

# Anti-money laundering and counter-terrorist financing measures

Uganda

2<sup>nd</sup> Enhanced Follow Up Report and  
Technical Compliance Re-Rating

Follow-Up Report

September 2018





The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU). As at the date of this Report, ESAAMLG membership comprises of 18 countries and also includes a number of regional and international observers such as AUSTRAC, COMESA, Commonwealth Secretariat, East African Community, Egmont Group of Financial Intelligence Units, FATF, GIZ, IMF, SADC, United Kingdom, United Nations, UNODC, United States of America, World Bank and World Customs Organization.

ESAAMLG's members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism and proliferation, in particular the FATF Recommendations.

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**This report was adopted by the ESAAMLG Task Force of Senior Officials and approved by the Council of Ministers in September 2018.**

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Contents

|   |    |
|---|----|
| <b>I. BRIEF BACKGROUND INFORMATION</b> .....  | 4  |
| <b>II. DETAILED ANALYSIS OF PROGRESS</b> .....  | 5  |
| Recommendation 1- Assessing Risks and applying a Risk-Based Approach.....                         | 5  |
| Recommendation 3 - Money laundering offence.....  | 6  |
| Recommendation 5 - Terrorist financing offence.....   | 6  |
| Recommendation 6 - Targeted Financial Sanctions Related to Terrorism and Terrorist Financing..... | 7  |
| Recommendation 10 - Customer due diligence.....   | 8  |
| Recommendation 11 – Record Keeping.....   | 9  |
| Recommendation 12 – Politically Exposed Persons.....  | 10 |
| Recommendation 15 – New Technologies .....  | 10 |
| Recommendation 16 – Wire transfers.....   | 11 |
| Recommendation 17 – Reliance on Third Parties.....  | 12 |
| Recommendation 18 – Internal controls and foreign branches and subsidiaries.....                  | 13 |
| Recommendation 19 – Higher-risk countries.....  | 13 |
| Recommendation 20 – Reporting of suspicious transaction.....                                      | 14 |
| Recommendation 26 – Regulation and supervision of financial institutions .....                    | 15 |
| Recommendation 27 – Powers of supervisors.....  | 15 |
| Recommendation 29 – Financial intelligence units.....   | 16 |
| <b>III. CONCLUSION</b> .....  | 17 |

## UGANDA: 2<sup>nd</sup> ENHANCED FOLLOW-UP REPORT

### I. BRIEF BACKGROUND INFORMATION

1. The ESAAMLG evaluated the anti-money laundering and combating the financing of terrorism and proliferation financing (AML/CFT) regime of the Republic of Uganda under its Second Round of Mutual Evaluations from 15-26 June 2015. The Mutual Evaluation Report (MER) was adopted by the ESAAMLG Council of Ministers in May 2016.
2. According to the MER, 35 out of the 40 Recommendations were rated PC and NC representing 88% for Technical Compliance and 11 out of the 11 Immediate Outcomes were levelled Low for Effectiveness representing 100%. Details of the ratings and leveling are provided in the Tables below:

**TABLE 1: Recommendations rated NC & PC**

|  |
|--|
| <b>Rated NC</b>  |
| R1, R5, R6, R7, R8, R11, R12, R15, R16, R17, R18, R19, R20, R24, R25, R26, R27, R28, R32, R33, R39 |
| <b>Rated PC</b>  |
| R2, R3, R10, R14, R22, R23, R29, R30, R31, R34, R35, R37, R38, R40                                 |

**TABLE 2: Immediate Outcome levelled Low**

|   |
|---|
| IO1, IO2, IO3, IO4, IO5, IO6, IO7, IO8, IO9, IO10, IO11 |
|---|

3. In view of the above ratings, Uganda was placed under enhanced follow up.
4. In accordance with ESAAMLG's Second Round Mutual Evaluation Procedures and the Terms of Reference (as approved by the Council of Ministers in September 2014), Review Group B has analyzed the progress made by Uganda for recommendations which the country has requested technical compliance re-ratings (Recommendations 1, 3, 5, 6, 10,11,12,15,16,17,18,19,20,26, 27 and 29) using the information provided by Uganda in its progress report of May 2018.<sup>1</sup>

