



Anti-money laundering and counter-terrorist financing measures

Uganda

**9th Enhanced Follow-up Report &
4th Technical Compliance Re-Rating
September 2022**

Follow-Up Report





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 20 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.

For more information about the ESAAMLG, please visit the website: www.esaamlg.org

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This report was approved by the ESAAMLG Task Force of Senior Officials at the September 2022 meeting held in Livingstone, Zambia.

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UGANDA: 9th FOLLOW-UP REPORT & 4th REQUEST FOR RE-RATING

I. INTRODUCTION

1. The Mutual Evaluation Report (MER) of Uganda was adopted by the Task Force in April 2016 and subsequently approved by the Council of Ministers in May 2016. This follow-up report assesses the progress made by Uganda to resolve the technical compliance shortcomings identified in its MER relating to Recommendations 12 and 22. New ratings are given when sufficient progress has been made.
2. In general, countries are expected to have corrected most or all of their technical compliance shortcomings by the end of the second year of follow-up at the latest. This report does not cover the progress made by Uganda in improving its effectiveness.

II. KEY FINDINGS OF THE MUTUAL EVALUATION REPORT

3. The MER¹ gave Uganda the following technical compliance ratings:

Table 1. Technical compliance ratings², April 2016

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
NC	PC	PC	LC	NC	NC	NC	NC	C	PC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
NC	NC	C	PC	NC	NC	NC	NC	NC	NC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	PC	NC	NC	NC	NC	NC	PC	PC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
PC	NC	NC	PC	PC	C	PC	PC	NC	PC

4. In the light of these results, Uganda was placed in the enhanced follow-up process.³
5. Subsequent to the adoption of the MER, Uganda submitted its 1st, 2nd and 3rd requests

¹ Mutual Evaluation Report (MER) on Uganda, April 2016, https://esaamlg.org/reports/2ND-ROUND-MUTUAL-EVALUATION-REPORT-OF-THE-REPUBLIC-OF-UGANDA_1.pdf

² Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

³ Enhanced follow-up is based on the traditional ESAAMLG policy for members with significant shortcomings (in technical compliance or effectiveness) in their AML/CFT systems, and involves a more intense follow-up process.

for re-rating and these were published on the ESAAMLG website¹ as shown in Table 1(a) below:

Table 1 (a): Technical compliance following revision of ratings, September 2021

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	LC	C	LC	C	C	NC	NC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	PC	C	LC	PC	C	C	C	PC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	LC	NC	NC	NC	PC	NC	C	PC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	C	NC	PC	LC	C	PC	PC	NC	PC

6. The assessment of Uganda’s request for technical compliance re-ratings and the preparation of this report were undertaken by the following experts (Supported by ESAAMLG Secretariat: Muluken Yirga Dubale):

- James Manyonge (Kenya)
- Chanda Lubasi Punabantu (Zambia)
- Kennedy Mwai (Kenya)
- Paulo Munguambe (Mozambique)
- Gashumba Jeanne Pauline (Rwanda)
- May Paule Rabat (Seycheles)
- Thomas Mongella (Tanzania)

7. Part 3 of this report summarises the progress made by Uganda on technical compliance. Part 4 sets out conclusions and contains a table of Recommendations for which a new rating has been given.

III. OVERVIEW OF PROGRESS IN TECHNICAL COMPLIANCE

¹ https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/432

8. This section of the report summarises the progress made by Uganda in improving technical compliance by resolving the shortcomings identified in its MER.

3.1. Progress in resolving the technical compliance shortcomings identified in the MER

9. Uganda has made progress in resolving the technical compliance shortcomings identified in the MER and the 1st FUR for Recommendations 12 and 22 which both had received a PC rating.

10. Given the progress made, Uganda's rating has been revised for the following Recommendations: 12 and 22.

3.1.1. Recommendation 12- Politically Exposed Persons (Originally rated PC –re-rated to C)

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 PEPs. 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 policy beneficiaries. Under the 2018 FUR, it was re-rated to PC given Uganda had addressed c.12. 4 and was re-rated to *Met* but c.12.1-3 were outstanding in view of lack of provisions on applying enhanced ongoing monitoring of the business relationship and obtaining the approval of senior management before establishing or continuing a business relationship with domestic PEPs.

