit taking MFIs is going to fall under the Microfinance Regulatory Authority, which has been established under the Act.

According to the Association of Microfinance Institutions in Uganda, the market of micro borrowers and micro depositors is almost equally shared by formal and semi-formal institutions. Unregulated MFIs are not allowed to take deposits, but their share of the micro borrowers is estimated at 27%, about half of what the MDIs offer. Given that the total assets of Microfinance Deposit taking Institutions as at December 2015 stood at US\$ 4.01 billion, the asset size for MFIs is estimated at 200 billion shillings.

The overall vulnerability for this sector is at 0.61, largely driven by the absence of regulatory/ supervisory oversight. These MFIs are not subject to any form of supervision or oversight. In addition, there are limited entry controls, with no screening of persons interested in the business. All that is required is simple business registration as a limited company or as a non-Government Organisation.



Whereas the overall client profile indicates that the transaction amounts are small, the assessment also revealed that some of the MFIs have international financiers in form of donors while others have foreign equity holders. These findings together with the high cash nature of the transactions poses major vulnerabilities to money laundering and to a limited extent terrorism financing. In addition, there is limited knowledge of AML under MFIs in addition to absence of compliance functions and suspicious activity monitoring.

PRIORITY RANKING FOR AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	9
Effectiveness of Supervision/Oversight Activities	2
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3.17. 3.7. Mobile Money Providers¹¹⁸

Mobile money service providers (MMSPs) are accountable persons under the AMLA as entities that deal in the transfer of money or value. The products provided include: savings, loans and mobile money products. The Bank of Uganda issued mobile money guidelines (not legally enforceable) which among others require mobile money services providers to partner with supervised financial institutions to provide the services. An Entity intending to provide mobile money services is required by the Guidelines to seek Bank of Uganda's approval. If the entity is not a licensed institution, it is required to partner with a licensed institution, which must apply to Bank of Uganda seeking approval for the provision of mobile money services in partnership with the MMSP.

¹¹⁸ The analysis of the Mobile Money Providers was carried out by the Financial Inclusion Team

MMSPs who are mobile network operators are licensed by the Uganda Communications Commission¹¹⁹.

The number of registered users of mobile money products has grown exponentially over the years, since their launch in 2009, as indicated by the aggregated figures in the table below:

Aggregated Performance of Mobile Money Products 2011 - 2013

Year	Number of Transactions ('000s)	Value of Transactions (UShs. Billion)	Number of Registered Customers
2011	87,481	3.75	2,879,968
2012	241,728	11.6	8,870,873
2013	399,461	18.64	14,243,379
2014	496,269	24.05	18,800,416
2015	693,514	32.5	21,102,851

Source: Bank of Uganda Annual Supervision Report, 2015

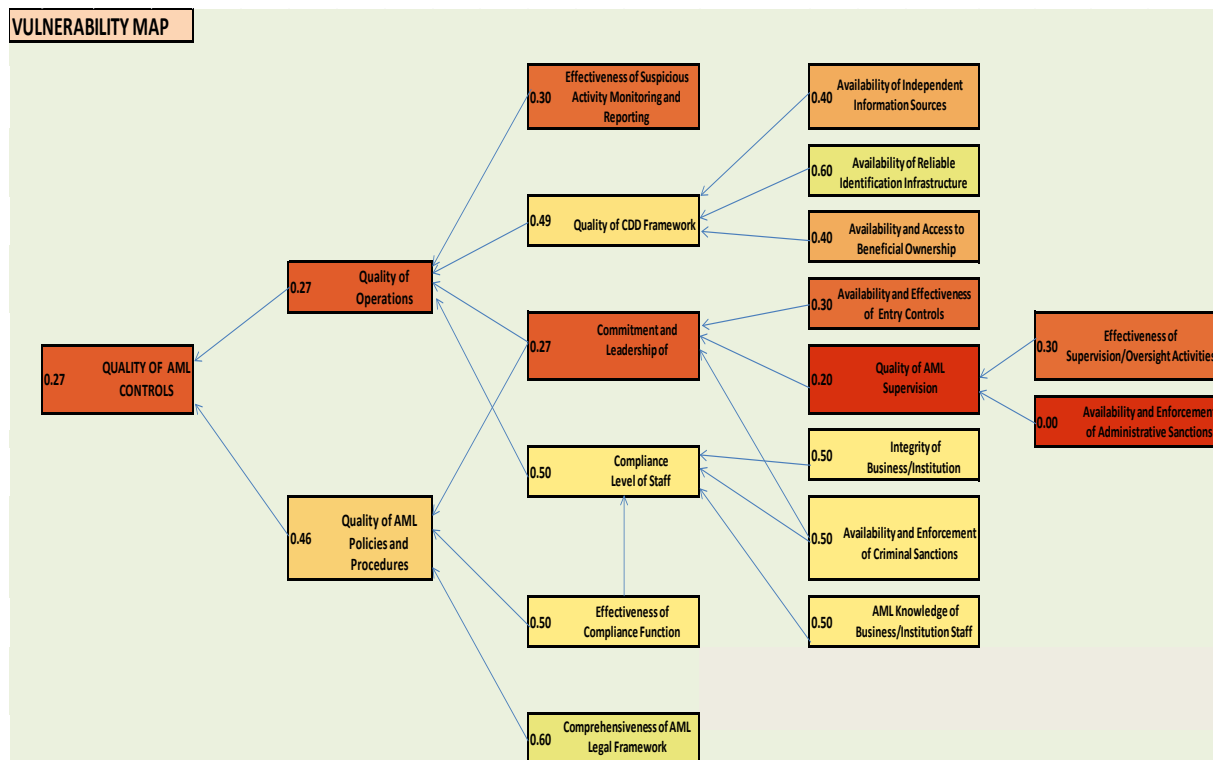
¹¹⁹ Section 9 of the RICA 2010 stipulates the duties of telecommunication service provider in relation to customers' registration and requires that before a telecommunication service provider enters into a contract with any person for the provision of a telecommunication service to that person, it shall obtain the person's full name, residential address, business address, postal address and his or her identity number contained in his or her identity document if applicable. In case of a business organization the law requires that service provided obtains the business name and address and the manner in which it is incorporated or registered. The law further requires the telecommunication services provider to obtain any other information which the provider deems necessary for the purpose of enabling it to comply with it. On 5th August 2011, the minister of security exercising their powers conferred within the RICA 2010 issued RICA regulations that stipulate details of information mandatory for registration under the RICA as well as a form specifying these details. The Uganda Communications Commission (UCC) is mandated to ensure compliance of the Telecommunications Services Providers to the RICA Act 2010.

Aggregated Mobile Money Customer use (Count and value) June 2016

Item	MM - Deposits	MM - Withdrawals	Transfers (P2P)	Business to Person Transfers	Government to Person Transfers	MM - Bill Payments	Cross border transfers inbound	Totals
Average Number of Customers (Unique & Active)	4,414,043	4,503,457	1,139,479	40,945	65,084	526,116	23,820.00	10,689,918
Average Monthly Value	874,931,156.715	812,547,003.394	321,370,269,565	12,608,623,507	4,104,666,496	299,734,823	4,680,000,000	2,030,541,454,500

Source: Financial Inclusion Products Survey 2016

The overall vulnerability stands at 0.73, which is considered high. Factors that increase the risks are the lack of a direct licensing/ authorization regime, inadequate AML/CFT supervision and poor entry controls of the MMSPs, which are not AML/CFT oriented. MMSPs also heavily rely on agents for the marketing of the products, who may now always be very knowledgeable of the AML/CFT requirements. There is need for enactment of a comprehensive law to address the supervision and regulation of mobile money services among others.



Below is an analysis of the ML/TF risks broken down per type of product (Mobile Money International Remittances, Mobile Money Business to Persons Payments, Mobile Money Government to Persons Payments, Mobile Money Cash Withdrawal/ Cash-out, and Mobile Money Person to Person Transfers).

1. Mobile Money International Remittances – Inbound (MMIR-ib)

This product involves the transfer of funds between different ecosystems across borders into a beneficiary's mobile money wallet. This service enables one to receive funds from other individuals and is under the category of Person-to-person (P2P) mobile money transfers.

MMIR-ib are considered to be a Financial Inclusion product because it is accessed by the unbanked spread all over the country; any person outside the conventional financial service providers can receive funds from friends and family abroad.

The MMIR-ib product targets all individual persons as long as they are registered mobile money users with verified Know Your Customer (KYC), documentation.

The conditions or threshold for eligibility are – Individuals registered on mobile money, with duly verified KYC. The customers can receive funds between Ugx.500 to Ugx.4 million. These are determined against the minimum KYC regulatory requirements as stated by the Central Bank through the Partnering Trust Bank.

Features of the MMIR-ib product:

- i. Remittance funds are received as mobile money
- ii. The transfer of funds is instant and are credited onto a recipient's mobile money wallet
- iii. Funds are received as Uganda shillings
- iv. Funds are received from across the border money transfer ecosystems through international funds transfer switching agencies.
- v. Funds can be sent/received any time; no time limits to send/receive money
- vi. Any person with a registered mobile money wallet can receive money
- vii. No charges to receive MMIR
- viii. Receiving money is paperless
- ix. Transaction limits are Ugx.500-Ugx.4 million per transaction per day

Inherent ML/TF risk of the product.

- i. Recipients can hold more than one SIM card and therefore numerous mobile money wallets hence the potential to override the set thresholds.
- ii. Non face to face transactions are permitted.
- iii. The upper transaction limit is a daily limit; hence one can receive the upper limit amount daily thus allowing high values.
- iv. Inherently the product allows cross border transactions.
- v. The daily transaction limit of Ugx. 4 million is considered to be quite high.
- vi. Some of the product users have not yet accessed the national IDs. Alternative identifications such as Employment IDs are also allowed with may not be easy to verify.

Factors that decrease the ML/TF risks:

- i. It has a threshold on the value of transactions that can be carried out on this product.
- ii. There is no anonymous use of the product.
- iii. Non-face to face account opening is not permitted.
- iv. Cross boarder funds are not received from high-risk jurisdictions.

- v. Legal persons/businesses are not allowed to use the product.
- vi. There is strict transaction monitoring.

2. Mobile Money Business To Person (B2P) Payments

The Business to Person payments is an existing mobile money product which offers a convenient way to pay to many beneficiaries instantly and directly to their mobile phones. The product targets people who may not be in the formal employment system and therefore making it difficult to remit their payments through bank accounts. The customers can transfer funds up to Shs.5 million daily. These are determined against the minimum KYC requirements.

Product features

- i. Payment of multiple transactions at the same time
- ii. Facilitates payments to people who may not be included in the formal banking system
- iii. The Corporate client credits the MNO's bank account and the equivalent e-value is loaded on the corporate's bulk account.

Inherent ML/TF risk of the product

- i. The product allows non-face-to-face transactions
- ii. The product can be used by non-residents/citizens
- iii. Recipients can hold more than one SIM card and therefore numerous mobile money wallets.
- iv. The daily transaction limit of Ugx. 5 million is considered to be quite high.
- v. Some of the product users have not yet accessed the national IDs. Alternative identifications such as Employment IDs are also allowed with may not be easy to verify.

Factors that decrease the ML/TF risks:

- i. There's a threshold on the value of the transactions that can be carried out through the product
- ii. Anonymous use of the product is not possible.
- iii. Non-face-to-face account opening is not permitted.
- iv. Cross border transactions are not allowed for this product.
- v. Both the paying entity and the receiving customers are fully registered by the MNO.

- vi. The product offers registered name automated verification

3. Mobile Money Government To Persons Payments

Government to persons payments are payments made by government agencies and other related programs to mobile wallets of individuals. The government agency covert cash into e-value and credits the mobile wallets of individuals. The individual can then withdraw cash at an agent in exchange for e-value or they can use the e-value to buy goods and services at a merchant. The product serves individual customers holding mobile money wallets (accounts) with the ability to exchange their cash with mobile money float (which is credited to their wallets). Individuals can transact unto ugx.4 million per day.

Product features

- i. Payments are made from the wallet of the Government department (such as a government ministry) to the beneficiaries of a Government Project (such as Ministry of Gender's Social Assistance Grants for the Elderly (SAGE))
- ii. The beneficiaries are largely under privileged citizens in rural areas with minimal economic activity and/or access to financial services
- iii. The funds are advanced to help the citizens startup in low capital economic ventures
- iv. Service providers travel to the remote locations were the beneficiaries are resident to extend the payments.
- v. Mobile Vans with connectivity to central financial system and/or Physical Telephones with card reader capabilities are used for facilitate authentication of beneficiaries to their accounts/wallets before the funds are disbursed.

Inherent Money Laundering/Terror Financing risks

- i. Identification of rural dwellers is a challenge.
- i. Some beneficiary programs may involve non-citizens such as in the case of payments to refugees.
- ii. The daily transaction limit of Ugx. 4 million is considered to be quite high.
- iii. Some of the product users have not yet accessed the national IDs. Alternative identifications such as Employment IDs are also allowed with may not be easy to verify.

Factors that decrease the ML/TF risks:

- i. There is onsite face-to-face recruitment and registration of beneficiaries

- ii. There's a threshold on the value of the transactions that can be carried out through the product
- iii. Cross border transactions are not allowed for this product.
- iv. Both the paying entity and the receiving beneficiary are fully registered by the MNO.

4. Mobile Money Deposits

Mobile Money Deposits is an existing product provided by Mobile Network Operators as part of their Mobile Financial Services (Mobile Money) products. The product serves individual customers holding mobile money wallets (accounts) with the ability to exchange their cash with mobile money float (which is credited to their wallets)

Product features

- i. Customers must be registered by an MNO after completion of registration form, obtaining a valid Identity card of the customer.
- ii. The maximum deposit allowed to the ordinary customer is Ugx 4 million (approx. 1,200).
- iii. The minimum acceptable deposit is UGX 500.
- iv. Funds are deposited in local currents to the mobile money account

Inherent Money Laundering/Terror Financing risks of this product;

- i. Customers can hold multiple SIM cards and multiple e-wallets which makes it possible for one to override the set transaction thresholds.
- ii. Some of the product users have not yet accessed the national IDs. Alternative identifications such as Employment IDs are also allowed with may not be easy to verify.
- iii. The maximum deposit allowed to the ordinary customer of Ugx 4 million is considered to be quite high.

Factors that decrease the ML/TF risks:

- i. There's a threshold on the value of the transactions that can be carried out through the product
- ii. Anonymous use of the product is not possible.
- iii. Non-face-to-face account opening is not permitted.
- iv. Cross border transactions are not allowed for this product.
- v. The product offers registered name automated verification

5. Mobile Money Cash Withdrawal/Cash-out

Mobile Money Cash withdrawal or Cash out is the conversion of a client's e-value on their wallet into physical cash at an agent outlet or Automated Teller Machine (ATM) of a participating Bank. Mobile Money Cash Withdrawal is targeted towards all mobile money subscribers. The client has to be a registered subscriber with an active e-wallet (e-value account). The Mobile Network Operator determines the conditions or thresholds for eligibility. There is a set maximum withdrawal amount of Ugx.5m per day based on industry standard and MNO risk appetite.

Product Features

Cash withdrawal entails registered client with funds on e-value account initiating the withdrawal and authorizing the transaction by way of PIN. The funds are transferred to the agent's wallet who then hands over physical cash equivalent to the client.

Inherent Money Laundering/Terror Financing risks of this product

- i. Ability for client to have multiple wallets hence the potential to override the set thresholds
- ii. Ability for client to perform transaction on behalf of third party using their wallet
- iii. Use of agents to enforce controls at time of withdrawal e.g. identification
- iv. Ability to withdraw from the ATMs without face-to-face interaction with an agent

6. Mobile Money Person to Person (P2P) Transfers

P2P (person to Person) transfer is an existing financial inclusion product and is a key driver to mobile money. This Mobile money product allows users to use a basic mobile phone to transfer money between two customer accounts. Customers are also able to access and use this product without having been previously banked. There is no minimum transaction amount required for the customer to access and use this service.

P2P Cross-net: Domestic transfers from a registered mobile money user into the mobile wallet of a different mobile money provider, where wallet-to-wallet interconnection is available.

P2P Offnet: Domestic transfers to unregistered users with vouchers. This can be within the same network, or across two different networks. (Unregistered on Mobile Money platform but registered by mobile network operator)

P2P On-net: Domestic transfers made between two customer accounts on the same mobile money platform.

This product is an all-inclusive product that can be used by all customer segments both banked and unbanked for as long as there is access to a mobile device with a registered mobile money account

Product Features

- i. Transaction threshold of up to 5m per day per customer
- ii. No limit on transaction **count** per day
- iii. Tiered Transaction fee for sending to another customer depending on value of transaction
- iv. Non face to face account opening is not permitted
- v. Non face to face based transactions are allowed
- vi. Cross border transactions are not permitted with this product

ML / TF Risk of the Product

- i. Non face to face based transactions
- ii. No maximum threshold on transaction count per day
- iii. Customer is able to hold multiple SIM-cards (accounts) with same or different network operators

Factors that decrease the ML/TF risks:

- i. Both sender and beneficiary are registered by the MNO.
- ii. CDD is mainly done at customer enrolment level by the MNO and authorized agents
- iii. There is a threshold on the value of transactions per day
- iv. No cross border transfers are allowed

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4.0 Key deficiencies of financial institutions assessed

1. There are weaknesses in the monitoring and reporting of suspicious transactions, with players displaying poor knowledge of what a suspicious transaction is. This was particularly noted in the unregulated sectors where there is no knowledge of AML. For the regulated institutions such as forex bureaus, money remittance companies and MDIs there is some knowledge of suspicious activity. However, major weaknesses exist in the reporting of suspicious activities to the FIA. As noted by the FIA, only 10 suspicious activity reports were submitted by MDIs and one by forex bureaus over the period 2014/15.
2. There are no compliance functions in the unregulated sectors, while these functions exist in the forex bureau and money remittance sectors, they are not quite effective. This impacts on the identification and reporting of suspicious transactions in addition to other AML reporting. Whereas MDIs have in place AML compliance programs, these policies are considered insufficient in some respects. Weak compliance regimes also affect the implementation of appropriate AML policies and procedures in the OFIs and therefore affect staff knowledge of AML.
3. There is no oversight in form of AML supervision or regulation for some sectors in the other financial institutions category. This particularly applies to Mobile Money Service Providers, SACCOs, Money Lenders and Unregulated Microfinance Institutions. Whereas the Tier 4 Microfinance Institutions and Money Lenders Act was assented to by the president in July 2016, the provisions of this law are yet to be operationalized. For the Regulated entities, the Central Bank which is a primary regulator conducts some AML examinations, even though this is generally part of prudential supervision.
4. Whereas there are strong and deterrent administrative sanctions particularly in the regulated OFIs, major challenges were noted in the enforcement of criminal sanctions, with no reported cases of successful prosecutions and convictions for AML offences.
5. There are major gaps in the client screening mechanisms/customer profiling mechanisms. In addition, no screening of Politically Exposed Persons is done, neither is enhanced due diligence conducted for clients with links to high risk jurisdictions. This finding was noted to pose reasonable exposure to terrorism financing, particularly for the money remitters and mobile money service providers.
6. There are weaknesses in the deployed management information systems used by the institutions, with inability to automate the identification of suspicious transactions. Even in big institutions like MDIs, there are weaknesses in the monitoring of suspicious transactions due to semi-automated systems in place. This may account for the low levels of reporting of suspicious transactions to the Financial Intelligence Authority. For the unregulated sectors, no systems are in place at all, with SACCOs and money lenders for example running all their operations manually.