<sup>1</sup> Overall, the expectation is that countries will have addressed most if not all technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Uganda has made to improve its effectiveness. Progress

5. The assessment of Uganda's request for technical compliance re-ratings and the preparation of this report were undertaken by the following experts:

- James Manyonge (Kenya)
- Chanda Lubasi Punabantu (Zambia)
- Andrew Nkunika (Zambia)
- Fiona Waye- Hive (Seychelles)
- Fred Mwachi (Kenya)
- Kennedy Mwai (Kenya)
- Paulo Munguambe (Mozambique)

6. The following is the brief analysis made on the report:

## II. DETAILED ANALYSIS OF PROGRESS

### 2.1 Recommendation 1- Assessing Risks and applying a Risk-Based Approach (Originally rated NC – re-rated PC)

7. The Assessors recommended that Uganda should undertake a risk assessment to identify its ML/TF risks at national or sectoral level. The institutions should be capacitated to coordinate and assess ML/TF risks. Allocation of resources should also be based on an understanding of the ML/TF risks identified. In addition, there should be a requirement for financial institutions and DNFBPs to carry out ML/TF risk assessment, develop and implement measures to mitigate and manage the identified risks.

8. Uganda conducted its NRA exercise and involved the various AML/CFT stakeholders. The NRA was approved by the Cabinet and published for stakeholders to use. However, it was not determined how other actions such as allocation of resources based on the identified ML/TF risks could be done. With respect to the requirement for reporting institutions to assess ML/TF risks, the AMLA has been amended to address this deficiency (S. 6A of AMLA). In addition, Regulation 8 of the Anti-money Laundering Regulations, 2015 requires all accountable persons to conduct anti-money laundering and terrorism financing risk assessments on a regular basis to enable the accountable person to identify, assess, monitor, manage and mitigate the risks associated with money laundering and terrorism financing, taking into account all relevant risk factors.

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on improving effectiveness will be analysed as part of a later follow-up assessment and, if found to be sufficient, may result in re-ratings of Immediate Outcomes at that time.

### *Weighting and Conclusion*

9. Uganda has addressed c.1.1, 1.2, 1.10 and c.1.11. Since the NRA has just been finalized, it is not possible to assess c.1.3 which requires the risk assessment to be kept up-to-date though the authorities indicated that they would update the NRA on a three year basis. C.1.4-9 requires Authorities to take action based on the NRA findings. So far, they have not demonstrated that such actions have been taken and therefore our conclusion is that these criteria have not been addressed. On the other hand, criteria 1.6, 1.8 and 1.12 are conditional on the decisions of the Authorities. **Uganda is re-rated Partially-Compliant with R. 1.**

### **2.2 Recommendation 3 - Money laundering offence (Originally rated PC – re-rated C)**

10. The MER found that the AMLA has two sections which criminalize the same offence of ML but both have a different standard of proof. In addition, the Assessors recommended that, in order to fully meet criterion 3.2, the predicate offence of illicit trafficking in narcotic and psychotropic substances should be criminalized.
11. The two sections of the AMLA have now been streamlined such that s.3 of AMLA criminalizes ML while s.116 creates an offence. On the second point, S. 4 of the Narcotic Drugs and Psychotropic Substances (Control) Act, 2016 criminalizes drug trafficking and violation of the section is an offence.

### *Weighting and Conclusion*

12. Uganda has addressed all the deficiencies identified in the MER. **Uganda is re-rated Compliant with R. 3.**

### **2.3 Recommendation 5 - Terrorist financing offence (Originally rated PC – re-rated LC)**

13. The Assessors recommended that the scope of the TF offence should criminalise the three elements of a terrorist act, individual terrorist and terrorist organisation. Two of the treaties which are annexes to the Suppression of the Terrorism Convention should be domesticated in Uganda. Participation as an accomplice in a TF offence or attempted offence and contributing to the

commission of one or more TF offences or attempted offences committed by a group of persons acting with a common purpose should be criminalised in Uganda. In addition, criminal sanctions under the TF offence should cover legal persons.

