



WHAT NGOS NEED TO KNOW ABOUT MONEY LAUNDERING IN UGANDA

What is **Money Laundering**?

Money laundering (ML) includes a wide range of activities and processes which are often intended to conceal the nature, source, location, disposition or movement of the proceeds of crime in a manner that disguises their illegal origin.



What is **Terrorism Financing**

Terrorist Financing (TF) means the financing of terrorist acts, and of terrorists and terrorist organizations.



Who is a Money Launderer

A money launderer is a person or a group of persons that are in possession of the proceeds of a crime or of the assets that represent the proceeds of illegal activities such as fraud, theft, drug trafficking, or any other crimes.

How is money laundering conducted?



Where the 'dirty' money is placed into the financial institutions or retail economy through bank deposits etc.

Means separating the illegally obtained money from its source through a series of financial transactions that makes it difficult to trace the origin i.e. several bank-to-bank transfers, wire transfers between different accounts in different names in different countries, changing the money's currency etc.

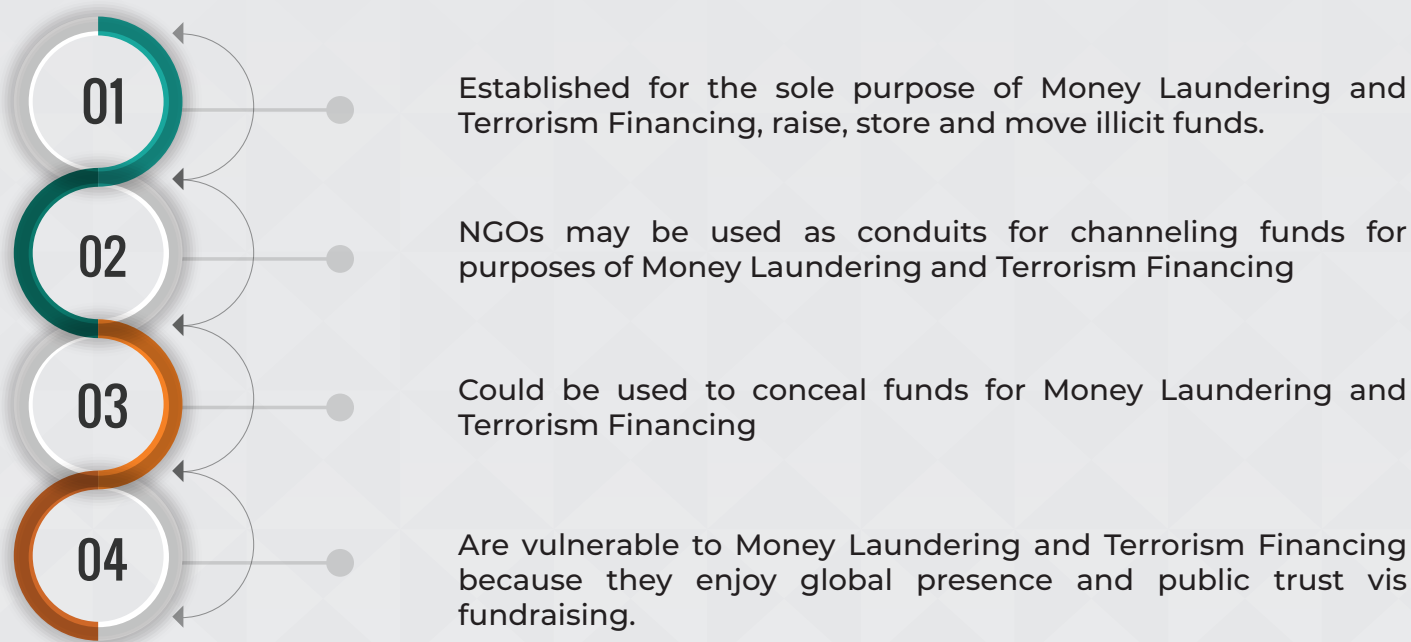
Means converting the illicit funds into legitimate property i.e. by purchase of high value goods/property, purchasing businesses, automobiles, among others.

Recommendation 8 of Financial Action Task Force (FATF)

Countries should review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing abuse, including:

- a by terrorist organisations posing as legitimate entities;
- b by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and
- c by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

Based on Recommendation 8 of Financial Action Task Force (FATF), It is envisaged that some NGOs may be;



Tipping Off

Definition

A person who directly or indirectly alerts another person under investigation of ML and TF



It is illegal for NGOs to be “tipped off” as being suspected to be involved in Money Laundering and Terrorism financing

Tipping Off

Tipping off is a criminal offence under section 117 of AMLA 2013 and carries a maximum penalty, on conviction upon indictment, of;

- a) if committed by a natural person, by imprisonment for a period not exceeding five years or a fine not exceeding thirty-three thousand currency points (Ugx 660,000,000), or both;
- b) if committed by a legal person such as a corporation, by a fine not exceeding seventy thousand currency points (Ugx 1,400,000,000);
- c) if a continuing offence, by a fine not exceeding five thousand currency points for each day on which the offence continues; or
- d) if no specific penalty is provided, by a fine not exceeding nine thousand currency points and in case of a continuing offence, to an additional fine not exceeding five thousand currency points for each day on which the offence continues. Section 136 (2)



Suspicious Transaction

A suspicious transaction is defined in section 1 of the Anti-Money Laundering Act, 2013, as a transaction which is inconsistent with a customer's known legitimate business or personal activities or with the normal business for that type of account or business relationship, or a complex and unusual transaction or complex and unusual pattern of transaction.

