



**GUIDELINES ON IMPLEMENTATION OF TARGETED FINANCIAL  
SANCTIONS IN UGANDA**

**2023**

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## **List of Acronyms**

AML	Anti-Money Laundering
AMLA	Anti-Money Laundering Act
ATA	Anti-Terrorism Act
CFP	Countering Financing of Proliferation
CFT	Countering Financing of Terrorism
DNFPS	Designated Non-Financial Businesses and Professions
DPRK	Democratic People's Republic of Korea
FATF	Financial Action Task Force
FIA	Financial Intelligence Authority
JCPAO	Joint Comprehensive Plan of Action
MER	Mutual Evaluation Report
ML	Money Laundering
NRA	National Risk Assessment
PF	Proliferation Financing (Weapons of mass destruction)
TF	Terrorism Financing
UNSCR	United Nations Security Council Resolutions

## FOREWORD

Uganda is committed to the implementation of the National Strategy on Countering Terrorism, Terrorism Financing and Proliferation Financing. The Ministry of Internal Affairs has continuously aligned government's legal framework to match the existing risks and assessment related to Proliferation Financing with the latest being the Anti-Terrorism (Amendment) Act 2022 and subsequently the Anti- Terrorism Regulations 2022.

Countering Proliferation Financing using United Nations Security Council Resolutions requires implementation of targeted financial sanctions. The Ministry of Internal Affairs through the appropriate diplomatic measures will coordinate the implementation and enforcement of the Targeted Financial Sanctions.

The Ministry through a consultative approach developed guidelines for implementation of Targeted Financial Sanctions to assist organisations and stakeholders to be aware of the sanctions. The Ministry in liaison with Financial Intelligence Authority and Bank of Uganda will conduct outreach programmes to create awareness on the targeted Financial Sanctions.

I, therefore, call upon organisations and all stakeholders to use these guidelines in the implementation of Targeted Financial Sanctions and also acquaint themselves with the related provisions of the international and national legal framework.



Joseph B. Musanyufu  
**Lieutenant General**  
**PERMANENT SECRETARY**

## **1.0. Introduction**

Uganda is committed to protecting itself against money laundering, terrorism, terrorism financing and proliferation financing. All natural, legal and accountable persons in Uganda should exercise caution and vigilance in order to ensure that they do not in any way whatsoever support individuals or organisations which are subject to sanctions under United Nations Security Council Resolutions (UNSCR) on proliferation-related sanctions and commission of offences related to proliferation of weapons of mass destruction /proliferation financing as enshrined in Uganda laws.

### **1.1. Background**

The National Anti-Money Laundering (AML)/Countering Financing of Terrorism (CFT) Strategy provides the approach which Uganda has adopted to tackle ML, TF and PF over the next five years. It also presents Uganda's priorities and objectives in adhering to international standards and obligations set by the Financial Action Taskforce (FATF).

The strategy aims ***"to secure the nation and its citizens against money laundering (ML), terrorist financing (TF), and proliferation financing (PF)"***.

The Strategy comprises six key objectives: -

1. Enhance compliance with the Financial Action Task Force (FATF) Recommendations.
2. Strengthen Uganda's legal and regulatory framework to counter money laundering, terrorism financing and proliferation financing.
3. Strengthen the capacity of stakeholders to implement the AML/CFT/PF requirements.

4. Enhance regional and international cooperation on matters relating to AML/CFT/PF.
5. Enhance the investigation, prosecution and adjudication of AML/CFT/PF matters.
6. Strengthen national coordination and cooperation of AML/CFT/PF matters.