14. S 9A of the Anti-Terrorism Act (ATA) criminalizes provision of funds to a terrorist or terrorist organization (c.5.2). The newly introduced s. 9A (1(c)) of ATA criminalizes TF in accordance with the SFT convention. The amended ss 7 and 9A(3) include acts of attempting, participating in, organizing, directing, or contributing to a terrorism financing offence as part of definition of and ancillary offences to TF (c.5.1 and 5.8). On the basis of the Interpretation Act, a person includes a legal person and s 3 states a penalty provision in terms of imposition of fines which addresses the deficiency.

#### *Weighting and Conclusion*

15. Uganda has addressed c. 5.2, 5.7 and 5.8. The country has addressed all the deficiencies. **Uganda is re-rated Compliant with R. 5.**

#### **2.4 Recommendation 6 - Targeted Financial Sanctions Related to Terrorism and Terrorist Financing (Originally rated NC – re-rated C)**

16. The Assessors recommended that Uganda should put in place a legal framework to enable implementation of targeted financial sanctions relating to terrorism and terrorist financing.
17. The ATA, 2002 (as amended) provides Uganda with a legal basis to issue the implementing regulations necessary to fulfil its obligations under United Nations Security Council Resolutions 1267 and 1373 (s.17a, s.32A). The authorities issued new anti-terrorism Regulations in December 2015. The authorities have reviewed the UNSCRs Regulations in 2016 and 2017 to bring them into line with the requirements under the UNSCRs 1373 and 1267. The amendments to the Regulations sufficiently addressed the deficiencies. As discussed under R.5, the 2017 amendments of the ATA also include individual terrorists and therefore the 2016 Regulations extend to apply to such persons.

#### *Weighting and Conclusion*

18. Uganda has addressed all the deficiencies identified in the MER. **Uganda is re-rated Compliant with R. 6.**

## **2.5 Recommendation 10 - Customer due diligence (*Originally rated PC – No re-rating*)**

19. Under its Second Round MER, Uganda was rated Partially-Compliant with the requirements of this Recommendation. The major deficiency was that 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. No legal provisions are also provided permitting financial institutions not to pursue the CDD process where a suspicion of ML/TF exists or where they reasonably believe that performing the CDD process will tip off the client, but rather requiring the financial institution to file an STR. There is no legal provision to deal with CDD for the beneficiaries of life insurance policies. In addition, there is no explicit requirement for financial institutions to understand the intended nature and purpose of the business relationship. Further, there is no explicit provision requiring the financial institution to identify the address of registered office and if different, a principal place of business. There is no requirement for financial institutions to take into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained. There is no requirement for financial institutions or the country to perform an adequate analysis of the risks. There is also no prohibition to apply simplified CDD measures whenever there is suspicion of ML/TF, or where specific high risk scenarios apply.
20. The definition of 'beneficial owner' is now in line with the FATF standards. AMLA has the general principles on CDD and that the FATF standards permit that specific requirements may be set out in 'enforceable means'. The Anti-Money Laundering Regulations issued in December 2015, under Regulation 26 of the Anti-Money Laundering Regulations 2015 makes provision for the identification of beneficiaries in life insurance related business. Regulation 13 (d) of the AML Regulations lists obtaining information about the nature and purpose of a business relationship as one of the purposes of conducting due diligence. Regulation 44 makes it a requirement for accountable persons to understand the nature and purpose of business for clients from High Risk countries. Regulations 21 and 22 require the FIs to identify the address of registered office and if different, a principal place of business. S.6 (16) of AML

(Amendment) Act 2017 requires FIs to take into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained. In terms of Regulation 15 (5) of the AMLA Regulations, simplified CDD measure does not apply to cases involving suspicions of money laundering or terrorism financing. Regulation 15(2) of AML Regulations 2015 requires reporting institutions to carry out enhanced CDD measures whenever there is high risk.

#### *Weighting and Conclusion*

21. Uganda has addressed deficiencies relating to C.10.5, 10.6, 10.13, 10.14, 10.17 and 10.18 but has not adequately addressed C.10.7, 10.10 and 10.15. Given the importance of the remaining deficiencies, there is no rerating for Recommendation 10.