NGOs are considered to be vulnerable to suspicious transactions and thus obliged to file reports to the FIA

Failure to report a suspicious transaction where a person has the requisite knowledge or suspicion is a criminal offence. The offence carries a maximum penalty of fifteen years of imprisonment and or a fine of Two Billion Uganda Shillings (See sections 125 and 136 of AMLA 2013).


 SUSPICIOUS TRANSACTION REPORT (STR) Form B <i>Pursuant to Section 9 of the Anti-Money Laundering Act, 2013</i>	
KINDLY FILL IN CAPITAL	
PART 1	REPORT DETAILS
1.1	ENTITY REFERENCE NUMBER <input type="text"/>
1.2	FIA REFERENCE NUMBER <input type="text"/>
1.3	SUBMISSION DATE <input type="text"/>
PART 2	INFORMATION ON REPORTING ENTITY/PERSON
2.1	REPORTING ENTITY DETAILS
	NAME OF REPORTING ENTITY <input type="text"/>
	BUSINESS TYPE <input type="text"/>

Image of the FIA Suspicious Transaction Report



Tell Tale Signs of Money Laundering



A

Unusual or substantial one-off donations or a series of smaller donations or interest-free loans from sources that cannot be identified or checked by the NGO



B

If conditions attached to a donation mean that the NGO would merely be a vehicle for transferring funds from one individual or organisation to another, without the NGO being able to satisfy themselves about the appropriateness of their use.



C

Where a donation is made, the NGO is told it can keep it for a certain period of time, perhaps with the attraction of being able to keep any interest earned whilst holding the money, but the principal sum is to be returned at the end of a specified short period.



D

Where donations are made in a foreign currency, and again unusual conditions are attached about their use, including a requirement that the original sum is to be returned to the donor in a different currency.



E



Where donations are conditional on particular individuals or organisations being used to do work for the NGO where the BoD has concerns about those individuals or organisations.

F



Where an NGO is asked to act as a conduit for the passing of a donation to a second body which may or may not be another NGO.

G



Where an NGO is asked to provide services or benefits on favourable terms to the donor or a person nominated by the donor.



Preventing Money Laundering

- A Carrying out proper due diligence;** there must be systems and controls in place to conduct due diligence on individuals and organisations that give money to, receive money from, or work closely with the NGO.
- B Identifying international transactions;** NGOs must have systems and controls in place that enable them to identify international transactions separately from domestic transactions.
- C Monitoring and verification** of payments to beneficiaries and partners.
- D Monitoring and management** of compliance with Anti Money Laundering and Counter Terrorism Financing policies, processes and procedures.

- E Reporting;** NGOs should have policies and procedures for making reports of suspicious transactions internally to their compliance officers, as well as to external organizations such as the Financial Intelligence Authority.
- F Training;** NGOs must ensure that their compliance officers receive the AML and CTF.
- G Internal financial controls;** NGOs must ensure that their financial controls are sufficiently robust and sophisticated to ensure that all funds are fully accounted for, and are spent in a legitimate manner that is consistent with the purpose and objectives of the NGO stated activities.
- H Appoint a compliance officer** with approved training with responsibility for ensuring that the NGO complies with the regulations.
- I Establish and implement** AML/CTF systems and controls.
- J Require your officers to disclose** any previous convictions for Anti Money Laundering or Anti Terrorism Financing offences.

- K** **Report any suspicious transactions** relating to money laundering or terrorist financing to the Financial Intelligence Authority.
- L** **Conduct ongoing monitoring** of relationships with beneficiaries, donors and partners.
- M** **Take reasonable measures** to establish the identity of donors, beneficiaries and partners, where there is a reasonable risk of money laundering or terrorist financing.
- N** **Ensure** that payments to beneficiaries and partners are appropriately monitored.
- O** **Keep a record** of all such suspicious transactions.
- P** **Retain records** for the specified period of 10 years.





Know Your Partners

- a** Identify – know who you are dealing with.
- b** Verify – where reasonable and the risks are high, verify identities.
- c** Know what the organisation's or individual's business is and can be assured this is appropriate for the NGO to be involved with.
- d** Know what their specific business is with your NGO and have confidence they will deliver what you want them to.
- e** Maintain boundaries to avoid conflicts of interest and protect the NGO's independence.
- f** Watch out for unusual or suspicious activities, conduct or requests.

Know Your Donor



- a** Assess any risks to the NGO that may arise from accepting a donation or certain types of donations.
- b** Ensure that it is appropriate for the NGO to accept money from the particular donor, whether that is an individual or organization.
- c** Give trustees reasonable assurance that the donation is not from any illegal or inappropriate source.
- d** Ensure that any conditions that may be attached are appropriate and can be accepted.

Links with more information on Money Laundering



Note to remember

Remember to register with the Finance Intelligence Authority-Uganda and file annual returns

<https://www.fia.go.ug/how-register>

<https://www.fia.go.ug/annual-compliance-reports>

<https://www.fia.go.ug/suspicious-transactions-reports>

For more information please Contact FIA;

- compliance@fia.go.ug
- Protection@defendersprotection.org



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