7. Uganda's economy is largely cash based. This exposes the country to money laundering and terrorist financing risks, especially given that cash transactions are easily concealed with no trail.
8. There are reporting challenges in with the regulated institutions required to report suspicious transactions to both Bank of Uganda and the Financial Intelligence Authority. The AMLA requires accountable parties to report large and suspicious transactions to the FIA while the AML Regulations, 2010 and the Foreign Exchange Regulations require MDIs, Money Remitters and Forex Bureaus to report the same to Bank of Uganda. This may lead to a reporting burden to the institutions.
9. There are no designated AML supervisors in the legal regime. Whereas primary regulators such as Bank of Uganda conduct some AML supervision, this responsibility is not explicitly provided for in the law.

5.0 Recommendations

1. There is need for promotion of electronic payment systems instead of cash as a measure to reduce exposure to ML & TF in the OFIs and the economy at large. Money remittances for example should terminate into Bank accounts or other electronic payment platforms as opposed to being collected in cash.
2. There is need for enactment of a payment systems law which will explicitly assign the responsibility of supervising mobile money service providers. This responsibility should among others include entry controls for operators and other continuous AML/CFT supervision requirements.
3. Authorities should develop a National AML awareness and communication strategy to sensitize the sectors about activities which are proceeds of crime and how to control them.
4. There is need to expedite the implementation of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 which provides for a supervisory body over tier 4 microfinance institutions (SACCOs, money lenders and Microfinance Institutions). This Law will provide for a Regulatory Agency which will among others set up entry controls, fit and proper tests, among other AML controls for the currently unregulated OFIs. The Authority will also collect statistics on the performance of the various sub sectors as a basis for informing policy decisions. When established, the regulatory authority should be adequately resourced so as to have it achieve its oversight responsibilities.
5. There is need to strengthen the Cooperative Societies Act (CAP 112 of the Laws of Uganda) with a view to provide for AML supervision and regulation. This should include vetting requirements for key persons, customer due diligence and other reporting requirements.

6. The Foreign Exchange Act, 2004 and the Regulations thereunder should be amended to designate the Financial Intelligence Authority as the recipient of the suspicious and large cash transaction reports, as opposed to the Central Bank.
7. There is need to amend the relevant laws providing for supervision and regulation of OFIs, so as to explicitly provide for the responsibility for AML supervision.
8. There is need to strengthen the compliance functions among the OFIs. As noted in the analysis, the FIA has received very few suspicious transactions from the other financial institutions, and this may be indicative of weak compliance functions. Strengthening compliance should include training on the identification and monitoring of suspicious transactions.
9. There is need for the OFIs to commit resources to automated systems with capability to flag suspicious transactions. This is particularly recommended for institutions with a high volume of transactions.
10. There is need to improve the investigative capacity and prosecution ability of the law enforcement agencies. This will involve increased resource allocation and training to improve on the effectiveness/commitment of the law enforcement agencies. This is particularly relevant given that the NRA revealed cases of illegal operations such as unlicensed foreign exchange dealing, unlicensed money lending among others.
11. There is need to further enhance the oversight and supervision activities, to increase focus on money laundering. Oversight and supervision should be carried out on a risk basis. This may require additional resources being allocated to the FIA, Bank of Uganda and other primary regulators so as to improve their AML supervision capabilities. In addition, the primary regulators should consider conducting AML specific inspections that are separate from the prudential examinations.
12. The Financial Intelligence Authority which is a new institution should be given enough resources so that it appropriately conducts its AML responsibilities. This includes training and promotion of awareness on AML prevention amongst the accountable persons.

3.17. DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS¹²⁰

3.17. 1.1 Overview

The Designated Non-Financial Businesses and Professions (DNFBPs) operating in Uganda, i.e. Casinos, real estate agents, dealers in precious stones and precious metals, lawyers, accountants and non-governmental organisations have been considered in the assessment. All these DNFBPs have been designated as accountable persons under the second schedule of the Anti-Money Laundering Act 2013.

Some of these DNFBPs are regulated by self-regulatory organizations (SROs) and subject to professional code of ethics, other are regulated by competent authorities established under Acts of Parliament.

As revealed at the assessment real estate agents, and lawyers were identified as more vulnerable than the other DNFBPs. The level of money laundering risk of the DNFBP sector has been estimated at a medium high level largely due to the fact that the sector is not subject to effective AML supervision and oversight. The assessment has identified strengthening of the AML/CFT supervision of DNFBPs as the priority action to be implemented.

DNFBP business/ profession	Products/Services	Supervisor	Sector Law	Number of Institution
Casinos	Roulette, Black jack, Poker, Bingo and Slot machines	National Lotteries and Gaming Regulatory Board	Lotteries and Gaming Act, 2015	12 land-based Casinos and 1 on-line Casino
Real estate agents	Real estate agency, Real estate development and Property management	No mandated regulatory authority ³ .	Land Act and Registration of Titles Act ⁴	Up to 1,000 unlicensed agents and 120 agents registered with AREA - Uganda
Dealers in precious metals and gems	Dealing in gold, quartz and rubies. Also weighing, testing and certification of mineral samples.	Commissioner - Department of Geological Survey and Mines	Mining Act 2003 Mining Regulations 2004	70 licensed mineral dealers

¹²⁰ The Designated Non-Financial Businesses and Professions (DNFBPs) team was comprised of a diverse membership, including representatives of the financial intelligence authority, tax authority, supervisory/self-regulatory DNFBP bodies and chamber of commerce; sector representatives (lawyers, accountants and Casinos); and academicians as follows: Institute of Certified Public Accountants of Uganda, Financial Intelligence Authority, Tomson & Associates, FCK & Associates, Uganda Law Society, Uganda Law Council, Casino Board, Kampala Casino, Uganda Revenue Authority, Association of Real Estates & Agents, NGO Bureau, Makerere University, Uganda National Chamber of Commerce and Industry, Ministry of Energy and Mineral Development, Uganda Investment Authority.

Advocates and notaries public	Litigation, incorporation of legal entities, buying and selling real estate, trust deed arrangements, investment advisory and tax advice, management of client's funds, nominee services, directorships and company secretary services	Uganda Law Council	Advocates Act Advocates (Enrolment and Certification) Regulations Advocates (Professional Conduct) Regulations	<ul style="list-style-type: none"> • 2600 practicing lawyers • 646 law firms
Accountants and auditors	Audits, valuations, consultancy, company secretarial, financial statements preparation and advisory services	Institute of Certified Public Accountants of Uganda	Accountants Act 2013 Accountants Regulations, 2016	<ul style="list-style-type: none"> • 1970 enrolled accountants • 328 practising accountants • 204 accounting firms
Non-governmental organisations	Deal in a variety of causes ranging from human rights activism, women's rights, children's rights and economic empowerment.	NGO Bureau	Non-Governmental Organisations Act, 2016	<ul style="list-style-type: none"> • Approximately 12,800 NGOs

3.0 Overall Assessments

DNFBP business/profession	Casinos	Real estate agents	Dealers in precious metals and gems	Advocates and lawyers	Accountants and auditors	Non-governmental organisations
Total Number of Providers	13	Over 1000	70	2,600	1,970	12,800
Total Number of Products	Not analysed	Not analysed	Cobalt – UGX 28 bn; Quartz – UGX 26.8 bn; Gold-UGX 21.6 bn	A total of 156,963 transactions were handled in the year	Consultancy (62%); Audit & Assurance (30%); Taxation (7%)	The over 100 NGOs operating in each of the following categories: Human Rights, Agriculture, Youth, Education, HIV / AIDS, Gender and Health
Total Turnover/ Value	UGX 70 billion	UGX 3,076 billion.	UGX 168 billion	Not analysed	UGX 160 billion	Not analysed
Money Laundering Risk	Medium High	High	Medium High	High	Medium	Medium
Vulnerability of the DNFBP	0.73	1.00	0.73	0.81	0.47	0.55
Quality of AML Controls	0.10	0.00	0.13	0.20	0.30	0.10

3.19 3.1 Casinos

Rating: 0.73 (Medium High)

There are 12 Casinos licensed in Uganda by the National Lotteries and Gaming Regulatory Board (about 8/9 operate in Kampala, the rest in Entebbe, Gulu and Jinja). There is one online Casino operating in Uganda. In terms of regulatory framework, the National Lotteries Act of 1967 has been repealed and replaced by the Lotteries and Gaming Act of 2015, which takes effect from 1 July 2016. The Act establishes the National Lotteries Board which has the mandate to license and supervise all casinos and gaming operators in Uganda. It also prescribes the license fees

that casinos and gaming operators are required to pay.

Casinos are subject to licenses, which are granted by the NLB. The requirements for obtaining a license are as follows:

- Bank guarantee of 200 million UGX.
- At least one Ugandan to be among the shareholders.
- Comprehensive business plan.
- Details of technical staff (managers, dealers etc.).
- Key staff to be licensed by the NLB who are mainly those that will be in senior management of the casino.
- It is a requirement for all foreigners to get clearance from Interpol.

Section 31 of the Gaming and Lotteries Act of 2015 requires that a casino shall not employ a person who has not been licensed by the NLB to: manage the casino in a managerial capacity; conduct gaming and betting within the casino; move money or chips to patrons or within the casino; or operate, maintain, construct or repair gaming and betting equipment.

The National Lotteries and Gaming Regulatory Board (NLB) is the regulator and licensing authority for Casinos. It conducts a number of general inspections per year of all Casinos (3 in the course of 2015), mainly for checking that the Casino is eligible for a renewal of the license. However no AML/CFT inspections (neither compliance nor risk-based) have been made since the AML/CFT law came into effect.

The MER notes that Casinos do not perform adequate CDD and record keeping as many advised that they still await guidance from the FIA in this respect. The MER further recommended introduction of a much more efficient system to manage and regulate the Casino sector, including strengthening the legal framework, adequately resourcing the NLB and AML/CFT awareness in the sector.

There are unofficial reports that there are several illegal Casinos (mainly operating in Kampala). The NLB noted that some Casinos operate illegally for a relatively short period of time and are then shut down. The NLB also reported that it is a common practice for unlicensed Casinos to operate underground Casinos and to operate at night, making it difficult for authorities to trace them. The NLB noted that there are frequent changes on ownership and management of the licensed casinos. There have also been instances of fraud reported in the registered Casinos.

The Casino industry is growing and generally reported as profitable. Tax collections from the gambling industry was UGX 14 billion in FY 2014/15. It is estimated that the casino sector generated revenues of more than UGX 70 billion in FY 2014/15. The gambling industry in Uganda has developed as evidenced by the increase in lotteries, Casinos and sports betting firms in Uganda. Most clients are residents (including foreign nationals living in Uganda).

Casinos provide live gambling with options such as roulette tables, poker, black jack and slot machines. Clients are required to purchase their chips in local currency, and those who have foreign money can have their money converted within the Casino. However, the Casinos do not provide the option to have winnings converted into foreign currency. All winnings are paid in cash (local currency), and clients are not given the option to have winnings paid directly into their bank accounts or by cheque.

Casinos interviewed do not offer financial services to their clients. One Casino mentioned that it would allow their clients to wire funds in advance or deposit checks in the Casino's account (for large sums, for client's security), but that it had never happened in practice. Forex is available, but limited to the purchase of chips (the same currency would be returned for unused chips, and it is not possible to exchange UGX for foreign currency). The business practice is to pay winnings in cash only (UGX). Transactions (purchase of chips and pay-out of winnings) are predominantly made in cash (some Casinos mentioned the possibility to purchase chips with credit cards, but that would be the exception). The typologies of clients are primarily residents (including foreign residents).

While the very limited amount of financial services allowed at a Casino decrease the risk of using these services for ML purposes, the large use of cash and the near absence of implementation of CDD and other requirements are factors that contribute to increasing the risk.

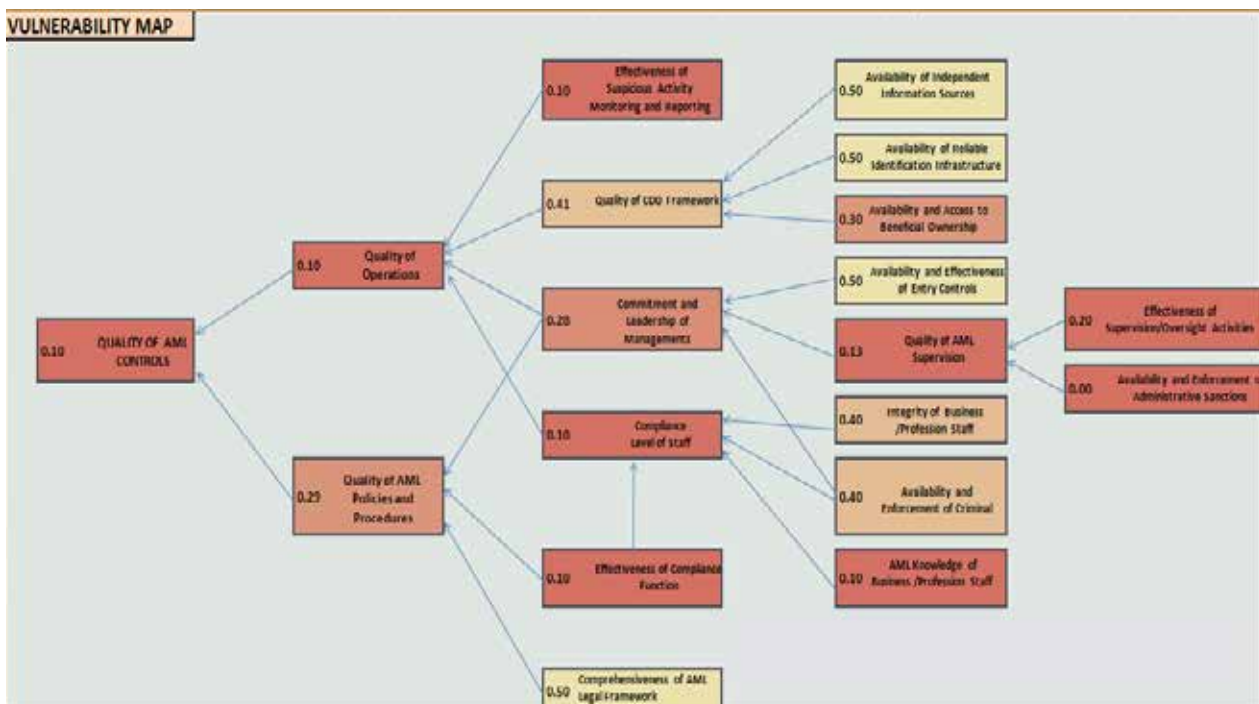
The money laundering risk for the sector is considered medium high, with overall vulnerability at 0.73 and controls rated at 0.10. The high rating is largely driven by the poor knowledge of AML among Casino staff, the low quality of AML supervision and oversight and the low effectiveness of compliance functions in the Casinos.

The major risks of ML/TF and vulnerabilities stem from the following factors:

1. Alleged widespread presence of illegal Casinos, particularly in Kampala.
2. Many instances in which Casinos are open and shut down after a relatively short period of time (might suggest laundering through the investment of dirty funds in the establishment and operationalisation of the Casinos).
3. Poor entry controls (licensing requirements not implemented evenly across the sector and no serious fit and proper tests implemented for owners and/or managers, which is compounded by the fact that several managers and owners are foreigners, and several from high risk jurisdictions). Risk of corruption also affects the effective implementation of these requirements.
4. No controls that the funds required to be deposited as a guarantee (in order to obtain the licence) are actually in the banks, and no control on the source of those funds

5. All Casinos have shares of foreign ownerships from jurisdictions of high ML risk (e.g. China, Israel, and Russia). The lack (poor) of checks on the source of funds/wealth on these individuals/ company increases the risk that the paid up capital and investments in establishing the Casinos may be of illicit origin.

MODULE 7.A - DNFBPs Vulnerability Casinos (10 July 2016)



The poor quality of AML controls is primarily driven by the following factors:

- The lack of administrative sanctions for ML/FT non-compliance under the AML law.
- Although the NLB conducts a number of general inspections per year of all casinos (3 in the course of 2015), mainly for checking that the casino is eligible for a renewal of the license. There are currently, there is no AML/CFT supervisory regime in place for casinos, neither compliance nor risk-based. No AML/CFT inspections have been made since the AMLA came into effect.
- Poor knowledge of AML/CFT requirements (identification, reporting of suspicious transactions) by the business/professional staff of the casinos.

PRIORITY RANKING FOR GENERAL INPUT VARIABLES/ AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	7
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	4
Availability and Enforcement of Criminal Sanctions	9
Availability and Effectiveness of Entry Controls	8
Integrity of Business/ Profession Staff	6
AML Knowledge of Business/ Profession Staff	1
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	4
Availability and Access to Beneficial Ownership information	11
Availability of Reliable Identification Infrastructure	10
Availability of Independent Information Sources	12

3.20 3.2 Real Estate Agents

Rating: 1.00 (High)

The Real Estate industry is comprised of agents, property managers and property developer and it is not regulated. A report of the Uganda Bureau of Statistics showed that Real Estate activities which include; activities of rentals and owner occupied buildings grew by 6.3 percent in FY 2014/15. The GDP by contribution by the Real Estate activities in 2014 stood at UGX 3,076 billion.

An informal Association called Association of Real Estate agents (AREA-Uganda) with about 120 members brings players in this sector together. According to URSB statistics there are 400 registered real estate entities. However, the majority of the Real Estate agents/brokers who form the largest part of the industry are unregulated and are not members of AREA-Uganda.