Section 6(7)(b) and 6(3)(b) of the AMLA as amended in 2017 requires financial institutions to put in place risk management systems to determine whether a customer or the beneficial owner is a foreign PEP and if so to take the required measures in addition to the implementation of CDD obligations. Section 6(7)(b) of the AMLA as amended in 2017 requires financial institutions to obtain senior management approval before establishing (or continuing, for existing customers) such business relationships. Further, this is also provided for under Regulation 29(2) (a) of the AML Regulations (as amended in 2022). Section 6(7)(a) of the AMLA as amended in 2017 requires financial institutions to take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as foreign PEPs. Section 6(7) (b) of the AMLA as amended in 2017 requires financial institutions to conduct enhanced ongoing monitoring of the business relationship. Hence, *Criterion 12.1 is re-rated to Met.*

The definition of PEP under the AMLA as amended in 2017 (Section 1(h)) now also includes both domestic PEPs and persons having prominent functions in international

organisations in addition to the foreign PEPs. In addition, the Minister for Finance Planning and Economic Development issued an amendment to the AML 2015 Regulations on January 14, 2022, which amended Regulation 29. Section 6(7)(b) and 6(3)(b) of the AMLA as amended in 2017 (to be read together with Regulation 2 of the 2022 AMLA amendment Regulations) requires financial institutions to put in place risk management systems to determine whether a customer or the beneficial owner is a domestic PEP or persons entrusted with prominent functions in international organisations and if so to take the required measures in addition to the implementation of CDD obligations.

S.6(7)(c) of AMLA as amended in 2017 requires FIs to apply the measures referred to in Sub-Criteria 12.1(b-d) where the risks of money laundering or terrorism financing are high in respect of a domestic politically exposed persons and persons who are or have been entrusted with a prominent function by an international organization. Section 6(7)(b) of the AMLA as amended in 2017 requires financial institutions to obtain senior management approval before establishing (or continuing, for existing customers) such business relationships. This is also provided for under Regulation 29(2) (a) of the AML Regulations (as amended in 2022). Section 6(7)(a) of the AMLA as amended in 2017 requires financial institutions to take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as domestic PEPs or persons entrusted with prominent functions in international organisations. Section 6(7) (b) of the AMLA as amended in 2017 requires financial institutions to conduct enhanced ongoing monitoring of the business relationship. Hence, *Criterion 12.2 is re-rated to Met.*

The explanations provided under Criteria 12.1-2 above are also applicable for immediate family members or close associates of the person in terms of Reg.29(2) (c) of the AML Regulations 2015 as amended in 2022. Hence, *Criterion 12.3 is re-rated to Met.*

Weighting and Conclusion

Uganda has addressed all the identified deficiencies against Recommendation 12. On this basis, R.12 is re-rated *Compliant*.

3.1.2. Recommendation 22- Designated Non-Financial Businesses and Professions (DNFBPs): Customer Due Diligence (Originally rated PC –*re-rated to LC*)

Under the 2016 MER, Uganda was rated PC on Recommendation 22. The major shortcomings were that: (i) there were requirements to identify a customer and/or beneficial owner (impact of deficiencies to R. 10, 11, 12 and 17); (ii) no requirements to understand the nature of the business when establishing a business relationship and when carrying out occasional transactions above a designated threshold (impact of deficiencies to R. 10, 11, 12 and 17); and (iii) there are no specific legal provisions

requiring DNFBPs to carry out ML/TF risk assessments when coming up with new products/ services or technologies.