#### **2.6 Recommendation 11 – Record Keeping (*Originally rated NC – rerated C*)**

22. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that only records relating to reportable transactions are required to be kept for the purpose of enabling reconstruction of transactions, not information relating to all transactions. There is no legal requirement to keep record of occasional transactions and any analysis conducted as part of CDD measures applied. Financial institutions are required in terms of s. 7(c) of the AMLA to keep all records obtained on customer identification, account files and business correspondence for at least 5 years after termination of the account until as determined by the Minister. No such determination has however been made.

23. S.7 (1) (b) to (d) of the AMLA Amendment Act, 2017 requires accountable persons to establish and maintain all books and records relating to all transactions including on business correspondence and results of any analysis undertaken. S.7 (2)(a) and (b) of the same act requires records to be kept include any analysis that are conducted, and one-off transactions. While S.7 (3) of the Act requires records to be kept for a period of ten years. Regulations 28(1) and 42(2) AML Regulations 2015 also envisages details of records that must be kept.

#### *Weighting and Conclusion*

24. Uganda has addressed all the deficiencies identified in the MER. **Uganda is re-rated Compliant with R. 11.**

**2.7 Recommendation 12 – Politically Exposed Persons (*Originally rated NC – rerated PC*)**

25. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that 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. No enhanced on-going monitoring is required. The measures provided in relation to PEPs do not extend to beneficial owners of the PEPs as well as insurance policies beneficiaries.

26. Regulation 26(2) requires accountable persons to take reasonable measures to determine whether the beneficiary of an insurance policy is a PEP. Though there is a legal or regulatory requirement in relation to an obligation to apply enhanced ongoing monitoring of the business relationship and obtain the approval of senior management before establishing or continuing a business relationship with foreign PEPs, there are no similar requirements on domestic PEPs.

*Weighting and Conclusion*

27. Uganda has addressed c.12. 4 but c.12.1-3 is outstanding in view of applying enhanced ongoing monitoring of the business relationship and obtain the approval of senior management before establishing or continuing a business relationship with domestic PEPs. **Uganda is re-rated Partially Compliant with R. 12.**

**2.8 Recommendation 15 – New Technologies (*Originally rated NC – rerated PC*)**

28. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that the Ugandan legal framework does not provide for ML/TF risks from new technologies. No ML/TF risk assessments were also done in the sector.

29. Except in the case of 13 commercial banks (out of the 26 banks) and 1 MVTs (out of more than 200 regulated and unregulated institutions) which are

identified as more vulnerable than other financial institutions under the NRA, all other financial institutions have not yet identified and assessed ML/TF risks that may arise in relation to development of their new products/ business practices. Regulation 9 (2) of the Anti-Money Laundering Regulations addresses c15.2.

### *Weighting and Conclusion*

30. Deficiencies in relation to c.15.2 have been addressed. However, c.15.1 deficiencies remain outstanding. **Uganda is re-rated Partially Compliant with R. 12.**

### **2.9 Recommendation 16 – Wire transfers (*Originally rated NC – rerated C*)**

31. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that except for the requirement to have financial institutions include accurate originator information in all electronic funds transfers, which only addresses criterion 16(1)(a) there are no legal provisions dealing with the rest of Recommendation.

32. Regulations 33-34 of the AML Regulations, 2017 requires financial institutions and MVTS to obtain and maintain the the name, address, account number of the originator and the beneficiary of the transfer (the unique reference number accompanying the transfer, in the absence of the account number). This requirement applies to all wire transfers (domestic and cross border) with 1000 currency points using Form A (Section 8(1) and Schedule of the AML Regulations). The requirements of Regulation regarding batch files are consistent with the FATF requirements (Section 8(3) of the AML Act, 2013). Section 6 of the AML Amendment Act, 2017 sets out the requirements of identifying and verifying whenever there is a suspicion of money laundering or terrorism financing. FIs and MVTS establish procedures with a view to controlling and verifying that domestic wire transfers received include at least the account number or a unique transaction reference number. S.7 (3) of the Act requires records to be kept for a period of ten years. Sections 6(4) and 13(1)(a) of the same Act and Regulation 36 of the AML Regulations require financial institutions which are unable to obtain the required information above not to execute the transfer. MVTS are required to report to the FIA if they suspect or have reasonable grounds to suspect that a transaction or attempted transaction involves proceeds of crime or funds related or linked to or to be used for