This lack of sufficient regulation and a comprehensive legal framework covering the Real Estate sector raises the risk of ML/FT in this sector. Criminals may be drawn to the real estate as a channel to launder illicit funds due to the ability to buy real estate using cash; ability to disguise the ultimate beneficial ownership of real estate; relative stability and reliability of real estate development; and ability to renovate and improve real estate and thereby increase the value.

Many real estate transactions involve the use of cash, although the high-value transactions involving the use of other intermediaries (such as lawyers) would normally be done through banks. There is limited if any KYC/CDD performed especially in transactions involving unregistered land. As a result, real estate is also considered a popular area for launderers due to the difficulty in identifying ownership.

In addition, the value of land is easily manipulated. For example, the value of land may be deflated for purposes of hiding illicitly acquired wealth in the purchase or it may be inflated for purposes of using it as security to obtain loan facilities.

The Real Estate sector is affected by the different types of predicate offences which lead to ML/FT such as forgery - manipulation of records: fraud; tax evasion and embezzlement. There have been several media stories regarding clients being conned by Real Estate agents. Anecdotal evidence indicated that are several instances of integrity failures in the sector.

The MER states the Real Estate sector is the worst affected sector and that more work needs to be done to appoint a regulator and manage the ML/FT risks for the sector.

There are currently no educational and professional certification requirements for Real Estate agents. In 2015, the Ministry of Lands, Housing and Urban Development (MLHUD) planned to embark on a countrywide registration of all real estate agents and issue them with licenses of operation. The proposed principles for the enactment of Real Estate agents' law are being developed and will also be submitted to Cabinet for consideration and approval and thereafter the drafting of the law will commence¹²¹.

Under the Ugandan Constitution, Land in Uganda belongs to the citizens of Uganda and shall vest in them in accordance with the land tenure systems provided for in the Constitution¹²². The following types of land tenure systems operate in Uganda:

- **Customary Land** -Under this tenure system, land real estate is communally owned by a particular group of people in a particular area. Its utilization is usually controlled by elders, clan heads or a group in its own well-defined administrative structures. Over 70% of land in Uganda is held on customary tenure system. In many cases, customary land owners do not have land titles to their land. Uganda citizens owning land under customary tenure may acquire certificates of ownership
- **Freehold Land** - The Land Act recognises this as one of the four regimes through which access to land rights may be obtained. Real Estate transactions involving freehold land are governed by the Registration of Titles Act. Only a small portion of land is held under freehold tenure in Uganda. Only a Uganda citizen can acquire freehold land title.

¹²¹ Ministerial Policy Statement for Land, Housing and Urban Development, February 2016.

¹²² Article 237 of the 1995 Constitution of the Republic of Uganda (as amended).

- **Mailo Land** - Land held under mailo tenure system is mainly in Buganda (Central region) and some parts of Western Uganda. Essentially feudal in character, the mailo tenure system recognizes occupancy by tenants (bibanja holders) whose relationship with their landlords is governed and guided by the provisions of the 1998 Land Act. Mailo land, like freehold is registered under the Registration of Titles Act. All transactions must therefore be entered in a register guaranteed by the Registrar of Lands.
- **Leasehold Land** - In Uganda one can get a lease from an individual, local authority or government for a period usually 49 or 99 years with agreed terms and conditions. A grant of land would be made by the owner of Freehold, Customary or Mailo or by the Uganda Land Commission to another person for an agreed period of time. The grantee of a lease for an agreed time is entitled to a certificate of title.

The government owns land (public land) and has the right to lease it to any company or individual on specific terms and covenants. In most cases, land under this arrangement is located in urban areas such as Kampala and other big towns in the country.

The MLHUD is in the process of computerization of the land registry in a bid to eliminate forgeries of ownership or registration. The five year plan aims at rehabilitation of the land records and development of the land information system infrastructure.

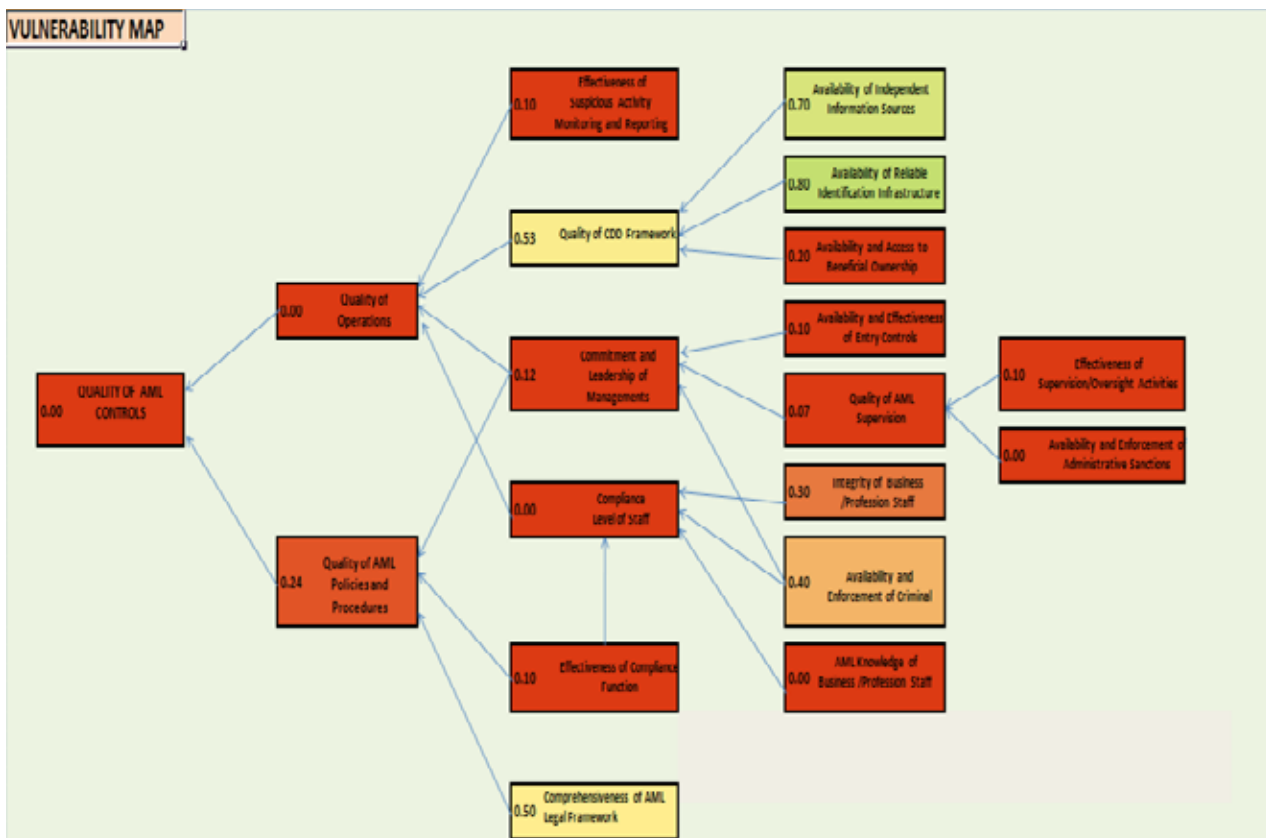
Real Estate agents offer a number of products which include agency, property management and property development. Discussion with the lawyers indicated that most corporate bodies employ the services of lawyers in their real estate transactions. Lawyers are required to identify the beneficial owners in the transactions. Certain type of land may only be purchased, if the buyer is a corporate entity, by a legal entity majority-owned by a Ugandan.

The major risks of ML/TF and vulnerabilities stem from the following factors:

1. Unregulated nature of the Real Estate sector. There over 1,000 unregistered and unregulated Real Estate agents in the industry.
2. Lack of KYC and CDD procedures by Real Estate agents.
3. A large number of the properties being unregistered and leading to lack of beneficial ownership identification.
4. Lack of an effective central registry for real estate transactions.
5. A significant growth in the Real Estate sector possibly attributed to illicit proceeds.
6. Records largely still being kept manually.
7. Rapidly escalating prices of residential and business properties and the correct value of real estate can be easily under/over declared.

8. Corruption and/or other related crimes proceeds of which are used to acquire immovable property.
9. Difficulty to obtain timely and reliable information on property sales and money transfers associated with the real estate sector.

MODULE 7.B Vulnerability - Product based real estates Uganda (9 July 2016)



The money laundering risk for the sector is considered high, with overall vulnerability at 1.0 and quality of controls rated at 0.0. The high rating is largely driven by the poor knowledge of AML among staff, the low quality of AML supervision and oversight and the low effectiveness of compliance functions. The poor entry controls into this sector exacerbated the vulnerability of the sector.

PRIORITY RANKING - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	8
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	5
Availability and Enforcement of Criminal Sanctions	9
Availability and Effectiveness of Entry Controls	4
Integrity of Business/ Profession Staff	7
AML Knowledge of Business/ Profession Staff	1
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	5
Availability and Access to Beneficial Ownership information	10
Availability of Reliable Identification Infrastructure	
Availability of Independent Information Sources	

As a priority, the FIA, MLHUD and other authorities should put in place efficient AML regulatory frameworks and monitor their implementation by all stakeholders in the sector to ensure laundering of dirty money through the sector is minimised.

In addition, there is need to develop AML Knowledge of real estate agents and promote the establishment of internal AML compliance programs that are commensurate to the level of the risk of the real estate agents.

3.21 3.3 Dealers in Precious Metals and Gems

Rating: 0.73 (Medium High)

Dealers in precious metals and gems (DPMG) are licensed and monitored by the Commissioner - Department of Geological Survey and Mines (in the Ministry of Energy and Mineral Development). Retailers of precious metals and stones (jewellers) are not regulated by the Ministry. According to the 2014 Annual Report of the Ministry of Energy & Mineral Development, the value of minerals produced and reported in 2014 was UGX 168 billion.

Exploration, mining and goldsmith are regulated by the Uganda Mining Act of 2003

complemented by the Mining Regulation of 2004. Under this regime, the Commissioner for the Geological Survey and Mines Department issues licenses for exploration and retention; mineral dealers licenses (for, inter alia, gold, silver, platinum, precious stones), and licenses/authorizations for goldsmith. Mineral dealers regulated by the Mining Act operate at whole sale level. Retailers of precious metals and stones who operate as jewellers and run jewellery shops are not subject to this regime, and operate under a regular trading license.

The AML/CFT law subjects its requirements dealers in precious metals and gems. The FIA defines this category to include both mineral dealers and retailers when engaged in any cash transactions over USD 10,000. The FIA has not received and suspicious transaction reports (STRs) from this sector.

The MER notes that there is significant ML and TF risks exist in this sector as Uganda has seen a significant increase in illegal and informal gold mining activities in recent times. These activities are conducted by foreign nationals from neighbouring countries which may result in the illicit dealing and smuggling of gold across borders with the proceeds likely to be laundered through the Ugandan financial system.

Uganda mainly produces and deals in gold. Both small and large scale miners are involved in gold mining with different requirements to acquire mining licences for foreigners and nationals. Gold is highly valuable relative to its weight, this compactness makes it easy to smuggle and difficult to detect. Gold is virtually untraceable, odourless and can be held anonymously without need for records to be kept.

As numerous studies, including reports of the UN Group of Experts on the DRC have confirmed, Congolese gold has been exported, usually illegally and unrecorded, to Kampala for many years. Congolese gold (most of which is artisanally mined) is exported almost exclusively sent to UAE, after transiting through neighbouring countries including Uganda. Weak chain of custody procedures allows exporters to deliberately disguise the origin of their exported gold. Weak export procedures similarly allow for gross under-declaring of gold¹²³.

In 2011, the Uganda Revenue Authority (URA) adopted more stringent rules, requiring Ugandan gold traders to produce supporting documentation to prove the origin of their gold. Up until then, Kampala-based gold traders were easily able to misrepresent the origins of smuggled Congolese gold they were openly exporting. This modification of the regulatory framework may help reduce Uganda's legal gold exports. However, a larger impact would be achieved if measures were introduced to make it more difficult to smuggle gold through Entebbe International Airport to international gold markets such as Dubai¹²⁴.

¹²³ *All that Glitters is Not Gold: Dubai, Congo and the Illicit Trade of Conflict Minerals*. May 2014

¹²⁴ *Gregory Mthembu-Salter and Phuzumoya Consulting. Thegth Multi-stakeholder forum on responsible mineral supply chains: Baseline Study Four: Gold trading and export in Uganda, May 2015, Paris, France*

The MER notes that there is also a lack of understanding of the ML/TF risks associated with the precious stones sector, where a lot of misrepresentations are made with locally produced gold ending up being declared as imported or is smuggled out. The approach to address these risks is not coordinated nor is it prioritised.

No AML/CFT supervisory regime is being currently implemented for DPMS. The MER states that dealers in precious minerals and stones as well as the Ministry which regulates them are currently also not aware nor do they understand their AML/CFT obligations.

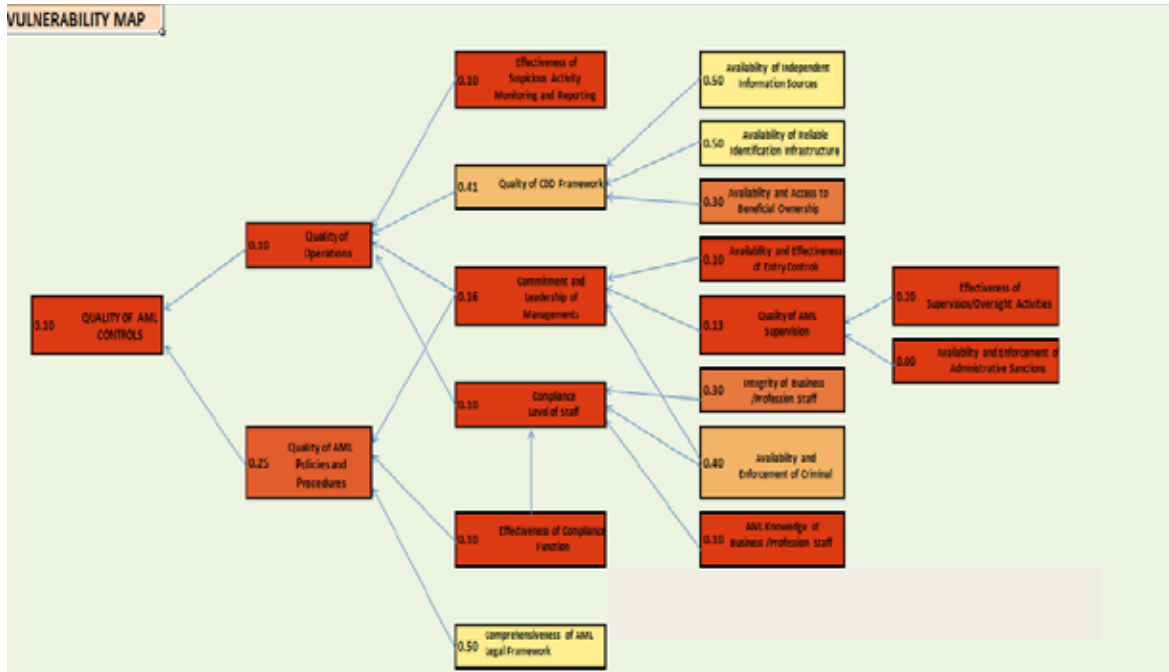
A significant ML and TF risk exist in this sector as there has been a significant increase in illegal and informal gold mining activities in Uganda. These activities are conducted by both local and foreign nationals (from neighbouring countries) which may result in the illicit dealing and smuggling of gold across borders with the proceeds likely to be laundered through the Ugandan financial system. The porous borders make it easy for cross border trading that goes on unlicensed and unrecorded.

Certain risks regarding PEPs in relation to precious metals and stones emerge. PEPs may try to launder the proceeds of corruption by purchasing precious minerals and attempt to launder the proceeds generated by the illicit sale of precious minerals.

The major risks of ML/TF and vulnerabilities stem from the following factors:

1. Proximity to countries with illegal traffic of gold and other precious stones (DRC), with smuggling to, through Uganda.
2. Publicly available information points to the illegal exploitation and smuggling of gold from DRC and the use of proceeds for laundering and funding other illicit activities, including the funding of terrorist organizations as the ADF.
3. Porous borders, non-effective controls at Entebbe airport and risk of corruption are also a risk factor.
4. A process for the certification of origin of gold extracted from the region has been put in place by the countries of the region, but it is at its nascent stage and the regime is not yet complete.
5. 90% of miners in Uganda are artisanal miners, and they may tend not to officially declare the gold extracted, but to sell it in the "black market".
6. Uganda is not a member of the Kimberley process certification scheme.

MODULE 7.A DNFBPs Vulnerability - Dealers in mineral & Precious stones Uganda (9 July 2016)



The money laundering risk for the sector is considered medium-high, with overall vulnerability at 0.73 and controls rated at 0.13. The medium high rating is largely driven by the poor knowledge of AML among staff, the low quality of AML supervision and oversight and the low effectiveness of compliance functions. The poor entry controls into this sector are major influence on the rating in this sector.

PRIORITY RANKING FOR GENERAL INPUT VARIABLES/ AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	8
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	5
Availability and Enforcement of Criminal Sanctions	9
Availability and Effectiveness of Entry Controls	4
Integrity of Business/ Profession Staff	7
AML Knowledge of Business/ Profession Staff	1
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	5
Availability and Access to Beneficial Ownership information	11
Availability of Reliable Identification Infrastructure	10
Availability of Independent Information Sources	12

Priority areas for improvement of AML compliance by dealers in precious metals and gems are:

- (a) Enhancement of AML Knowledge of Business/ Profession Staff.
- (b) Strengthening of AML/CFT Supervision/Oversight Activities by FIA and MEMD.
- (c) Establishment of internal AML compliance programs that are commensurate to the level of the risk in the sector.

3.22 3.4 Lawyers

Rating: 0.81 (High)

There are approximately 2600 practicing lawyers in Uganda. There are 646 firms approved for practice by the Uganda Law Council. Some lawyers operate within a firm while others conduct their business as individual lawyers.

Lawyers offer a variety of services to their clients, beyond representation of clients in proceedings. Law firms are required to maintain their clients' funds in escrow accounts, separate from those of the firms, but the funds are maintained in omnibus accounts where the funds are pooled, which, considering also the issue of legal privilege, may constitute a challenge for financial institutions to identify to whom the funds actually belong.