All the DNFBPs including TCSPs are covered under the Second Schedule to the AMLA, 2013 designated as accountable institutions. Section 1 of the AML Act and Regulations 24-26 and 41 as read with Part 2 of the 2nd Schedule to the AMLA 2013 require all DNFBPs to comply with CDD requirements set out in R.10. (See R.10 for analysis of the deficiencies identified in the 2018 and 2020 FURs with re-rating). While there is no specific requirement for casinos, DPSMs, real estate agents, and other DNFBPs to conduct CDD measures for transactions exceeding the thresholds required by the FATF Standard, the general CDD measures provided in the AMLA and AML Regulations equally apply to all transactions regardless of value. But for TCSPs, the AML/CFT obligations are applicable when they provide the services indicated under the FATF Standards. The identified issues on Criterion 22.1 are largely addressed since Uganda is re-rated LC with R10. Hence, *Criterion 22.1 is Mostly Met.*

See R.11 (Record keeping) for a full analysis under the MER and 2018 FUR with re-rating, as the provisions of the AML Act on record keeping equally apply to DNFBPs. 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 including any analysis that is 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. Hence, *Criterion 22.2 is Met.*

See the analysis on Rec. 12 above all the DNFBPs including TCSPs are covered under the Second Schedule to the AMLA, 2013. Hence, *Criterion 22.3 is Met.*

All the DNFBPs including TCSPs are covered under the Second Schedule to the AMLA, 2013. Uganda and DNFBPs have not undertaken any risk assessments on the new technologies and products used by DNFBPs. Section 6A (2) of the AMLA 2013 as amended states that An accountable person *including DNFBPs* shall identify, assess and, take appropriate measures to manage and mitigate the money laundering or terrorism financing risks that may arise in relation to the development of new products and new business practices; including new delivery mechanisms for products and services; and the use of new or developing technologies for both new and pre-existing products. Hence, *Criterion 22.4 is Partly Met.*

All the DNFBPs including TCSPs are covered under the Second Schedule to the AMLA, 2013. The obligations applicable to FIs on Reliance on Third Parties are also extended to

DNFBPs. Uganda was rerated with C on Rec 17 under the 2018 FUR. Hence, *Criterion 22.5 is Met.*

Weighting and Conclusion

Uganda meets criteria 22.2, 22.3, and 22.5, mostly meets criterion 22.1, and partly meets criterion 22.4. The deficiencies identified in respect of CDD measures, the absence of specific requirements on ML/TF risks assessment, and mitigating controls against new technologies remain outstanding. On this basis, *Uganda is re-rated Largely Compliant with R. 22.*

CONCLUSION

11. Uganda has made significant overall progress in resolving the technical compliance shortcomings identified in its MER and ratings for 2 Recommendations have been revised. The jurisdiction has fully addressed the deficiencies in respect of R12 (initially re-rated PC), and largely addressed those on R22 (initially rated PC) and the reviewers recommend to upgrade the rating for R12 with Compliant (C) and with Largely Compliant (LC) on R22.

12. Reviewers have also evaluated the information provided in support of the request for re-rating of Recommendations 8 (initially rated NC), 19 (initially rated PC), 24 (initially rated NC), 26 (initially rated NC), 27 (rerated PC), 28 (initially rated NC), 30 (initially rated PC), 33 (initially rated NC), 34 (initially rated PC), 37 (initially rated PC), 38 (initially rated PC), 39 (initially rated NC) and 40 (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 is proposed that the ratings for these Recommendations should remain as they are.

13. Given the progress made since the adoption of its MER, Uganda’s technical compliance with the FATF Recommendations has been revised as shown in the table below:

Table 2. Technical compliance following revision of ratings, September 2022

Recommendation	R12	R22
Previous Rating	PC	PC
Re-rated to	C	LC

Note: Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

14. Overall, in light of the progress made by Uganda since the adoption of its MER, the re-ratings for its technical compliance with the FATF Recommendations should be considered and approved by the ESAAMLG Task Force of Senior Officials Plenary as follows:

Table 3. Technical compliance following revision of ratings after the adoption of the Uganda MER, September 2022

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	LC	C	LC	C	C	NC	NC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	C	C	LC	PC	C	C	C	PC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	LC	LC	NC	NC	NC	PC	NC	C	PC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	C	NC	PC	LC	C	PC	PC	NC	PC

Note: Four technical compliance ratings are available: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

15. Uganda will remain in enhanced follow-up and will continue to inform the ESAAMLG of the progress made in improving and implementing its AML/CFT measures.