money laundering or terrorism financing, regardless of the value of the transaction (Section 7 of the AML Act 2017 and Second Schedule of the AML Act, 2013). Regulation 35 of the AML Regulations 2015 stipulates that FIs doing wire transfers are required to freeze, without delay, the funds or other assets of any person or entity which is designated by or is under the authority of the UNSC pursuant to UNSCR 1267 and its successor resolutions, or is domestically identified under UNSCR 1373. Likewise, all FIs are required to ensure that no funds are made available, directly or indirectly, to persons identified in any of the ways mentioned in the previous paragraph.

#### *Weighting and Conclusion*

33. Uganda has addressed all the deficiencies identified in the MER. **Uganda is re-rated Compliant with R. 16.**

#### **2.10 Recommendation 17 – Reliance on Third Parties (*Originally rated NC – rerated C*)**

34. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that there is no requirements for financial institutions that are permitted to rely on third-party financial institutions and DNFBPs to obtain and verify information on beneficial owners and PEPs in line with R. 10 and 11. There is also no requirement to regard information on country risk when determining the country in which a third party that meets the conditions can be based. There are no legal provisions which provide requirements in respect of financial institutions that rely on a third-party that is part of the same financial group.

35. The AML (Amendment) Act and AML Regulation address the deficiencies related to R.17. Regulation 16(4) of the AML Regulations requires an accountable person who intends to rely on a third party that is based outside Uganda, the accountable person to assess the AML/ CFT risks that the country of the third party poses and the adequacy of CDD measures adopted by financial institutions in that country. Reg. 44(1) provides that the FIA shall identify high risk countries in respect of ML/TF and shall prescribe by notice in the gazette measures to be applied by accountable persons in respect of a person or customer from or transactions involving those countries. In terms of S6 (20-22) of AML (Amendment) Act 2017, an accountable person who relies on a third party that is part of the same financial group as the accountable person may consider that the requirements are satisfied where the group applies customer due diligence and recordkeeping requirements and applies internal controls and measures in accordance with the requirements of this Act; the

implementation of the controls and measures is supervised at a group level by a competent authority; and any higher country risk is adequately mitigated by the group's anti money laundering and combatting the financing of terrorism policies.

#### *Weighting and Conclusion*

36. Uganda has addressed all the deficiencies identified in the MER. **Uganda is re-rated Compliant with R. 17.**

#### **2.11 Recommendation 18 – Internal controls and foreign branches and subsidiaries** (*Originally rated NC – rerated C*)

37. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that financial institutions are not required to consider ML/TF risks and the size of the business when developing their compliance programs. Financial institutions not subjected to the FI Act and FI Act AML Regulations, are not required to have an audit function which is independent and obligated to carry out frequent audits. There are also no specific legal or other requirements for financial groups to implement group-wide AML/CFT programmes and to ensure that AML/CFT measures in foreign branches or majority owned subsidiaries are implemented.

38. Ss. 6(17)-(19) of the AML (Amendment) Act adequately address the deficiencies identified under R18.

#### *Weighting and Conclusion*

39. Uganda has addressed all the deficiencies identified in the MER. **Uganda is re-rated Compliant with R. 18.**

#### **2.12 Recommendation 19 – Higher-risk countries** (*Originally rated NC – rerated PC*)

40. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that the law does not provide for application of countermeasures proportionate to the

risks when called to do so by the FATF and independently of any call by the FATF. There is no also mechanism for financial institutions in Uganda to be advised of concerns about weaknesses in the AML/CFT systems of other countries.

41. S.6 (12) of the AML (Amendment) Act 2017 requires accountable persons to apply enhanced due diligence in respect of countries identified by the FIA as high risk. Regulation 44 establishes the FIA as the responsible party to provide notification on high risk countries, and prescribes measures to be undertaken by accountable persons in respect of the flagged countries. However, there is no mechanism in place to ensure that financial institutions are advised of concerns about the weaknesses in the AML/CFT systems of other countries.