In particular, the services provided by lawyers include; Litigation, incorporation of legal entities, buying and selling real estate (large firms would typically hold funds of their clients in escrow accounts to guarantee payment and operating as "commission agents", whereby small firms and individual lawyers would usually handle the transaction in cash), investment of clients' funds in their own name with trust deed arrangements, holding property under trust deed arrangements (for foreign clients, which are restricted from owning certain types of properties) services related to trust fund arrangements, advice (including investment advisory and tax advice to non-residents), management of client's funds and assets, nominee services, directorships and company secretary services for companies, address for firms (common for the registration of foreign companies not incorporated in Uganda, which are required to provide an "address for service"). Lawyers also act as introducers, particularly for foreign clients; banks may rely on lawyers for the clients they introduce and may not always perform a complete KYC process on those clients. Some banks indicated that they classify clients who are lawyers or law firms as high risk customers.

Many of the firms interviewed indicated that most of the transactions with their clients were settled through the bank. Only a few firms indicated that they received or paid funds or were involved in transferring funds or securities for their clients. None of such transactions were indicated to be made in cash.

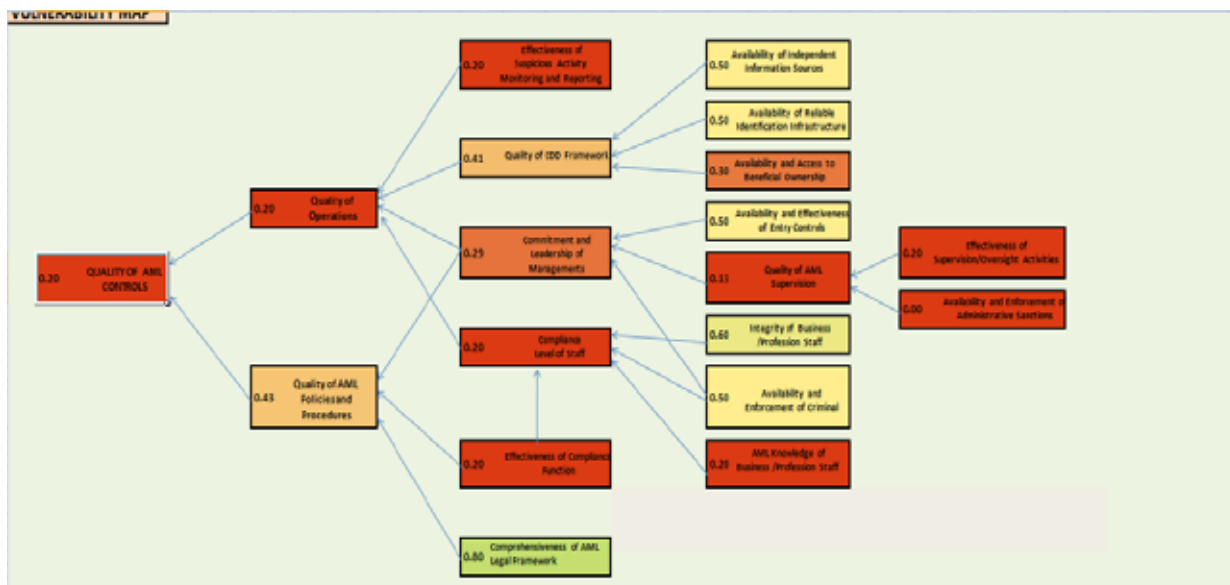
There was difficulty in analysing the size / volume of the profession in terms of establishing how much lawyers / law firms make, or their contribution to the GDP.

The major risks of ML/TF and vulnerabilities stem from the following factors:

- Very strong legal privilege and confidentiality affecting authorities' ability to extract information, the reporting of suspicious transactions, and the banks' ability to perform effectively CDD with regard to beneficial owners of funds pooled in firms' account.
- Lawyers can act as nominees for their clients, and there is no requirement to disclose that they are acting in such capacity.
- Although the law requires lawyers to hold client's funds in specific clients' accounts, is it not uncommon the case of lawyers holding funds of their clients pooled in their personal accounts, in their own name.
- Anecdotal evidence of lawyers being used for laundering of proceeds of crime or for tax evasion purposes. Anecdotal reference points to companies that do not formally exist but nevertheless transact and are operational, run by lawyers, or to lawyers' incorporation of companies in tax heavens; anecdotal evidence of lawyers paying bribes on behalf of their clients (disguised as fees or other types or arrangements).

The near absence of implementation of CDD and other requirements are factors that contribute to increasing the risk. Strengthening of supervision requirements with respect to AML/CFT would reduce the vulnerability of this sector.

MODULE 7.A DNFBPs Vulnerability Lawyers Uganda (9 July 2016)



The money laundering risk for the sector is considered high, with overall vulnerability at 0.81 and controls rated at 0.20. The high rating is largely driven by the poor knowledge of AML among staff, the low quality of AML supervision and oversight and the low effectiveness of compliance functions in lawyers' sector. The low effectiveness of administrative sanctions also influenced the rating of this sector.

PRIORITY RANKING FOR GENERAL INPUT VARIABLES / AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	4
Availability and Enforcement of Criminal Sanctions	7
Availability and Effectiveness of Entry Controls	6
Integrity of Business/ Profession Staff	8
AML Knowledge of Business/ Profession Staff	1
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	5
Availability and Access to Beneficial Ownership information	10
Availability of Reliable Identification Infrastructure	9
Availability of Independent Information Sources	11

Priority areas for improvement of AML compliance by lawyers are:

- (a) Enhancement of AML Knowledge of Business/ Profession Staff.
- (b) Strengthening of AML/CFT Supervision/Oversight Activities by FIA and ULC.
- (c) Establishment of internal AML compliance programs that are commensurate to the level of the risks in the sector.

3.23 3.5 Accountants

Rating: 0.47 (Medium)

The accountancy profession in Uganda is self-regulated by the Institute of Certified Public Accountants of Uganda (ICPAU, established under the Accountants Act 1992. The Accountants Act 1992 was repealed and replaced with the Accountants Act 2013 to amend and consolidate regulations relating to accountants.

Under the Accountants Act 2013, ICPAU is responsible for licensing accounting firms and issuing practicing certificates to qualified members who wish to practice accountancy. ICPAU also establishes ethical requirements and monitoring the conduct and performance of its members.

The MER states that accounting firms in Uganda do not adequately apply AML/CFT preventive measures commensurate with their risks. It further states that firms in Uganda have not identified their ML/FT risks and implemented risk mitigation measures.

The MER notes that accountants have implemented basic Know Your Client and Customer Due Diligence procedures. Due to the fact that no AML/CFT specific supervision activities have taken place in the sector, limited awareness of the AML/CFT obligations exist within the sector.

Accountants offer a variety of services to their clients, only a few firms maintain funds on behalf of their clients. Such client funds are kept separate from those of the firms. ICPAU's Client Money Guidelines require that funds from each client be kept on a separate bank account.

None of the accountants interviewed or surveyed during the assessment engaged in or gave instructions in respect of the following activities on behalf of any individual or entity:

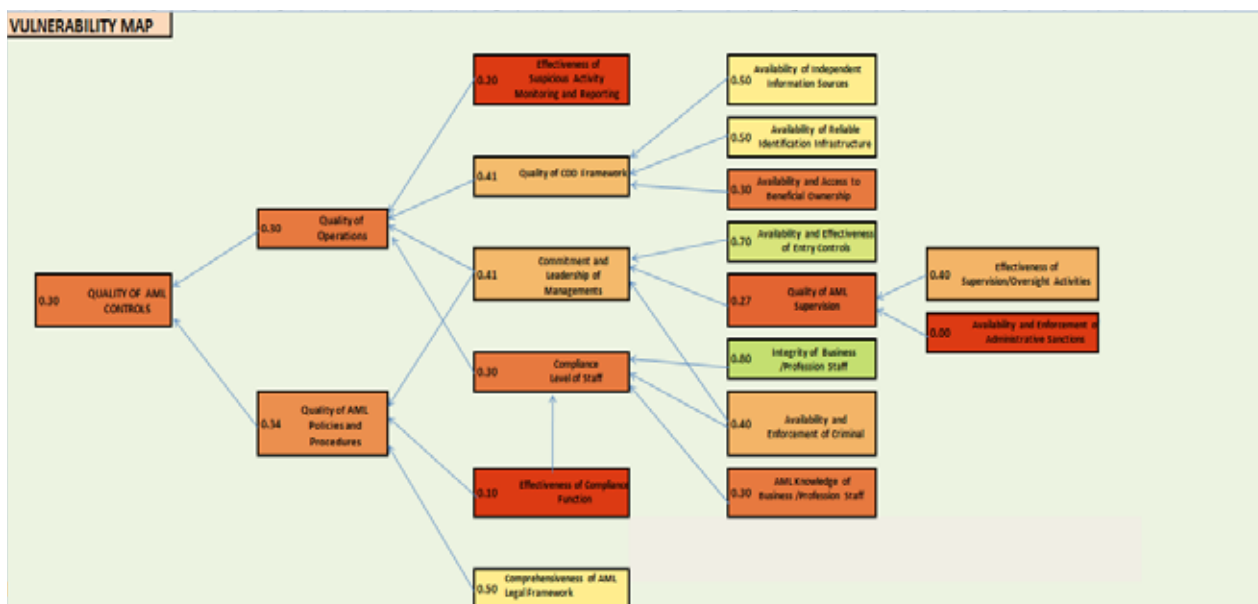
- Buying and selling of real estate property;
- Managing of client's money, securities and other assets;
- Management of banking, savings or securities accounts;
- Organization of contributions for the creation, operation or management of companies, legal persons or arrangements;
- Creation, operation or management of companies, legal persons or arrangements; and buying or selling of business entities.

In addition, only a few firms indicated that they received or paid funds or were involved in transferring funds or securities for their clients. In addition, none of the accountants interviewed or surveyed during the assessment provided trust and legal services to their clients. Accountants in Uganda are generally not involved in acting as a formation agent of legal persons or acting as a trustee for other persons.

Only a few accountants indicated that they were acting as a nominee shareholder for another person; or as a director or secretary of a company; or as a partner of a partnership; or in a similar position in relation to other legal persons. A few accountants indicated that they provided a registered office, business/correspondence address for other legal persons.

In light of the above the ML/FT risks facing this sector are much lower since the bulk of work done by the accountants is the provision of routine accountancy services of audit, tax and accounting.

MODULE 7A - DNFBPs Vulnerability Accountants, Auditors & Tax Advisors Uganda (9 July 2016)



The money laundering risk for the sector is considered medium, with overall vulnerability at 0.47 and controls rated at 0.30. The rating is largely driven the poor knowledge of AML among staff, poor compliance functions and weak AML supervision and oversight.

PRIORITY RANKING FOR GENERAL INPUT VARIABLES/ AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	6
Effectiveness of Supervision/Oversight Activities	3
Availability and Enforcement of Administrative Sanctions	4
Availability and Enforcement of Criminal Sanctions	7
Availability and Effectiveness of Entry Controls	
Integrity of Business/ Profession Staff	
AML Knowledge of Business/ Profession Staff	1
Effectiveness of Compliance Function (Organization)	2
Effectiveness of Suspicious Activity Monitoring and Reporting	5
Availability and Access to Beneficial Ownership information	9
Availability of Reliable Identification Infrastructure	8
Availability of Independent Information Sources	10

Priority areas for improvement of AML compliance by accountants are:

(a) Enhancement of AML Knowledge of Business/ Profession Staff.

- (b) Enhancement of internal AML compliance programs that are commensurate to the level of the risks in the sector.
- (c) Strengthening of AML/CFT Supervision/Oversight Activities by FIA and ICPAU.

3.24 3.6 Non-Governmental Organisations

Rating: 0.66 (Medium-High)

The NGO bureau estimates that approximately 12,800 NGOs are registered in Uganda. These NGOs deal in a variety of causes ranging from human rights activism, women's rights, children's rights and economic empowerment. The NGO bureau estimates that only 3,000 NGOs are actively operating in the country.

The 2016 Uganda National NGO Directory lists 2,025 NGOs in the following categories¹²⁵:

Category	Number
Agriculture / Rural Livelihoods	188
Arts, Culture, Crafts	33
Children and Youth	183
Community Based Organisation	102
Disability	41
Disaster Response / Preparedness	10
Education	180
Elderly People	8
Environment / Natural Resource	95
Gender / Women in Development	128
Health	126
HIV / AIDS	175
Human Rights and Governance	191
Legal Aid / Advice / Representation	29
Microfinance	49
Peace / Conflict Resolution	100
Psycho-social Support / Counselling	99
Public Information / Communication	105
Social Research / Policy Advocacy	68
Vocational Training	56
Water and Sanitation	59
Total	2,025

125 <http://www.ugandangodirectory.org/>

he NGO Registration Act Cap 113 was enacted in 1989 and operationalised by the NGO Registration Regulations of 1990. The Act established the National NGO Board and mandated it to register NGOs in the country. The Act was amended in 2006 by the NGO Registration (Amendment) Act of 2006 and operationalised by the NGO Registration Regulations of 2009.

In October 2010, Cabinet approved the National NGO policy. The NGO policy identified some concerns and also introduced new elements that had not been taken care of in the Act. In November 2015, Parliament passed the NGO Bill. The NGO Act 2016 came into force in March 2016.

The NGO Act 2016 defines an NGO and provides for the creation of different types of NGOs. The Act also provides for the establishment of the NGO Bureau as an autonomous body. The Act also provides for registration and incorporation of NGOs and registration of Community Based Organisations. Under section 41, an inspector, designate from among its officers, may at any reasonable time inspect the premises of an organisation and may request for any information that appears necessary for purposes of giving effect to the Act.

From discussion with the NGO bureau it is fair to estimate that most of the funds received by NGOs originate from abroad.

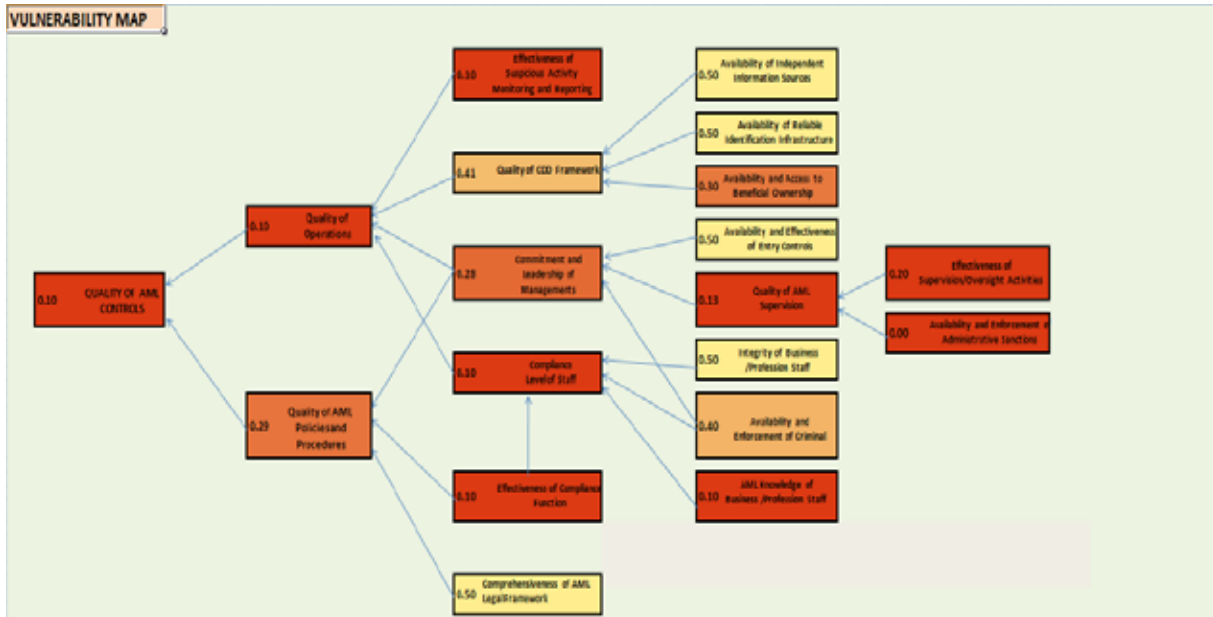
The MER notes that the lack of a TF risk assessment for the NGO sector, and adequate laws and resources to target those NPOs that might be at risk remains of serious concern regarding TF.

The MER notes Uganda has not undertaken a review of the TF risk in the NGO sector. It has been reported that in 2015, ADF (a listed terrorist organization) received donations from an NGO in UK worth USD 22,811. It also reported that Al-Shabaab (a listed terrorist organisation) receives donations and money remittances from people in diaspora.

The MER also noted that the NGO Bureau that is charged with the responsibility of regulating and monitoring the NGO sector in Uganda is not fully resourced to do a full oversight on the sector and due to the absence of a risk review. The Bureau is not able to identify which NGOs are considered higher risk for potential TF abuse and is not fully aware of the TF vulnerabilities of the NGO sector. This makes any outreach to increase awareness to its member NGOs of the TF risks and implementation of measures to mitigate the risks, almost impossible.

The Bureau has not put any measures in place to ensure proper accountability and transparency when it comes to the use of the funds received by the different NGOs it regulates, in order to protect those NGOs that are at risk from being abused for TF.

MODULE 7.A - DNFBPs Vulnerability NGO Sector Uganda (9 July 2016)



The money laundering risk for the sector is considered medium-high, with overall vulnerability at 0.66 and controls rated at 0.10. The rating is largely driven the poor knowledge of AML among staff, weak AML supervision and oversight and poor compliance functions in the NGOs.

PRIORITY RANKING FOR GENERAL INPUT VARIABLES / AML CONTROLS - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	6
Effectiveness of Supervision/Oversight Activities	2
Availability and Enforcement of Administrative Sanctions	4
Availability and Enforcement of Criminal Sanctions	9
Availability and Effectiveness of Entry Controls	7
Integrity of Business/ Profession Staff	8
AML Knowledge of Business/ Profession Staff	1
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	4
Availability and Access to Beneficial Ownership information	11
Availability of Reliable Identification Infrastructure	10
Availability of Independent Information Sources	12

Priority areas for improvement of AML compliance by NGOs are:

- (a) Enhancement of AML Knowledge of Business/ Profession Staff.
- (b) Strengthening of AML/CFT Supervision/Oversight Activities by FIA and NGO Bureau.
- (c) Establishment of internal AML compliance programs that are commensurate to the level of the risks in the sector.

4.0 Key Deficiencies in the DNFBPs

1. The DNFBP supervisory regulatory bodies (SRBs) have no powers to supervise licensees to comply with the anti-money laundering provisions within the AMLA, nor to conduct any risk assessment relating to money laundering and terrorist financing risks.
2. The FIA and SRBs has provided little guidance to their regulated entities and have still not done much to have supervisory programmes in place to ensure effective and consistent supervision of the entities they regulate.
3. There are no specific requirements for AML compliance controls, ML/FT compliance manuals and staff screening for ML/FT prior to licensing and entry into the DNFBP sector.
4. Administrative sanctions for non-compliance with AML/CFT requirements are not yet in place.
5. Authorities have not implemented a risk-based approach to AML supervision of the DNFBPs.
6. There have been no criminal enforcement actions on ML/FT in DNFBPs by law enforcement authorities.