The Mutual Evaluation Report (MER) 2016 on Uganda's AML/CFT measures and the National Risk Assessment (NRA) Report 2017 on Uganda's ML/TF risks and vulnerabilities identified gaps; some of which relate to implementation of ML, TF and PF. A robust legal and administrative framework to combat Proliferation Financing that is consistent with the UN standards, best practice and Financial Action Taskforce (FATF) standards and recommendations is key. Following the amendment of the Anti-Terrorism Act (2002) (*see Anti-Terrorism Amendment Act 2022*) to provide for the offence of proliferation financing, the Ministry of Internal Affairs hereby issues these guidelines on implementation of Targeted Financial Sanctions (TFS).

### **1.3. Guiding Legal Framework**

These guidelines are based on international best practices and the following national laws:

- i. the Anti- Money Laundering Act, 2013 as amended
- ii. the Anti-Terrorism Act, 2002 as amended
- iii. the Anti-Money Laundering Regulations, 2015
- iv. the Anti-Terrorism Act Regulations, 2016
- v. the FATF Recommendations (International Standards which include the 40 Recommendations)

## **1.4. Scope**

The guidelines are applicable to all accountable persons as defined in the Second Schedule to the Anti- Money Laundering Act 2013 (as amended).

## **2.0. Understanding Key Terms**

### **2.1. Financial Action Task Force (FATF)**

FATF is an inter-governmental body established in 1989 by the Ministers of Finance of the G7 Member jurisdictions. The mandate of the FATF is to set standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and the financing of proliferation, and other related threats to the integrity of the international financial system. In collaboration with other international stakeholders, the FATF also works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

The 40 FATF Recommendations set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction (WMD). The 40 FATF Recommendations, their Interpretive Notes and Guidance Notes constitute the international standards which, countries should implement through measures adapted to their particular circumstances. Uganda is obliged to be compliant with the FATF Standards.

### **2.2. Terrorism**

The Anti-Terrorism Act, 2002 (as amended) defines terrorism as an act carried out with the purpose of influencing the Government or intimidating the public or a section of the public and for a political, religious, social or economic aim, indiscriminately without due regard to the safety of others or property including;

- i. Intentional and unlawful manufacture, delivery, placement, discharge or detonation of an explosive or other lethal device, whether attempted or actual, in, into or against a place of public use, a State or Government facility, a public transportation system or an infrastructure facility, with the intent to cause death or serious bodily injury, or extensive destruction likely to or actually resulting in major economic loss;
- ii. Direct involvement or complicity in the murder, kidnapping, maiming or attack, whether actual, attempted or threatened, on a person or groups of persons, in public or private institutions;
- iii. Direct involvement or complicity in the murder, kidnapping, abducting, maiming or attack, whether actual, attempted or threatened on the person, official premises, private accommodation, or means of transport or diplomatic agents or other internationally protected persons;
- iv. Intentional and unlawful provision or collection of funds, whether attempted or actual, with the intention or knowledge that any part of the funds may be used to carry out any of the terrorist activities as provided for under the Act;
- v. Direct involvement or complicity in the seizure or detention of, and threat to kill, injure or continue to detain a hostage, whether actual or attempted in order to compel a State, an international inter-governmental organisation, a person or group of persons, to do or abstain from doing any act as an explicit or implicit condition for the release of the hostage;



- vi. Unlawful seizure of an aircraft or public transport or the hijacking of passengers or group of persons for ransom;
- vii. Serious interference with or disruption of an electronic system;
- viii. Unlawful importation, sale, making, manufacture or distribution of any firearms, explosive, ammunition or bomb;
- ix. Intentional development or production or use of, or complicity in the development or production or use of a biological weapon;
- x. Unlawful possession of explosives, ammunition, bomb or any materials for making of any of the foregoing.

### **2.3. Terrorism Financing**

The Financial Action Taskforce defines terrorism financing as the financing of terrorist acts, and of terrorists and terrorist organisations.

The Anti-terrorism Act, 2002 (as amended) describes acts that contribute to terrorism financing as such whereby a person; willingly collects or provides funds, directly or indirectly, by any means, with the intention that such funds will be, or in the knowledge that such funds are to be used, in full or in part, by a person or terrorist organisation, to carry out a terrorist act.