#### *Weighting and Conclusion*

42. Uganda has addressed the deficiencies against C19.1 and 19.2 identified in the MER. However, the deficiencies against C 19.3 remain outstanding which seriously impacted the overall rating for this recommendation. **Uganda is re-rated Partially Compliant with R. 19.**

#### **2.13 Recommendation 20 – Reporting of suspicious transaction (*Originally rated NC – re-rated C*)**

43. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that financial institutions are not required to report suspicious transactions promptly to the FIU. There is no obligation to report attempted transactions regardless of the amount of the transaction. There is uncertainty on whether there is a national centre to report STRs given the confusion created by having parallel AML provisions in both the FI Act and AMLA which impose dual reporting obligations of STRs on financial institutions supervised by the BoU to both the FIA and BoU.

44. S.9 (2) of the AML (Amendment) Act 2017 obliges reporting institutions to submit STRs without delay but no later than 2 working days. S.9 (1) of the AML (Amendment) Act 2017 requires reporting institutions to submit reports on suspicious attempted transactions. The Financial Institutions Act 2004 was amended and sections 129 and 130 of the FIA, 2004 were amended by the Financial Institutions (Amendment) Act, No.1 of 2016 to state that STRs and LCTs shall (now) be reported by financial institutions to the Financial Intelligence Authority instead of the 'national law enforcement agencies'. The

repeal of ss 129 and 130 and introduction of s.9(1) of AML(Amendment) Act establish the FIA as a national centre.

*Weighting and Conclusion*

45. Uganda has addressed all the deficiencies identified in the MER. **Uganda is re-rated Compliant with R. 20.**

**2.14 Recommendation 26 – Regulation and supervision of financial institutions (Originally rated NC – No rerating)**

46. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that the current legal framework in Uganda does not designate any authorities for regulating and supervising financial institutions in terms AML/CFT requirements. There is no indication that the BoU inspections are ML/FT risk based or have that element, and that the supervisors review the assessment of the ML/TF risk profile of FIs supervised by it. The BoU carries out AML/CFT supervision as an integral part of prudential supervision, IRA and CMA do not conduct AML/CFT supervision in their respective sectors. The BOU inspections are not ML/FT risk based or have they that element, or that the supervisors review the assessment of the ML/TF risk profile of FIs supervised by it.

47. S 21(A) of the AML (Amendment) Act designates agencies to be responsible for AML/CFT supervision. The rest of the deficiencies are not addressed. No information or documents have been provided to substantiate that Authorities carry out consolidated supervision, risk-based supervision etc.

*Weighting and Conclusion*

48. Given the importance of the remaining deficiencies, there is no rerating for Recommendation 26.

**2.15 Recommendation 27 – Powers of supervisors (Originally rated NC – rerated PC)**

49. Under its Second Round MER, Uganda was rated Non-Compliant with the requirements of this Recommendation. The major deficiency was that 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. The AMLA does not provide supervising authorities and

self-regulatory bodies with powers to impose sanctions as required under R. 35. The powers granted to the BoU under the FI Act to supervise and impose sanctions on financial institutions it regulates under this Act are only limited to AML as the FI Act does not provide for CFT.

50. Supervisory Authorities have powers to monitor compliance with the AML/CFT requirements (see also Regulation 25A of the 2017 ATA Regulations for CFT purposes). Although there is no specific provision requiring production of documents, this can be considered to be covered within the powers given to monitor compliance with the Act. Reg. 53(2) (a) and (b) of the AML Regulations 2015 accords powers to supervisory authority which include a) the power to collect information from accountable persons to enable the conduct of onsite inspections, b) the power to compel accountable persons to enable the conduct of onsite inspections. However, supervisory Authorities do not have direct powers to impose sanctions as S. 21(A)(4) of the AML (Amendment) Act requires supervisory Authorities to apply to the court for it to give an order. This limits the powers to apply administrative monetary fines.