4.1 Deficiencies in the Casino sector

1. There are some illegal Casinos in operation operating underground or at night.
2. Although, Casinos are required to be licensed under the Lotteries and Gaming Act of 2015, there are no provisions enabling competent authorities to take regulatory measures to prevent criminals or their associates from holding a significant or controlling interest or from operating a Casino.
3. The NLB does not have controls to verify fitness of the shareholders and beneficial owner(s) of the applicant. The preventative controls to ensure that criminals do not have access to ownership, control or management the Casino sector are not applied to shareholders of legal persons or arrangements that have a shareholding in the business of the applicant.

4. Licenses are issued to Casinos irrespective of size of Casino, no classification is done by the NLB prior to issuance of licenses.
5. No minimum requirements have been set by the NLB for gaming operators to have in place before license can be approved e.g. minimum number of slot machines, number of tables that Casino must have in order to be licensed.
6. NLB has not yet put in place a central monitoring system to enable real time view of Casino activities.

4.2 Deficiencies in the Real Estate Sector

1. There is no legally mandated regulator for the real estate sector. There is no effective AML regulatory framework for monitoring the implementation of ML/FT requirements in the sector to ensure laundering of dirty money through the sector is minimised.
2. There were frequent reports of fraud, inefficiency, corruption and slow service delivery at the land registry.
3. The high level of cash in the sector poses a significant ML/TF risk as transactions settled in cash are largely unrecorded and untraceable.

4.3 Deficiencies in the Precious Minerals and Stones Sector

1. There has been insufficient effort by authorities at curbing illicit trading in precious minerals and stones.
2. There is no evidence of investigating and prosecution of individuals and companies involved in illegal gold trade including the beneficiary owners of UN sanctioned entities and their front companies.

4.4 Deficiencies in the Legal Sector

1. Authorities have not effectively supervised the sector for ML/FT risks.
2. There are no specific requirements for AML compliance controls as part of the licensing process, ML/FT compliance manuals and staff screening for ML/FT prior to licensing and entry into the profession.

4.5 Deficiencies in the Accounting Sector

1. The FIA has responsibility for ensuring AML compliance by accountants in line with section 19 of the AMLA, but has not yet carried out any supervision of the sector.
2. There are not specific requirements for AML compliance controls, ML/FT compliance manuals and staff screening for ML/FT prior to licensing and entry into the profession.

4.6 Key deficiencies in the NGO Sector

1. There are no specific requirements for AML compliance controls, ML/FT compliance manuals and staff screening for ML/FT prior to licensing and entry into the sector.
2. The NGO Bureau lacks the mandate to undertake supervisory activities on AML compliance.

5.0 Recommendations

1. There is a need for authorities to develop appropriate supervisory tools which will facilitate effective AML/CFT compliance monitoring for all DNFBPs.
2. The FIA needs to develop supervision manuals to support ML/FT supervision of the DNFBPs.
3. The AML Act should be amended to include a provision designating the SRBs of this sector as the AML/CFT supervisor for their respective sectors.
4. The AMLA should be amended to confer on SRBs necessary powers to impose administrative sanctions against non-compliance with ML/FT requirements.
5. There is need to pass the AML Act Amendment Bill which contains a proposed amendment to designate regulators of accountable persons as supervisors for ML / CFT matters.
6. The FIA should work closely with SRBs to ensure that the DNFBPs understand their AML/CFT obligations and ML/TF risks.
7. The AML Act needs to be amended to address the technical compliance findings raised in the MER.
8. More ML/FT training for law enforcement agencies is required to identification, investigation and prosecution of ML and TF cases.
9. Coordination and cooperation is required between law enforcement agencies in order to enforce ML/FT measures.
10. There is a need for continued awareness and training programs on ML/FT among all DNFBPs.
11. DNFBPs should be encouraged to develop whistle-blower policies and other internal policies and procedures to safeguard staff integrity.
12. DNFBPs should be provided with guidance on how to develop effective compliance functions.
13. DNFBPs should to be encouraged to undergo external AML audits.
14. Mechanisms need to be put in place to allow DNFBPs to independently verify the identity of clients against national identification databases;
15. There is need for detailed risk based guidance to support the DNFBPs in assessing and mitigating their ML/FT risks.

16. Mechanisms should be developed to allow DNFBPs to access databases to independently verify the identity of clients.
17. More ML/FT training should be provided to law enforcement agencies on identification, investigation and prosecution of ML and TF cases.
18. There should be more coordination and cooperation between law enforcement agencies in order to enforce ML/FT measures.
19. DNFBPs need to be supported to develop systems to:
 - Facilitate the monitoring of client transactions and comparing them against the client's profile.
 - Maintain transactional records in a format that facilitates AML screening and monitoring.
 - Perform effective PEP screening.
 - Effectively identify and record all complex, unusual and large transactions.
 - Effectively identify and report suspicious transactions.

5.1 Suggestions / Recommendations for the Casino Sector

1. Introduce classification of Casinos to indicate quality/level of Casino.
2. Set minimum requirements for gaming operators to have in place before license can be approved e.g. minimum number of slot machines, number of tables that Casino must have in order to be licensed;
3. Introduce of spacing of Casino to avoid overcrowding of Casinos in one location. NLB must stipulate distance between Casinos.
4. NLB should obtain a central monitoring system to enable real time view of Casino activities.
5. The NLB should remain vigilant and take action against errant Casinos.
6. There is need to operationalise provisions on the national central electronic monitoring system (section 61 of the Gaming and Lotteries Act) to enable easier analysis and reporting of data on the sector.
7. More active vigilance by the Casinos and the NLB is required in relation to some of the risky clients.
8. The regulations to operationalise sections 43(3) (i) and 70(2) (i) and (j) on establishing and recording identity of users of Casinos and gaming facilities should be urgently finalised.

5.2 Suggestions / Recommendations for the Real Estate Sector

1. There is a pressing need for formulation a legal framework providing for registration, supervision and regulation of the players in this sector.
2. The Real Estate agents Bill should be fast tracked to create an authority for day-to-day regulation of the Real Estate agents.

3. There is a need for MLHUD to maintain reliable statistics on real estate agents.
4. Criteria should be set for issuing of occupational licenses to Real Estate agents. Only persons licensed under an estates agents' regime should be permitted to practise in the real estate industry.
5. Real estate agents should be subjected to a probity and fitness requirements.
6. The FIA should create mechanisms for AML/CFT supervision of this sector.

5.3 Suggestions / Recommendations for the Precious Stones and Minerals Sector

1. The FIA should effect mechanisms for AML/CFT supervision of this sector.
2. Dealers need to be supported to develop robust ML/FT monitoring systems.

5.4 Suggestions / Recommendations for the Legal Sector

1. The AML Act should be amended to include a provision designating the Uganda Law Council as the AML/CFT supervisor for the legal profession.
2. Implement measures to ensure that Beneficial Ownership information (shareholder information of natural persons) are obtained and where such beneficial owners are high risk clients such as PEPs, enhanced CDD measures are applied;
3. The Law Council should fully implement the Advocates (Accountant's Certificate) Regulations so that adequate statistics on the sector can be obtained and can then be analysed.

5.5 Suggestions / Recommendations for the Accounting Sector

Accountants need to be supported to develop systems to:

1. Facilitate the monitoring of client transactions.
2. Maintain transactional records in a format that facilitates AML screening and monitoring.
3. Perform effective PEP screening.
4. Effectively identify and record all complex, unusual and large transactions.
5. Effectively identify and report suspicious transactions.

5.6 Suggestions / Recommendations for the NGO Sector

1. The FIA should effect mechanisms for AML/CFT supervision of this sector using a risk-based approach.
2. The NGO Bureau should remain vigilant and take action against errant NGOs.
3. There NGO Bureau needs to build capacity to analyse the annual returns obtained from the NGOs in order to obtain statistics to support this assessment.
4. There is need for a much more efficient system to manage and regulate the NGO sector, including strengthening the legal framework, adequately resourcing the NGO Bureau and building AML/CFT awareness in the sector.

FINANCIAL INCLUSION PRODUCTS RISK ASSESSMENT

1. Scope of the Financial Inclusion Products Risk Assessment

1.1. What is Financial Inclusion?

Financial inclusion is the process of ensuring access to financial services in a timely manner at an affordable cost by low income and underserved groups. It is the process of facilitating those sectors and segments of the population that are outside, to become a part of the formal financial system. Financial inclusion has three dimensions namely; access, usage and quality. Financial inclusion should among other issues deal with financial education and financial consumer protection. Financial services include; banking services, payment services/systems, insurance services, investment services among others.

Commercial banks and other supervised financial institutions such as Credit Institutions (CI) and Micro Finance Deposit Taking Institutions (MDIs) play a leading role in the provision of formal financial services to Ugandans. However, other non-bank institutions such as Savings and Credit Cooperatives (SACCOs), Village, Savings and Loans Associations (VSLAs), Mobile Money Service Providers (MMSP)¹²⁶ and Micro Finance Institutions (MFIs) provide informal financial services to a large majority of the population in the country particularly in the rural areas.

1.2. Legal and Regulatory Framework

Laws and regulations relating to the provision of financial inclusion products and money laundering and terrorism financing in Uganda include;

1. The Anti-Money Laundering Act (AMLA) 2013
2. The Anti-Terrorism Act 2002 as amended
3. Financial Institutions Anti Money Laundering Regulations of 2010
4. The Microfinance Deposit Taking Act
5. The Capital Markets Authority Act, 2003
6. Anti-Money Laundering Regulations 2015
7. Collective Investment Schemes Act, 2003
8. The Regulation of Interception of Communications Act, 2010

Currently providers of financial inclusion products fall under the realm of various regulatory frameworks. Commercial Banks, Credit Institutions, and MDIs are regulated by the Bank of Uganda, the products provided include; savings and loans. Unit Trusts are regulated by Capital

¹²⁶ See analysis under "Other Financial Institutions"

Markets Authority, under the Capital Markets Authority Act Cap.84 as amended, the Collective Investment Schemes Act, 2003 and the Securities Central Depository Act, 2009. Micro Insurance on the other hand is regulated by the Insurance Regulatory Authority under the Insurance Regulatory Authority Act. All the mentioned financial service providers are required to comply with the Anti-Money Laundering Act 2013 and Anti-Money Laundering Regulation 2015

Informal institutions such as SACCOs and Micro Finance Institutions (MFIs) provide financial services to those that are financially excluded however there is currently no regulatory authority to supervise and regulate these institutions. The absence of a clear regulatory framework increases ML/TF risks in the country. Enhanced supervision and regulation of these institutions will improve safety and soundness of the financial system while increasing access to financial services by the financially excluded population.

All entities offering financial inclusion products are accountable persons under the Anti-Money Laundering Act, 2013. Therefore, they are required to establish an AML compliance function with competent money laundering control officers who are expected to ensure compliance with all relevant AML requirements. The providers are also required to ensure that their staff are adequately trained in matters relating to ML/TF. The Financial Intelligence Authority (FIA) is yet to reach out to informal institutions such as SACCOs to sensitize them on their obligations under the Anti-Money Laundering Act.

1.2.1. Know Your Customer (KYC)

Section 6 of the Anti-Money Laundering Act (AMLA) 2013 and Regulation 19 of the Anti-Money Laundering Regulations 2015 set the criteria for establishing the identity of different kinds of persons and customers before establishing a business relationship. These include a National Identification Card or an alien's Identification Card, whichever is applicable. In addition, the prospective customers are required to provide details of the residential address, telephone contact, fax number, postal address and e-mail address, an introductory letter from the employer or a senior government official attesting to the identity of the person, a tax identification number where applicable, a sample signature and thumb print. These documents must be obtained from a potential customer to ensure that KYC requirements are sufficiently fulfilled. This is the present position in Uganda and irrespective of whether a customer is low, medium or high risk the KYC requirement in terms of potential money laundering /terrorist financing is identical.

This blanket requirement may hinder the ability of certain segments of society such as low income earners, persons living in rural areas like farmers and persons with disabilities, to access and use financial services as they may not possess the prerequisite identification documents required to establish a relationship with financial service providers.

It is important to note that section 6(e) of AMLA gives accountable persons the discretion to apply to each of its customers due diligence measures on a risk sensitive basis depending on the type of customer, business relationship or transaction, in certain circumstances. Therefore, in cases where risks are deemed low, accountable persons may apply reduced or simplified customer

due diligence. There is need to put in place clear procedures for identifying and determining which products, services or customer should qualify for reduced or simplified customer due diligence.

As specifically regards mobile phone payments, the Regulation of interception of Communications Act (RICA) 2010 was enacted on 3rd September 2010 to provide for the lawful interception and monitoring of certain communications in the course of their transmission through a telecommunication, postal or any other related service or system in Uganda; to provide for the establishment of a monitoring center; and to provide for any other related matters.

1.2.2. Accessibility and Convenience of Transactions

According to the FINSCOPE Survey of 2013, 85% of the adult population in Uganda had access to and use financial service. The results indicated that, 20% of the adult population (representing 3.4 million adults) accessed and used financial services through formal regulated financial institutions, while 34% used non-bank formal service providers. On the other hand 31% (representing estimated 5.1 million adults) were using informal institutions. The survey also shows that the share of the population with access to formal financial services increased from 28% in 2009 to 54% in 2013 and that almost all of this increase was due to increased usage of mobile money services.

1.2.3. Future of Financial Inclusion Products in Uganda

Innovative modes of financial services delivery can have a transformative effect on low income earning households. We know how greater access to even small amounts of credit can dramatically improve welfare – such as women being able to buy a sewing machine and establish a small business. With the increased awareness, access to a wider set of financial services provides low income people the capacity to increase or stabilize their income, build assets and have much greater resilience to economic shocks. Appropriate and affordable savings and credit products, payment and money transfer services (both domestic and international) as well as insurance, are all important.

Financial Inclusion (FI) is an important policy goal both from the perspective of realization of growth opportunities as well as improved risk management for low income earning households. FI indicates the ability of every individual to access basic financial services which include savings, loans, payments, insurance in a manner that is reasonably convenient and flexible in terms of access and design and reliable in the sense that the savings are safe and that insurance claims will be paid with certainty.

A number of initiatives have been undertaken to increase access and use of financial service in Uganda. For instance the Bank of Uganda has included strengthening financial inclusion as one of its strategic objective. The Bank of Uganda is pursuing the financial inclusion agenda under four pillars namely;

- Financial literacy
- Financial Consumer Protection
- Financial Innovation
- Financial Services Data Measurement and Services

In addition other development partners such as the German Development Agency have undertaken a number of initiatives aimed at increasing access and usage of financial services by the Ugandan population. The Ministry of Finance, Planning and Economic Development is supporting the PROFILA project which aims at equipping SACCOs with the ability to better manage themselves and make them sustainable. The Financial Institutions Act 2004, has been amended to allow for Agency Banking; where regulated financial institutions can contract Agents to provide banking services to consumers. Finally the "Tier IV Financial Institutions Act" has been passed by parliament to allow for supervision and regulation of SACCOs, Micro Finance Institutions and Money Lenders. All these initiatives aim at reducing the percentage of those that are currently excluded from accessing formal financial services.

The foregoing notwithstanding, more can be done by stakeholders to increase access and usage of financial services, for instance a National Strategy for Financial Inclusion, should be developed and implemented, the strategy would set out specific objectives, outline targets and indicate a road map of achieving these targets and assign roles and responsibilities to the various stakeholders. A key objective of the strategy would be Universal Financial Access for all, were each and every adult Ugandan has a basic transactional account with a formal financial service provider. Such an account would have no requirement for minimum balances and transactional charges would be kept at a minimum. The cost could be mitigated, by offering a marginally lower interest rate on such deposits. A steady buildup of deposits would soon enable reach a critical mass, which will offset the costs incurred. Further, KYC requirements would be kept simple and to a minimum with brochures indicating the features of the products in a very basic user friendly manner

Financial education and consumer protection are crucial in promoting access and usage of financial services. Consumers should have the knowledge and skills to manage their resources and should also understand their rights as they deal with financial service providers. Awareness campaigns on financial education should be conducted in various parts of the country using different media, the messages should be simple and easy to understand, were possible these messages should be translated into local languages. Topics to be covered may include; savings, personal financial management, loans, payments, insurance, investments among others.

Since payment systems are the backbone of the financial infrastructure of any Country, there is need to ensure that payment systems are safe, efficient and serve the interests of consumers. Payment systems should be interoperable and all users and participants should be able to access these systems. The payment systems should be designed to encourage the use of electronic payments as opposed to paper based payment methods.

Another causal factor for FI is the lack of accessibility. Therefore, efforts should be geared towards leveraging on technology to extend financial services. There should be a deliberate move towards using digital channels to deliver financial services to the excluded population. The use of agents to provide financial services to customers should be supported. Mobile money has demonstrated tremendous potential in increasing access to financial services. Mobile money services should move beyond person to person transfer of funds to include other services such as credit, savings, micro-insurance and bill payments to mention but a few.

Government should provide incentives to financial service providers that implement strategies that target the excluded population. For instance, government should provide tax breaks to financial service providers that offer services in rural areas or those that have products targeting the marginalized.

Policies should be put in place allow for simplified customer due diligence for low risk products, while financial service providers should be encouraged to practice differential pricing on categorized sectors such as low income earners. To increase uptake and usage of formal financial services, government should ensure that all payments made to citizens, such as social benefits and salaries are channeled through formal financial service providers

There is an urgent need to ramp up technology based delivery channels particularly in the rural areas. The challenge would be to identify a delivery channel that is not only cost effective but user friendly, given the literacy levels of potential users in the rural areas and migrant labour. The introduction of low cost biometric ATMs would go a long way to bridge this gap. Ensuring that the benefits of technology, reaches the unreached is another challenge. It is essential that we think in terms of introduction of a Biometric National Identity Card, which will be utilized for all the needs of the individual and not just for identification purposes. If the technology revolution is to fully impact the rural areas, concentration on providing soft infrastructure is a must.

There is need for a change in the mindsets of individuals and institutions. Affordable financial services must include, not only need-based credit, but also insurance services, payment and remittance facilities and, in due course, financial advice.

1.3. Objectives of Products Risk Assessment in Financial Inclusion

The main aim of the financial inclusion product risk assessment is to evaluate Money Laundering and Terrorist Financing (ML/TF) risks stemming from both existing and emerging/new financial inclusion (FI) products offered in Uganda. The financial inclusion product risk assessment will assist regulators as well as market players to redesign product features and introduce appropriate mitigation measures depending on the results of the risk assessment. As evidenced, in some countries where the risks of money laundering and terrorist financing are lower, financial institutions are permitted to conduct simplified Customer Due Diligence (CDD) measures, which should be commensurate with the low risk factors. Proper identification of ML/TF risks posed to

the financial inclusion product is complementary to ensure the safety, integrity and soundness of the financial system and the protection of users. Therefore, this assessment entails the recognition of specific characteristics of the financial inclusion products, the risks and national priorities in the application of AML/CFT measures and the flexibility of application of AML/CFT principles to these products.

The assessment was carried out with the expertise of the group members who were comprised of members from various key institutions including Bank of Uganda, Uganda Communications Commission, Financial Intelligence Authority as well as financial services providers including mobile network operators, insurance companies, microfinance institutions and collective investment scheme providers.

1.4. Financial Inclusion Product Survey

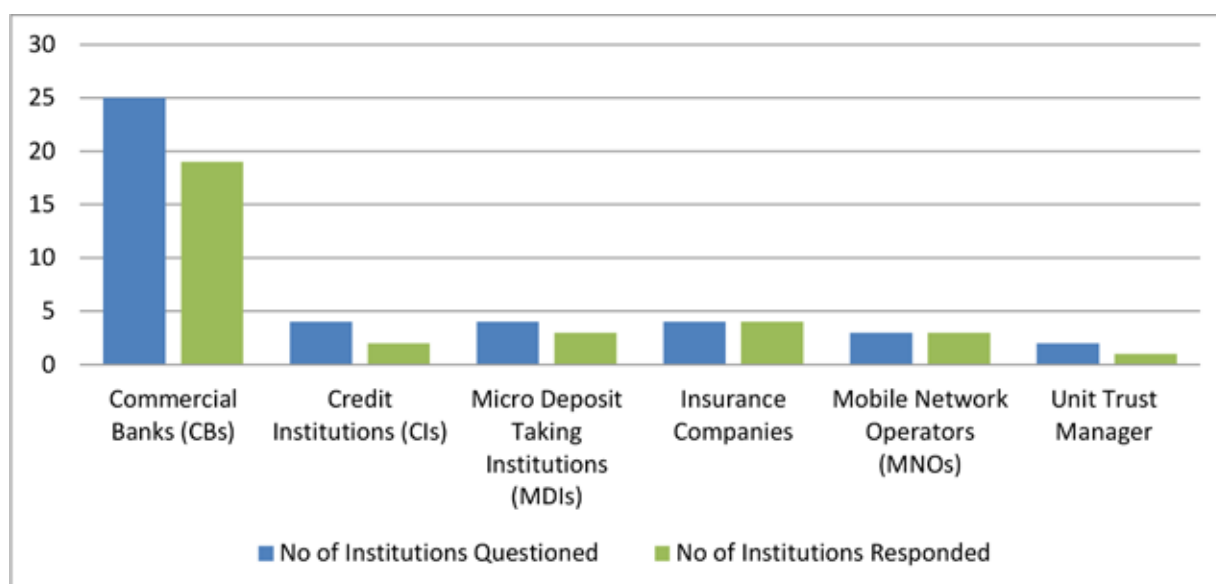
A Financial Inclusion Products Survey 2016 was carried out covering the key financial service providers¹²⁷ in Uganda. The survey involved sending out written questionnaires to money laundering control officers (MLCOs) of all Commercial Banks (25), Credit Institutions (4), Micro-Finance Deposit Taking Institutions (4), Insurance Companies (4), Unit Trust Manager (2) and Mobile Money Service Providers (Telcos) (3). The survey questionnaire was complimented by phone calls to some institutions to explain to them the concept of financial inclusion in detail.

Table 1: Responses from the Surveyed Financial Services Providers

Institution	No of Institutions Questioned	No of Institutions Responded	Institutions Having FI Products
Commercial Banks (CBs)	25	19	10
Credit Institutions (CIs)	4	2	2
Micro Deposit Taking Institutions (MDIs)	4	3	3
Insurance Companies	4	4	3
Mobile Money Service Providers (telcos)	3	3	3
Unit Trust Manager	2	1	1
TOTAL	42	32	22

Source: Financial Inclusion Products Survey 2016

¹²⁷ Commercial banks, credit institutions, microfinance deposit taking institutions, mobile money service providers, insurance companies and unit trust managers.

Chart 1: Responses from the Surveyed Financial Services Providers

Source: Financial Inclusion Products Survey 2016

The questionnaire was designed based on the guidelines of the World Bank, Financial Inclusion Product Risk Assessment Tool (FIRAT). This tool is designed to identify the features of current or potential financial inclusion product risks and develop appropriate mitigating measures. It was emphasized that the collected information would be treated with utmost confidentiality, and only aggregated data would be used for the purpose of NRA. Of the 42 financial service providers that were issued with questionnaires, 32 (76.19%) responded.

1.5. Survey Questionnaire

The questionnaire (Annex 1) requested for information on products/services relating to financial inclusion in order to support Uganda's Financial Inclusion Products risk assessment. For this survey, financial inclusion was defined as the delivery of financial product/services at affordable cost, especially to the disadvantaged and low income population.

The questionnaire was formulated to identify the following:

- (i) Characteristics of the financial service provider;
- (ii) Availability of financial inclusion products, and
- (iii) Specific features of the financial inclusion products

1.6. Survey Findings

1.6.1. Availability Financial Inclusion (FI) Products

Out of the 32 responses received, 22 (68.75%) institutions indicated that they offered FI products, while 10 (31.25%) indicated that they did not offer financial inclusion products.

Table 2: Availability of FI products in Uganda

Institution	FI Products available Institutions	FI Products non-available Institutions
Commercial Banks (CBs)	52.6%	47.4%
Credit Institutions (CIs)	100%	0%
Micro Deposit Taking Institutions (MDIs)	100%	0%
Insurance Companies	75%	25%
Mobile Money Service Providers(telcos)	100%	0%
Unit Trust Manager	100%	0%
TOTAL	68.75%	31.25%

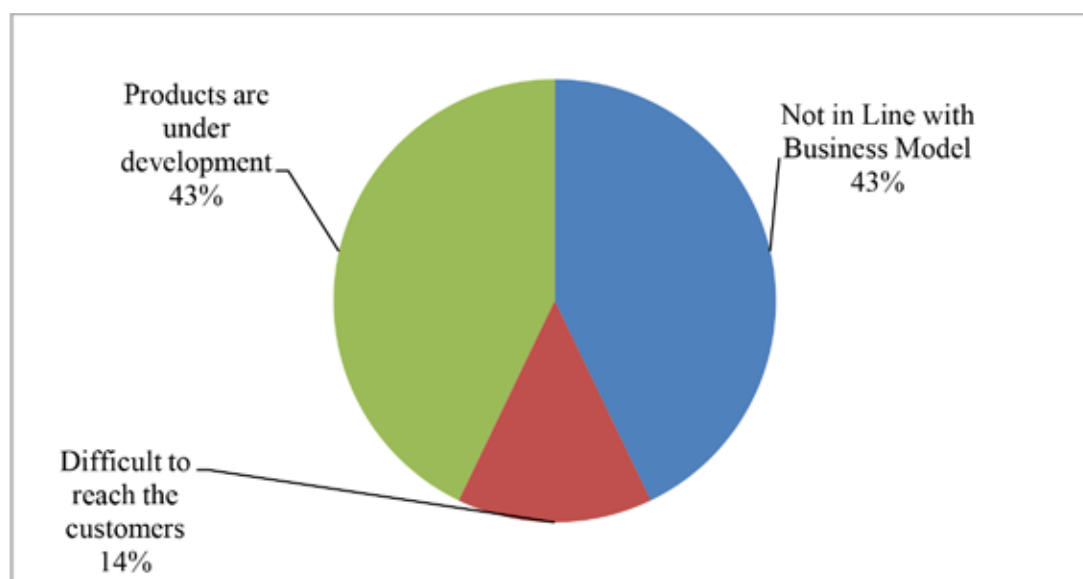
Source: Financial Inclusion Products Survey 2016

Of the 10 institutions that do not offer financial inclusion products, three (3) stated that financial inclusion products were not in line with their core business model, three (3) indicated that they had plans to start providing FI products, one institution found it difficult to reach customers as a hindrance to provision of FI products, while three (3) reported products that did not meet the criteria for FI products.

Table 3: Reasons that non availability of a financial inclusion product among Financial Services Providers

Institution	Not in line with the business model	Difficult to reach the customers	Products are under Development
Commercial Banks (CBs)	42.86%	14.29%	42.86%
Credit Institutions (CIs)	0.00%	0.00%	0.00%
Micro Deposit Taking Institutions (MDIs)	0.00%	0.00%	0.00%
Insurance Companies	0.00%	0.00%	0.00%
Mobile Money Service Providers (Telcos)	0.00%	0.00%	0.00%
Unit Trust Manager	0.00%	0.00%	0.00%
TOTAL	42.86%	14.29%	42.86%

Source: Financial Inclusion Products Survey 2016

Chart 2: Reasons for unavailability of financial inclusion products

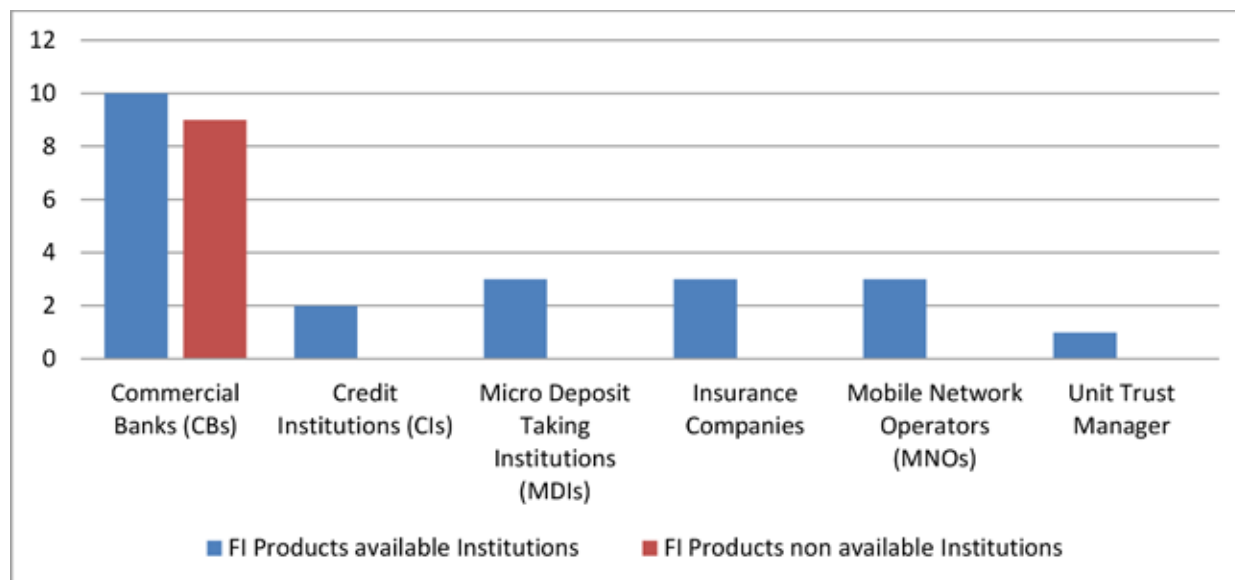
Source: Financial Inclusion Products Survey 2016

A significant number (68.75%) of surveyed institutions had a clear understanding of financial inclusion and have gone ahead to offer products that target those that might otherwise be excluded from accessing and using financial services as indicated in Table 3. Some respondents however did not have a clear understanding of financial inclusion.

Table 4: Availability of financial inclusion products among Financial Services Providers

Institution	No of Institutions Questioned	FI Products available Institutions	FI Products non available Institutions
Commercial Banks (CBs)	100%	52.6%	47.4%
Credit Institutions (CIs)	100%	100%	0%
Micro Deposit Taking Institutions (MDIs)	80%	100%	0%
Insurance Companies	100%	75%	25%
Mobile Money Service Providers (telcos)	75%	100%	0%
Unit Trust Manager	100%	100%	0%
TOTAL	95%	68.75%	31.25%

Source: Financial Inclusion Products Survey 2016

Chart 3: Availability of Financial Inclusion Products

1.6.2. Product Features

The main task was to identify the key features of the financial inclusion products offered by the financial service providers in Uganda. The survey focused on existing FI products but some institutions indicated that they had some FI products under development. The financial service providers were expected to answer the questionnaire about the objectives, features and the target market of the financial inclusion products, with an unbiased view to reflect the characteristics of the product as realistic as possible.

Therefore, we considered each and every product under

- Product/Service Specific Risks
- Geographical - Country Risks
- Customer Risk
- Agent Risk

1.6.3. Public Awareness / Financial Literacy

The survey results revealed that financial service providers don't have common definition/ understanding of financial inclusion products. A number of respondents requested for clarification in regard to what was meant by financial inclusion products while others reported on products which typically are not financial inclusion products.

2. Financial Inclusion Products ML/TF Risk Analysis

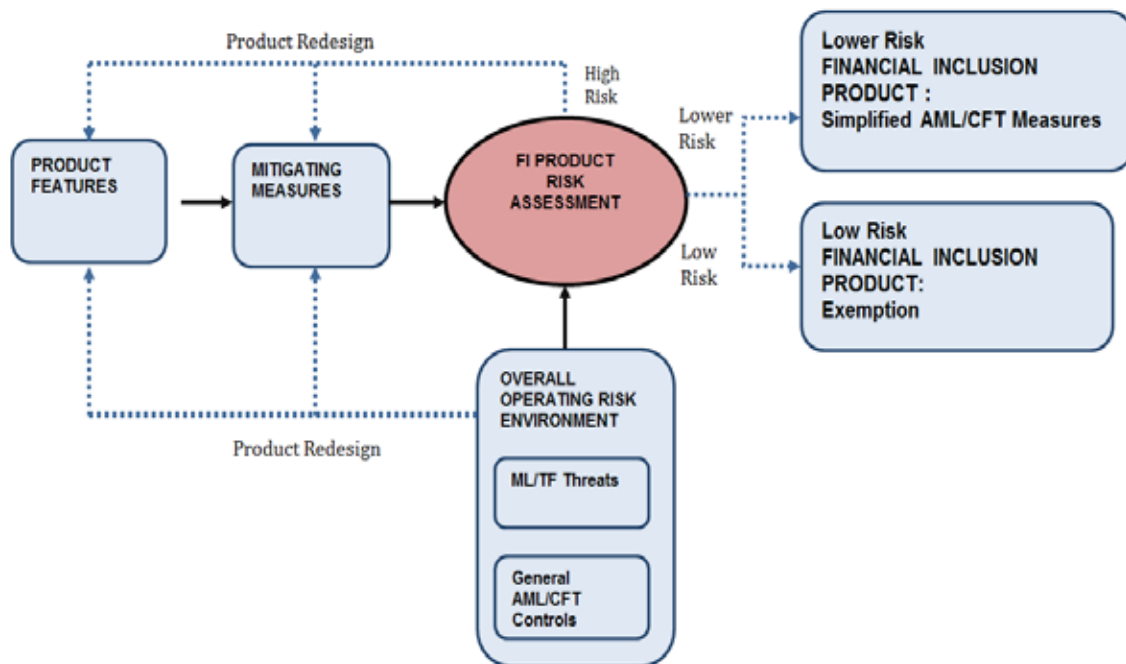
The results of the survey together with information from secondary sources as well as expert information from the team members were used to populate the World Bank, Financial Inclusion Product Risk Assessment Tool (FIRAT) to evaluate money laundering and terrorist financing risks arising from existing financial inclusion products. It was used as a basis for recommending and designing a risk-based approach to minimize the risk from ML/TF.

The first part of the tool includes all the key questions mainly focusing on specific features of the financial inclusion product.

The Second part of the tool covers the overall ML/TF risk environment in the country. Thus, taking these answers into account, the potential threats of ML/TF in the country and the associated control measures in place have been evaluated.

The third and final part of this tool provides authorities the initial ML/TF risk level for each specific product feature. The tool offers guidance questions on mitigating potential high risks. The objective is to assist financial services providers to design the risk-based control measures to develop financial products in the country, within a safe and sound AML/CFT regulatory environment.

Figure 1: The Financial Inclusion Product Risk Assessment Tool



2.1. Products Groups

There were 45 FI products offered by the 32 financial services providers who responded to the survey questionnaire. After analyzing the product features we observed that a large number of FI products (68.75%) have the features of a real FI product. Among these products some can be identified and categorized as FI products as listed below:

Table 5: Product Groups

Mobile Money Products	Deposits
	Withdrawals
	Transfers (P2P)
	Cross border transfers inbound
	Bill Payment (P2B)
	Business to Person Transfers
	Government to Person Transfers
Micro Insurance	Agriculture insurance
Micro Finance	Community Loans & Savings
Micro Investments	Unit Trusts

Source: Financial Inclusion Products Survey 2016

2.2. Products Features

2.2.1. Product/Service Specific Risk

Table 6: Transaction Threshold on Financial Inclusion Products

Product Group	Product	Transaction Threshold
Mobile Money Products	Deposits	4,000,000
	Withdrawals	5,000,000
	Transfers (P2P)	5,000,000
	Cross border transfers	4,000,000
	Bill Payment (P2B)	5,000,000
	Business to Person Transfers	5,000,000
	Government to Person Transfers	4,000,000
Micro Insurance	Agriculture Insurance	3,000,000,000 ⁵
Micro Savings	Community Savings	3,000 ⁶
Micro Credit	Community Loans	45,000,000
Micro Investments	Unit Trusts	No threshold

All the financial inclusion products that were assessed, apart from unit trusts had a threshold on the value of the transaction carried out through the product. This indicates that providers of these products are aware of the potential ML/TF risks that may arise by prescribing limits on transactions. There was no limitation on the number of transactions that could be carried out for all the products that were assessed. Unlimited frequency of transaction could increase ML/TF risk.

Since anonymous accounts are prone to being used for ML/TF, all financial service providers don't allow anonymous use of the assessed products. It is important to note that section 6(e) of the Anti-Money Laundering Act, 2013 prohibits the opening or keeping of anonymous accounts.