#### *Weighting and Conclusion*

51. Uganda has addressed the deficiencies against C27.1-27.3 identified in the MER. However, the deficiencies against C 27.4 remain outstanding which seriously impacted the overall rating for this recommendation. **Uganda is re-rated Partially Compliant with R. 27.**

#### ***2.16 Recommendation 29 – Financial intelligence units (Originally rated PC – no rerating)***

52. Under its Second Round MER, Uganda was rated Partially-Compliant with the requirements of this Recommendation. The major deficiency was that the FIA does not conduct strategic analysis. The AML/CFT legal framework creates dual reporting of STRs to different competent authorities. Absence of clear process by the FIA governing protection of information. The reporting of STRs by financial institutions under the supervision of the BoU to both the BoU and FIA making it unclear whether there is a “national centre” for such reports. Difference in the quality and the number of STRs reported by the financial institutions under the FI Act to the BoU. There is also lack of information being reported on cross-border transportation of cash due to absence of implementing regulations to section 10 of the AMLA. The current provisions of the AMLA setting out the functions of the Board do not guarantee the operational independence of the FIA. The FIA has not taken steps to apply for EGMONT

membership.

53. The amendments to the FIA, AMLA and Standing Operating Manuals address majority of the deficiencies noted under R. 29. In addition to this, Section 24 of the AMLA Amendment Act envisages the appointment and removal of the FIA staff by the Board in accordance with the Human Resource Manual of the FIA. In line with AMLA, the FIA amended its Human Resource Manual to assign powers to the Executive Director of the FIA to appoint, discipline and dismiss staff of the FIA. The reviewers are satisfied with the understanding of the separation of powers of the FIA management and those of the Board such that it maintains a balance between operational independence of the FIA and exercise of oversight by the Board in respect of the performance of the functions of the FIA by the Management. The outstanding deficiency relates to strategic analysis and FIA to join Egmont Group as a full member.

#### *Weighting and Conclusion*

54. Given the importance of the remaining deficiencies, there is no rerating for Recommendation 29.

### **III. CONCLUSION**

55. Uganda has made progress in addressing some of the technical compliance deficiencies identified in its MER. The jurisdiction has addressed the deficiencies in respect of Recommendations 3 (initially rated PC), 5 (initially rated PC), 6 (initially rated NC), 11 (initially rated NC), 16 (initially rated NC), 17 (initially rated NC), 18 (initially rated NC), 20 (initially rated NC) and it was agreed to upgrade the rating for each recommendation with Compliant (C).

56. Some steps have been taken to improve compliance with Recommendations 1 (initially rated NC), 12 (initially rated NC), 15 (initially rated NC), 19 (initially rated NC), 27 (initially rated NC), however, moderate shortcomings still remain. Therefore, it was agreed to re-rate them as PC.

57. Reviewers have also evaluated information provided in support of the request for re-rating of Recommendations 10 (initially rated PC), 26 (initially rated NC) and 29 (initially rated PC). However, while the steps taken to address the deficiencies have been noted, the information currently provided does not indicate that the country has made sufficient progress to warrant re-rating. On this basis, it was agreed that ratings for these Recommendations should remain

as they are.

58. Overall, in light of the progress made by Uganda since the adoption of its MER, the re-rating for its technical compliance with the FATF Recommendations was agreed as follows:

|                    | R 1 | R.3 | R.5 | R. 6 | R10              | R. 11 | R12 | R15 | R.16 | R.17 | R.18 | R.19 | R.20 | R.26             | R.27 | R.29             |
|--------------------|-----|-----|-----|------|------------------|-------|-----|-----|------|------|------|------|------|------------------|------|------------------|
| MER rating         | NC  | PC  | PC  | NC   | PC               | NC    | NC  | NC  | NC   | NC   | NC   | NC   | NC   | NC               | NC   | PC               |
| Proposed re-rating | PC  | C   | C   | C    | PC (no rerating) | C     | PC  | PC  | C    | C    | C    | PC   | C    | NC (no rerating) | PC   | PC (no rerating) |

59. Uganda will remain in enhanced follow-up and will continue to report bi-annually on its progress in improving and implementing its AML/CFT measures.