With the exception of one, all service providers require customers to be present when opening an account. Prohibition of non-face to face opening of accounts reinforces mitigation against ML/TF risks. On the other hand, 66.67 percent of the products allow non-face to face transaction, while 33.33 percent don't allow non-face to face transactions.

Out of the ten assessed products, three products had been used to perpetrate financial crimes. Due to the existence of transaction limits and the KYC requirements, these products are not attractive to perpetrators of financial crime, hence low risk for money laundering.

2.2.2. Geographical-Country Risk

Three of the ten assessed products allow customers to send and receive money across borders. The possibility of receiving and sending money across borders exposes these products to the possibility of being used for ML/TF, however given that there are transactional limits and KYC requirements, this risk is greatly reduced. The assessment indicates that no funds are received or sent to high-risk jurisdictions, further reducing the risk of ML/TF.

2.2.3. Customer Risk

Eight of the assessed products are used by non-residents and or non-citizen customers; however the level of usage by this segment of users is insignificant, implying that there is low risk for ML/TF through these products.

2.2.4. Object specific Products

2.2.4.1. Mobile Money Products

- 2.2.4.2. For an analysis of the Mobile Money Products and the ML/TF risk they pose, please refer to the section "Other Financial Institutions".
- Community Banking (Community Loan and Savings Product)**

The Community Banking Loan Product is an existing financial inclusion product provided using the Community Banking Business Model (CBP), a microfinance methodology whereby financial services are administered locally in the communities rather than centralized in a formal branch. The CBP is a community managed financing strategy that combines Savings and Credit Products to rural people in their communities.

	Number of customers
Community Loans	897,682
Community Savings	1,184,086

Source: Bank of Uganda Annual Supervision Report, 2015

Brief Product description:

- i. The Loan product is managed in compliance with; Laws of Uganda, Bank of Uganda Prudential Guidelines and the Microfinance Deposit Taking Institutions Act (2003)
- ii. The product targets the active poor aged between 18 to 75 years running the same known formal or informal legal business enterprises in Uganda for at least six (6) months and located with proximity of the meeting place in a community.
- iii. Potential Customer must have some form of identification
- iv. Loan servicing capacity (Monthly installment does not exceed 50% of net monthly income before loan servicing obligation.
- v. Willingness to deposit mandatory Savings (Loan Insurance Fund – LIF) of 20% of the loan approved for loans up to Ushs.10M and 10% for loans above Ushs.10M on his/her account.
- vi. Condition/threshold for eligibility were determined through comparison with a similar group products and research carried out as a way of refining existing group product to enhance Financial Inclusion.

Product Features

- i. The Product targets community active poor grouped into 6 to 10 subgroups (Enterprise Groups) of 6 members each to form a main group (Community Enterprise Committee)
- ii. Pre-registration sensitization of potential customers mobilized through local and community leaders is carried out.
- iii. Formation of sub-groups is by self –selection and not imposed by financial services provider. Close Relatives are not allowed to constitute a sub-group but rather persons who enjoy mutual trust in community.
- iv. Micro loans have a compulsory/mandatory savings component in which all members contribute to a Loan Insurance Fund (LIF) of Ushs.3, 000 on a weekly basis guarantees group and individual loans disbursed.

- v. Loans are disbursed in progressive stages organized to assist determine the growth of the enterprise and credit worthiness as evidence for increased funding needs.
- vi. First loans with a ceiling of Ushs 0.8M are disbursed to all new borrowers depending on business capacity as recommended by the sub-group members for the borrower and presented for main group approval for group ownership and enhanced peer pressure during recovery.
- vii. Monitoring of borrowers' businesses is done by all group members since they reside and operate in the same community.
- viii. Application forms for subsequent loans are offered to any member who successfully repays their loan. Top-up loans are disbursed to members who have repaid at least 50% of their loan amounts.
- ix. An Off-Site Account Opening kit is used to capture client biometrics, photos, signatures and Credit Reference Bureau registration in the field.
- x. Members are supposed to attend weekly meetings for a maximum of one hour where they deposit their loan installments in cash collected by a CEC treasurer who later sends it to a branch using Mobile Money platform.
- xi. Training of clients and updating them on new and existing business trends is done during CEC weekly meetings on an ongoing basis.
- xii. CECs are governed by officials elected from existing members

The vulnerability of community saving and loan products to **ML/TF risk** is considered to be **low** given the low transaction thresholds involved and the group-lending/saving model where members use their judgement and knowledge to select those they consider to be credible to be part of the group.

2.2.4.1. Collective Investments - Unit Trusts

Unit Trusts are Collective Investment Schemes which pool resources of many small savers, generating a large pool. The resources are then invested in various assets like shares, bonds, and property and treasury bills with the sole purpose of generating high returns while minimizing risk through diversification of investments.

Unit Trusts provide a means for mobilization of savings and enable small investors to participate in capital markets. They widen the choice of investment vehicles, involve the public in the process of investing in securities through pooling resources together, which are then invested by professional managers.

An individual's investment is represented by the units they hold in the scheme. The Unit Trust Scheme is established by a trust deed between a fund manager (which must be a body corporate) and a trustee (bank or insurance company). The trust deed spells out the duties and obligations of the fund manager and trustee. In a unit trust, investments are made on behalf of the unit holders by the unit trust manager but the assets of the scheme are held by the trustee or custodian.

Product Features

- i. Low minimum initial investment amount of about UGX100,000
- ii. Low transaction costs
- iii. Provides small investors with access to Securities Investments thereby achieving a personal portfolio spread over several securities.
- iv. Provides diversification of risk to the small investors who are in most cases vulnerable.

The ML/TF risk of the product

- i. The clientele of unit trusts are mainly retail persons or unincorporated associations. This therefore becomes difficult to identify the sources of income for the retail persons or the unincorporated associations.
- ii. There is use of nominee accounts as the clients in Collective Investment Schemes and the final beneficiaries may in certain cases not be known.
- iii. There are limited sources to verify beneficial ownership for the CIS Manager client's majority of whom are retail or unincorporated associations.
- iv. The product allows cross-border transactions.
- v. The product is available to non-residents
- vi. Non-face to face account opening is accepted

Explain whether it qualifies for simplified CDD measures to facilitate financial inclusion

- i. The CIS Managers do not receive cash. Payments for the clients are made to the custodian banks who have custody of the funds and conduct customer due diligence.
- ii. There is no anonymous use of the product
- iii. The amounts involved are very low.

Deficiencies that hinder the eligibility of the product for CDD simplification

- i. There is no set maximum transaction threshold.
- ii. It allows cross-border transactions.
- iii. It can be used by legal persons
- iv. It can be used by non-residents
- v. Non-face to face account opening is accepted.

Additional actions or controls are necessary to reduce the risk level of the product and make it eligible for simplified CDD and other measures

- i. There should be a set maximum transaction threshold.
- ii. Use of nominee accounts should be prohibited.
- iii. Limit product use to only natural persons.
- iv. Non-face to face account opening should be restricted.

The **ML risk** inherent in collective investment schemes is **high** owing to the possibility of using nominee accounts, absence of a set maximum transaction threshold, non-face to face account opening as well as cross-border transactions. **TF risk** on the other hand is considered to be **low**.

2.2.4.1. Agriculture Insurance

Agriculture Insurance consists of both Crop and Livestock Insurance. This product has been on the market since 2014 and is steadily growing. Variations exist in the type of actual final product depending on the client needs as such products can be designed to fit those needs.

The product targets farmers at all production levels. However for the case of Micro insurance smallholder farmers are the target. (Small holder being those that farm on 5acres or less and livestock less than Ugx 20M)

Small holder farmers access the product as a group, thus should be members of a farmer association or group for ease of administration. They can also access the product via a financial institution or could buy it individually via a mobile platform.

Farmers should also be farming for an income which can usually be picked up from the association. The threshold as such is implied in the income of the enterprise. For the purposes of inclusion the product can enroll the lowest level of farmers.

Product Features

- i. Provides cover to farmers for production risks that are beyond the control of the farmer. These risks may differ from one farmer to the next depending on the prevalent on farm risks.
- ii. The basis of insurance is investment of the enterprise or anticipated revenue of the enterprise.
- iii. There are various levels of inspection right from before cover is given and throughout the insurance period.

Vulnerability to ML/TF risk of the product.

The vulnerability of agriculture insurance products to **ML/TF risk** is considered to be **low** given the low transaction thresholds involved and the group insurance model where members use their judgement and knowledge to select those they consider to be credible to be part of the group.

3. Policy Recommendations

1. The regulatory framework for mobile money services should be strengthened, through collaboration between the Central Bank and the Telecommunication Regulator
2. Restrictions should be instituted on the number of e-wallets a person may have to ensure that the set mobile money transaction thresholds are effective.
3. Tiered transaction limits targeted towards financial inclusion should be introduced for mobile money products to ensure individuals with lower transaction limits can qualify for simplified CDD.
4. Government should fast track the development and implementation of a National Strategy on Financial Inclusion. The process of formulating the strategy should involve various stakeholders, to ensure buy-in.
5. Develop and implement a Universal Financial Access framework, which ensures that every adult has a basic transaction account with a formal financial services provider.
6. Develop and implement framework that allows for financial services providers to employ simplified customer due diligence and tiers KYC.
7. Fast track the implementation of the Regulatory framework for "Tier 4 Microfinance Institutions and Money Lenders' Act 2016"
8. The National Identification Registration Authority (NIRA) should continue/expedite the issuance of National Identification Cards to ensure that every adult Ugandan has a National ID. The National ID should be used beyond identification, financial services should be provided based on the National ID.
9. The Central Bank in conjunction with various partners should continue spearheading the campaign on financial literacy and financial consumer protection. The government should consider setting up a financial ombudsman to oversee the protection of consumers of financial services.
10. The Ministry of Education should expedite the introduction of financial literacy in the curriculum at primary and secondary level.
11. Financial service providers should actively be involved in promoting the use of financial inclusion products by consumers and should carry out awareness campaigns to educate their customers about these products.
12. Government should provide incentives to financial service providers that offer financial services targeting the excluded
13. The Financial Intelligence Authority should undertake an extensive awareness campaign to sensitize the providers of financial inclusion products on their obligations under the AMLA.
14. The FIA should carry out periodical reviews on available FI products in the market to assess their risks and vulnerabilities to control possible identified ML/TF risk and also encourage the use of simplified KYC requirements for financial inclusion products.

NATIONAL RISK ASSESSMENT ACTION PLAN

SECTION A: GENERAL SECTION

VULNERABILITY: Legal gaps

Key Action: Enactment of relevant laws and amendment of those with loopholes.

Primary Agency: Judiciary

Secondary Agencies: Finance Intelligence Authority and all other stake holders, Police, DPP, IGG, Law Reform Commission, Ministry of Justice & Constitutional Affairs (FPC), Supervisory Regulatory Bodies, Ministry of Justice & Constitutional Affairs (FPC), Ministry of Internal Affairs, Ministry of Justice and Constitutional Affairs.

Detailed Action:

- Drafting AML policy
- Reconstituting the Anti-money Laundering Committee as per the AMLA amendment
- Periodic updating of the ML risks through National Risk Assessments.
- Fast tracking of the National Risk Assessment and its adoption by Cabinet
- The results of the NRA will be disseminated to AML/CFT stakeholders and accountable persons
- All accountable persons, particularly financial institutions, will conduct a risk assessment of their customers (including for countries of residence), products, services, transactions and delivery channels, based on the findings of the NRA relevant to them. Customers/products/services/Transactions will be classified on the basis of the ML/TF risks and appropriate enhanced due diligence measures will be put in place to mitigate the risk
- All accountable persons, particularly financial institutions, to test their compliance systems to ensure that they are commensurate to the risks faced and the size of the business (supervisors to check compliance)
- All accountable persons to have programs to vet their staff for integrity, checked by their respective supervisors
- Recommendations related to legal framework: The proposed amendments to the AML Law should be passed swiftly.

- Enacting asset forfeiture laws e.g. the non-conviction asset forfeiture laws.
- Regulations to implement section 112 AMLA (Disposal of confiscated property) need to be issued.
- Uganda should revise its legislation (i.e. Extradition Act) to cover the TF offence and make it an extraditable offence
- Fast tracking the amendment of the Act Insurance Act and regulations to provide for supervision of AML/CFT that is being reviewed by the Finance committee of the parliament

Remarks:

- Budgetary issues
- Delays in the legislative process
- Delayed enactment
- Sensitization and awareness by the stakeholders
- Political commitment required

Priority ranking: High

Time frame:

VULNERABILITY: Uganda's economy is highly cash based

Key Action: Promote the use of electronic payment options and encourage the use of formal financial institutions

Primary Agency: BOU

Secondary Agencies: Ministry of Finance, Planning and Economic Development, FIA

Detailed Action:

- Enact the payment systems policy and the payment systems law.
- Sensitization on the negatives of a cash based economy through community sensitizations, talk shows etc.
- Funding and support to electronic payment systems innovations.
- Encourage the use of financial inclusion products
- Consider introducing limitations to the use of cash

Remarks: Nil

Priority ranking: High

Time frame:

VULNERABILITY: Resource constraints

Key Action: Strengthen capacity and resource allocation to FIA and LEAs

Primary Agency: Ministry of Finance, Planning & Economic Development

Secondary Agencies: Financial Intelligence Authority, Police, URA, IGG., Development Partners, Ministry of Ethics and Integrity, Law reform commission and JLOs

Detailed Action:

- Increase budget allocations to the FIA and LEAs to support NRA Action Plan implementation
- Address human resource capacity gaps at FIA and LEA by retooling and reskilling of them.
- Law enforcement, particularly police investigators, and DPP should be capacitated in terms of resources and training to deal with ML/TF cases and be able to conduct parallel financial investigations in every investigation that involves proceeds of crime or terrorism
- Build capacity within investigators and prosecution for the offences of ML/TF to be better appreciated, including maintaining close monitoring and capturing of statistics of the cases
- LEAs should adopt a deliberate policy of undertaking parallel financial investigations with a view to tracing, seizing and confiscating proceeds of crime
- The authorities should properly retain a data base/statistics of all cases reported, investigated and prosecuted

Remarks: Nil

Priority ranking: High

Time frame:

VULNERABILITY: Ineffectiveness of supervision activities

Key Action: All authorities in charge of AML/CFT supervision will introduce AML/CFT off-site and onsite supervision adopting a risk-based approach (allocation of resources and target accountable persons deemed as posing a higher ML/TF risk).

Primary Agency: FIA

Secondary Agencies: Ministry of Justice & Constitutional Affairs (FPC), Supervisory Regulatory Bodies, FIA & all Primary Regulators.

Detailed Action:

- Supervisory Authorities and the FIA should develop appropriate supervisory programs, ML/TF risk-based to facilitate AML/CFT compliance monitoring.
- Increase resource allocation to improve oversight and the AML supervision process where there higher risks
- Conduct AML specific inspections using a risk based approach
- Train staff in AML supervision
- The AML/CFT supervision and oversight activities by the FIA should be strengthened
- Facilitating the supervisory and regulatory entities with enough resources to carry out their duties

Remarks:

- Requires urgent attention. See the Anti Money Laundering (Amendment) Bill 2016
- Training in use of these tools is also required

See regulation 43 (AML Regulations, 2015) on independent audit

Priority ranking: High

Time frame:

VULNERABILITY: Inadequate record keeping across the spectrum of sectors

Key Action: Ensure records of identity, source and application are kept for all financial or other value transactions, whether electronic or paper.

Primary Agency: SRB's

Secondary Agencies: UPF, IGG, URA, FIA, Judiciary

Detailed Action:

Remarks: NIL

Priority ranking: High

Time frame: Immediate

VULNERABILITY: Lack of parallel AML/Financial investigation

Key Action:

Primary Agency: IGG

Secondary Agencies:

UPF, IGG, URA, FIA, Judiciary, BOU, Other LEAs, Intelligence Agencies

Detailed Action:

- Training on AML and financial investigation
- Compulsory concurrent AML/FIN investigations when investigating other.

Remarks: NIL

Priority ranking: High

Time frame: Immediate

VULNERABILITY: STR Data Analysis is inefficient

Key Action: Improve the efficiency of STR data analysis.

Primary Agency: FIA

Secondary Agencies: FIA.

Detailed Action:

- Improve on the accessibility of databases by FIA
- Further training to the analysts at FIA.
- If the number is limited, consider hiring new analysts.
- Training/guidance to reporting institutions.
- Supervision of STR systems and practices of reporting institutions.
- STR analysis: suspicious transactions should be reported by secure electronic means
- Analysis of STRs should be prioritized based on risk

Remarks:

- Identify potential training material and sources.
- Fast tracking international cooperation mechanisms.

Priority ranking: High

Time frame:

VULNERABILITY: Challenges of Integrity and independence of Financial Crime Investigators/ Asset forfeiture investigators, Law Enforcement Agencies and the judiciary

Key Action: Improve the remuneration and welfare of the mentioned bodies.

Primary Agency: Uganda Police Force

Secondary Agencies: IGG, URA

Detailed Action:

- Increase the salaries and or allowances of Financial Crime Investigators.
- Fast tracking of Code of Conduct for Police officers
- Re-tooling the Professional Standards Unit(PSU)
- Fast track police rectification campaign and community policing
- Sensitization about the need for integrity through activities like service training to breed patriotism amongst staff.
- Enforce tough actions both administrative and Criminal against the errant officers.
- Fast tracking of Judiciary Administration Bill,
- Improve remuneration of the Judges and Magistrates,
- Improving Capacity of Judicial Service Commission,
- Enforcement of Code Of Ethics and Sentencing Guidelines
- Improve the remuneration of the Prosecutors.
- Enforce tough sanctions both administrative and criminal and against the culpable officers.

Remarks:

- Likely controversy of only increasing Financial Crime investigators salary without the entire Police Force which necessitates huge budgetary resources

Priority ranking: High

Time frame:

VULNERABILITY: Weaknesses in border controls

Key Action: Enhancing security and manpower capability at border points

Primary Agency: URA

Secondary Agencies: FIA, IMMIGRATION, and other security agencies.

Detailed Action:

- Sensitize stakeholders on form C and D
- Improve resource allocation to handle the drive and implementation of the forms.
- Increase number of scanners at border points
- Utilize cash dogs for the detection of cash at border points
- Training border officers in charge of the forms in AML and CFT
- Raising awareness on cash declaration forms
- Controls at the border entry points should be strengthened to minimize the risk of smuggling and disguising origin of gold and precious stones

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Weaknesses in customs controls in cash and similar instruments

Key Action: Further manage and administer the Cash transfer forms by placing them at all points of entry.

Primary Agency: URA

Secondary Agencies: FIA, IMMIGRATION, and other security agencies.

Detailed Action:

- Sensitize stakeholders on form C and D
- Improve resource allocation to handle the drive and implementation of the forms.
- Increase number of scanners at border points
- Training border officers in charge of the forms in AML and CFT
- Raising awareness on cash declaration forms
- Controls at the border entry points should be strengthened to minimize the risk of smuggling and disguising origin of gold and precious stones

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Need for improved domestic cooperation

Key Action: Need for a legal framework for the cooperation amongst various agencies

Primary Agency: FIA

Secondary Agencies: POLICE, URA, IMMIGRATION, DPP, IGG, OAG, MINISTRY ETHICS AND INTERGRITY

Detailed Action:

- Formulate MOUs and laws to enhance legal framework for the cooperation amongst various agencies

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Need for improved international cooperation

Key Action: Enactment of the Mutual Legal Assistance Law. Fast tracking of FIA admission to EGMONT Group of FIU's. More bilateral, regional and International cooperation agreements.

Primary Agency: MINISTRY OF JUSTICE

Secondary Agencies: URA, FOREIGN AFFAIRS, UGANDA POLICE FORCE

Detailed Action:

- Enactment of the Mutual Legal Assistance Law. Fast tracking of FIA admission to EGMONT Group of FIU's. More bilateral, regional and International cooperation agreements.
- Establishment of a central authority for International Cooperation.
- The DPP's office which currently fulfils the de facto role of coordinating MLA requests should improve its domestic coordination of MLA requests by domestic counterparts, data management systems and maintain readily accessible statistics, information on subject matter of requests, turn-around times and prioritization of the requests

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Inadequacy of audits

Key Action: Establishing a legal framework to improve the audit requirements for SMEs

Primary Agency: Ministry of Finance, Planning and Economic Development

Secondary Agencies: OAG, ICPAU, URA, Business associations, URBS, BOU, Commercial Banks

Detailed Action:

- Need for legal framework to improve the audit requirements for SMEs and improved follow up mechanism on filing of audited accounts.
- Stakeholders should devise a mechanism to ensure that all registered private companies file audited accounts.

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Inadequate beneficial ownership requirements

Key Action: Amendment of laws to require compulsory disclosure of beneficial ownership.

Primary Agency: Ministry of Finance, Planning and Economic Development

Secondary Agencies: Ministry of Justice, URSB

Detailed Action:

- Need for formalization of the economy to promote further financial inclusion and integrity.
- Amendment of laws to require compulsory disclosure of beneficial owners.
- Uganda should require all trusts to be registered
- Uganda should consider making it a legal requirement for companies and trusts to record and maintain beneficial ownership information or to file such information with the companies' registry at the time of registering the reporting entity (over and above legal ownership/shareholder information currently required under the Companies Act)
- The authorities should ensure that company information filed with the URSB is kept up to date and accurate. In this regard, authorities should effectively sanction companies that do not regularly update information with the URSB as required under the Companies Act
- Authorities are advised to ensure that information in the companies' registry is fully computerized and to consider making such information accessible online, and not just to competent authorities

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Inadequate tax enforcement in the informal sector

Key Action: Benchmarking to find out how other countries have handled the informal sector.

Primary Agency: Ministry of Finance, Planning and Economic Development

Secondary Agencies: URA, KCCA, URSB AND OTHER LOCAL GOVERNMENTS

Detailed Action:

- Giving the informal sector guidelines of operation

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Unavailability of Independent Information Sources

Key Action: Key stakeholders should agree on key transactional information required by clients to be shared on an IT platform

Primary Agency: Ministry of Finance, Planning and Economic Development

Secondary Agencies: URA, KCCA, URSB AND OTHER LOCAL GOVERNMENTS

Detailed Action:

- Information to be made readily available by operationalizing databases.

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Unreliable identification infrastructure

Key Action: Continuously updating and streamlining the identification databases.

Primary Agency: NIRA

Secondary Agencies: OPM, MIA

Detailed Action:

- Issuance of national IDs country-wide, Organize public awareness campaigns on the need to have national IDs.
- Share access protocols to the NI registry in order to ease authentication and verification
Information to be made readily available by operationalizing databases.

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Unavailability of reliable beneficial ownership data.

Key Action: Carrying out back ground checks on individuals before registration.

Primary Agency: URSB

Secondary Agencies: FIA, IMMIGRATION, and other security agencies.

Detailed Action:

- Amendment of the AMLA 2013 to clearly define beneficial ownership.
- Background security checks on ownership should be carried out.
- URSB should have a mechanism of identifying beneficial owners.

Remarks: NIL

Priority ranking: High

Time frame:

VULNERABILITY: Limited awareness about AML

Key Action: Develop a national AML awareness and communication strategy

Primary Agency: FIA

Secondary Agencies: All regulators

Detailed Action:

- FIA to develop a communication strategy
- FIA to hold targeted awareness workshops including primary regulators.

Remarks: NIL

Priority ranking: Medium

Time frame:**SECTION B: SECTORAL ACTION PLANS****SECTOR:** BANKING SECTOR

VULNERABILITY: Automatic STR monitoring system

Key Action: Acquisition of automated systems to flag all suspicious transactions among other aspects.

Primary Agency: FIA

Secondary Agency: MOFPED and BOU

Detailed action:

- Banks should expedite implementation of the bank of Uganda directive on automating transaction monitoring systems issued in 2013 to enhance identification of unusual transactions.
- FIA should put in place an automated system for suspicious transactions/activity reporting to facilitate timely reporting and minimize risks of banks using courier to deliver suspicious activity reports to the FIA
- The BoU will test the effectiveness of the AML/CFT supervision, implement the AML/CFT procedure manual and should also consider adopting the AML/CFT risk based supervision as a separate procedure compared to the current approach which incorporates the ML risk assessment as a component of the Operational risk
- Banks should make arrangements to improve the existing AML monitoring system or mechanism where they are in a position to perform effective customer screening and other advanced monitoring methodologies and unusual transaction identification. This system should be a dedicated system for AML monitoring and it should improve the efficiency and effectiveness of the compliance function of the bank. Furthermore, it should minimize the manual intervention so that it will reduce the reliance and dependence on the compliance staff
- Banks will implement measures to ensure that Beneficial Ownership information are obtained and where such beneficial owners are high risk clients such as PEPs, enhanced CDD measures are applied

Remarks:

Priority ranking: High

Time frame

SECTOR: INSURANCE SECTOR

VULNERABILITY: Weak compliance function

Key Action: Strengthening the compliance function

Primary Agency: Insurance firms

Secondary Agency: IRA

Detailed action:

- IRA needs to strengthen the compliance function among insurance companies and brokers, through supervision and reaching out to insurance firms.
- Compliance officers of insurance firms need to be trained

Remarks:

Priority ranking: High

Time frame

VULNERABILITY: Inadequate monitoring and reporting of suspicious transactions

Key Action: Strengthening IRA's monitoring tools

Primary Agency: FIA

Secondary Agency: IRA

Detailed action:

- Strengthen the IRA's monitoring tools including on-site and off-site inspections i.e. licensing

Remarks: Nil

Priority ranking: Medium

Time frame

VULNERABILITY: Inadequate client screening mechanisms

Key Action: Improve the screening mechanisms

Primary Agency: Uganda Investment Authority (UIA)

Secondary Agency: UIA / FIA

Detailed action:

- Carry out a screening process of all the politically exposed persons(PEP) and other high risk clients

Remarks: Nil

Priority ranking: Medium

Time frame

SECTOR: SECURITIES SECTOR

VULNERABILITY: Insufficient evidence on licensed applicant's capital

Key Action: New applicants and existing licenses be required to submit evidence of sources of funds for new capital calls

Primary Agency: CMA

Secondary Agency: Ministry of Finance, Planning and Economic Development

Detailed action:

- Amendment of license applications matrices to include requirement of sources of funds, issuing of regulatory notice.

Remarks:

Priority ranking: Medium

Time frame

SECTOR: OTHER FINANCIAL INSTITUTIONS

VULNERABILITY: Illegal/unlicensed operators in the foreign exchange market

Key Action: Need for stricter enforcement and regulation of illegal operators

Primary Agency: BOU

Secondary Agency: FIA and other security agencies.

Detailed action:

- Set up a joint task force to address and combat against illegal operators

Remarks:

Priority ranking: High

Time frame

VULNERABILITY: Weak compliance function in most OFIs

Key Action: Need to strengthen compliance functions in OFIs

Primary Agency: FIA

Secondary Agency: BOU/AMFIU/Microfinance Regulatory Authority

Detailed action:

- Training and capacity building in AML/TF and suspicious activity monitoring and reporting
- Improve suspicious activity monitoring and reporting
- Supervision of STR systems and practices of reporting institutions.

Remarks:

Priority ranking: High

Time frame

VULNERABILITY: There is no oversight/supervision for some sectors - money lending, SACCOs and non-deposit taking MFIS

Key Action: To expedite the implementation of the Tier 4 Microfinance Institutions & Money

Lenders' Act, 2016

Primary Agency: Ministry of Finance, Planning and Economic Development

Secondary Agency: FIA

Detailed action:

- Establish the Microfinance Regulatory Authority
- Develop Regulations for the Tier Microfinance Institutions and Money Lenders Act
- Operationalize the legal provisions on entry controls, vetting and other reporting.

Remarks:

Priority ranking: High

Time frame

VULNERABILITY: Gaps in the legal framework

Key Action: Initiate amendments in laws

Primary Agency: Ministry of Justice (FPC)

Secondary Agency: OFIs, all primary regulators.

Detailed action:

- FIA to explore standard systems for deployment across the sub sectors
- Primary Regulators to emphasize the importance of automated monitoring of suspicious activity
- OFIs to commit resources to MIS systems
- **Remarks:**

Priority ranking: Medium

Time frame

VULNERABILITY: Lack of resources for automation in most OFIs

Key Action: Encourage the use of automated systems to flag all suspicious transactions among other aspects

Primary Agency: FIA

Secondary Agency: BOU, MOFPED, FIA

Detailed action:

- FIA to initiate other legal amendments to explicitly provide for AML supervision
- MOFPED to expedite the amendment of the Foreign Exchange Act, 2004 and the Regulations thereunder

Remarks:

Priority ranking: Medium

Time frame

SECTOR: FINANCIAL INCLUSION

VULNERABILITY: Weak regulatory framework for mobile money services

Key Action: Strengthen the mobile money regulatory framework

Primary Agency: Bank of Uganda

Secondary Agency: Uganda Communications Commission, Financial Intelligence Authority

Detailed action:

- Enact Law/Regulations to regulate mobile money services and the respective service providers. And source action plans from participant financial institutions

Remarks:

Priority ranking: High

Time frame

VULNERABILITY: There is no oversight/supervision for some providers of FI products - money lending, SACCOs and non-deposit taking MFIs, Payments Service Providers

Key Action: Implementation of the Payments' Policy/ and introduction of the Payments Act

Primary Agency: MOFPED

Secondary Agency: BOU

Detailed action:

- Establish the Microfinance Regulatory Authority.
- Enact the Payments Act and the related regulations.

Remarks: Political commitment required

Priority ranking: High

Time frame

SECTOR: DNFBP

DNFBP (GENERAL)

VULNERABILITY: Ineffectiveness of compliance functions

Key Action: Establish AML compliance programs that are commensurate to the level of risks in the sector.

Primary Agency: FIA

Secondary Agency: DNFBP Supervisory Regulatory Bodies

Detailed action:

- DNFBPs should establish of effective internal compliance programs and develop systems to:
 - (a) Facilitate the monitoring of client transactions and comparing them against client profiles;
 - (b) Maintaining transactional records in a format that facilitates AML screening and monitoring;
 - (c) Performing effective PEP screening;
 - (d) Effectively identifying and recording all complex, unusual and large transactions;
 - (e) Effectively identifying and reporting suspicious transactions
- DNFBPs should be encouraged to develop whistleblower policies and internal policies and procedures to safeguard staff integrity
- AML/CFT compliance manuals should be developed and staff screening should be conducted by all firms
- DNFBPs should implement processes to review, on a regular basis, compliance with AML/CFT requirements
- Enact Law/Regulations to regulate mobile money services and the respective service providers. And source action plans from participant financial institutions

Remarks: Requires urgent attention

Priority ranking: High

Time frame

VULNERABILITY: AML Knowledge of Business/Professional Staff

Key Action: FIA should work closely with Supervisory Regulatory Bodies (SRB) to enhance their understanding of AML/CFT obligations and ML/FT risks

Primary Agency: FIA

Secondary Agency: DNFBP Supervisory Regulatory Bodies

Detailed action:

- The FIA and SRBs should conduct training and awareness programs to enhance knowledge of AML/CFT requirements (including KYC, CDD and identification and reporting of suspicious transactions) by DNFBPs
- Detailed ML/FT risk assessments should be conducted by each DNFBP to enhance understanding of ML risks and typologies in the sector
- The FIA should develop detailed risk-based guidance to support DNFBPs in assessing and mitigating their ML/FT risks

Remarks:

- Detailed sector-based program should be developed
- Supports by AML supervision
- Guidance can be utilized in training activities

Priority ranking: High

Time frame

VULNERABILITY: Poor entry controls in some DNFBP sectors

Key Action: Entry controls into the DNFBP sector should be enhanced

Primary Agency: DNFBP Supervisory Regulatory Bodies

Secondary Agency: Financial Intelligence Authority, Ministry of Finance, Planning & Economic Development.

Detailed action:

- Retailers of precious metals and stones who operate as jewelers and run jewelry shops should be subject to regulation by the DGSM
- Introduce checks on the source of wealth/funds for owners (including beneficial owners) of casinos, as part of the licensing process and in the case of significant changes of ownership in a casinos
- Legal framework should be enhanced to empower competent authorities to undertake regulatory measures to prevent criminals and their associates from holding significant/controlling interest in casinos
- The SRBs should strictly implement licensing requirements across the country and conduct fit and proper tests of owners and manager of DNFBP entities
- The NGO Bureau should put in place measures to ensure greater accountability and transparency in the use of funds received by different NGOs

Remarks: Nil

Priority ranking: Medium

Time frame

DNFBP: REAL ESTATE

VULNERABILITY: Unregulated nature of the real estate sector with over 1,000 unregistered and unregulated real estate agents.

Key Action: FIA and MLHUD should put in place an effective AML regulatory framework to minimize the risk of money laundering through this sector.

Primary Agency: Ministry of Justice & Constitutional Affairs (FPC)

Secondary Agency: Ministry of Lands Housing and Urban Development, FIA

Detailed action:

- The enactment of the real estate agents law should be expedited to provide for registration, supervision and regulation of players in this sector
- Criteria should be set for issuing occupational licenses to real estate agents (including probity and fitness requirements)
- An authority should be created to oversee and provide day-to-day regulation of real estate agents

- MLHUD should build a comprehensive central registry for real estate transactions and beneficial owners identification
- A framework and systems should be developed to ensure access to timely and reliable information on real estate transactions and money transfers

Remarks: A process of computerization of the land registry is underway

Priority ranking: High

Time frame

DNFBP: DEALERS IN PRECIOUS STONES AND METALS

VULNERABILITY: Proximity to countries with illegal trafficking of gold and other precious metals

Key Action: Greater efforts need to be put in place to control illegal trafficking of gold and other precious stones

Primary Agency: Department of Geological Surveys and Mines & Uganda Revenue Authority

Secondary Agency: FIA

Detailed action:

- Uganda should become a member of the Kimberly process certification scheme
- Strengthen the process of certification of the origin of gold extracted from the region

Remarks: The KPCS imposes extensive requirements to certify shipments of rough diamonds as 'conflict-free'

Priority ranking: High

Time frame

DNFBP: LAWYERS

VULNERABILITY: Inherent risks in some of the services provided by lawyers

Key Action: Risk-based supervision of lawyers should be emphasized with strong focus on high-risk services

Primary Agency: Uganda Law Council

Secondary Agency: FIA

Detailed action:

- Consider the scope of legal privilege and determine if it is a hindrance to the effective implementation of AML/CFT requirements
- LC should undertake a risk assessment of the services provided by lawyers
- ULC to implement measures & policies to address the high risk services (real estate transactions; managing client money/assets and bank accounts; creation, operation, management & organization of legal persons; and companies or business entities)
- ULC should enforce requirements for lawyers to hold clients' funds in specific client's accounts
- ULC needs to maintain statistics on size and volume of transactions should be maintained
- Strengthen regulation of nominee services by lawyers

Remarks: Support from the Uganda Law Society

Priority ranking: Medium

Time frame

DNFBP: CASINOS

VULNERABILITY: Inadequate licensing and regulation of casinos

Key Action: NLB should strengthen and enforce the licensing and regulation of the casino sector

Primary Agency: National Lotteries and Gaming Regulatory Board

Secondary Agency: FIA & MOFPED

Detailed action:

- NLB should classify the type of licenses issued to casinos based on the size and nature of activities of the casinos
- Minimum requirements should be set by the NLB for gaming operators to put in place before licenses are issued e.g. number of slot machines and gambling tables
- NLB should operationalize the national central electronic monitoring system (required by Sec 61 of the Gaming and Lotteries Act 2015) to enable easier analysis of activities of casinos

- Regulations to operationalize sections 43(3)(i) and 70(2)(1)&(j) on establishing and recording identity of users of casinos and gaming facilities should be urgently finalized
- Create a task force between NLB and police to tackle illegal Casinos

Remarks: NIL

Priority ranking: Medium

Time frame

DNFBP: NGO

VULNERABILITY: The NGOs are inadequately regulated

Key Action: NGO Bureau should strengthen and enforce the licensing and regulation of the NGO sector

Primary Agency: NGO Bureau

Secondary Agency: FIA

Detailed action:

- Create a task force comprised of the NGO Board and police to tackle illegal NGOs
- Authorities should apply a risk-based approach for AML regulation of NGOs
- NGO Bureau should raise awareness of facilitate the awareness terrorist financing risks in NGOs
- NGO Bureau needs to build capacity to analyze the annual returns obtained from NGOs in order to obtain statistics to support this assessment
- The country should no longer designate NGOs as DNFBPs (which is not an FATF requirement)

Remarks: NIL

Priority ranking: Medium

Time frame

(Footnotes)

1. <http://www.ulii.org/ug/judgment/high-court-criminal-division/2013/26-0>
2. <http://www.ulii.org/ug/judgment/high-court-international-crimes-division/2014/1>
3. *However, there exists an Association of Real Estate Agents whose membership is optional.*
4. *Customary land is governed by unwritten customary laws and practices.*
5. *This is the max policy limit for a group of farmers. Not individual Limits.*
6. *Mandatory weekly savings for a customer.*