### **2.4. Proliferation**

Proliferation refers to the development and use of nuclear, chemical, or biological weapons and their delivery systems – also referred to as Weapons of Mass Destruction (WMD) – by state or non-state actors in violation of international agreements and export control regimes.

### **2.5. Proliferation of Weapons of Mass Destruction (WMD)**

In its 2021 Guidance on Proliferation Financing Risk Assessment and Mitigation, the FATF indicates that WMD Proliferation refers to the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling, or use of nuclear, chemical, or biological weapons and their means of delivery and related materials (including

both Dual-Use technologies and Dual-Use goods used for non-legitimate purposes)

## **2.6. Proliferation Financing**

State and non-state actors may access and use the formal financial system, as well as informal methods of value transfer, to raise funds, conduct payments to procure materials and goods needed for proliferation, and engage in other illicit financial activities connected to proliferation efforts. Proliferation financing therefore facilitates the movement and development of proliferation-sensitive goods and WMD programmes and can therefore contribute to global instability and may ultimately result in loss of life and property.

According to section 9B of the Anti-Terrorism (Amendment) Act 2022, a person or organisation that:

- i. Makes available an asset;
- ii. Provides a financial service; or
- iii. Conducts a financial transaction;

and the person knows that, or is reckless as to whether, the asset, financial service or financial transaction is intended, in whole or in part to facilitate any of the activities specified in the ATA (as amended) 2022 regardless of whether the specified activity occurs or is attempted commits PF.

Some of the activities that constitute terrorism financing include-

1. The manufacture, production, possession, acquisition, stock-piling, storage, development, transportation, sale, supply, transfer, export, transshipment, or use of:
  - i. Nuclear weapons;
  - ii. Chemical weapons;
  - iii. Biological weapons;

- iv. Materials related to nuclear weapons or radiological weapons that are prescribed by regulations or restricted or prohibited under any enactment relating to export or import controlled measures; and
2. The provision of technical training, advice, service, brokering, assistance related to the activities mentioned in clause (c) above.
- (a) It may therefore be useful to think of proliferation financing as three categories of activities that should be considered as part of counter-proliferation financing (CPF) efforts.
  - (b) Proliferators and terrorists who have been designated or designated by the UNSC use complex networks of front companies and diversion techniques borrowed from the world of money laundering to access the global financial system and circumvent increasingly stringent counter terrorist financing (TF) and proliferation financing (PF) sanctions measures. However, whereas money laundering is a circular process deployed by criminals to conceal the illicit origin of the proceeds of crime, sanctions are about the individuals to whom funds are made available (designated persons and entities) or the purposes for which they are being used (proliferation).
  - (c) It is therefore important that TF/PF is considered as distinct from other types of financial crime and other types of sanctions compliance.
  - (d) While tools used to combat AML/CFT and screening tools for sanctions will be very important for detecting TF/PF, this may ignore typologies and trends that are unique to proliferation financing.
  - (e) Pursuant to section 4, an organisation can also commit PF

## **2.7. Proliferation Financing Risk**

FATF's Recommendation 1 refers to Proliferation Financing Risk as the potential breach, non-implementation, or evasion of the targeted financial sanctions obligations referred to in FATF Recommendation 7, namely those pursuant to UNSCRs relating to the prevention, suppression, and disruption of proliferation of WMD and its financing.

## **2.8. Targeted Financial Sanctions**

Targeted Sanctions includes financial sanctions, arms embargo and travel ban, and other measures imposed by the United Nations Security Council under Chapter VII of the Charter of the United Nations, with a view to addressing threats to international peace and security, including terrorism, the financing of terrorism and the proliferation of weapons of mass destruction.

The FATF Recommendation 6 requires each country to implement the targeted financial sanctions regimes to comply with the United Nations Security Council Resolutions (UNSCRs or resolutions) relating to the prevention and suppression of terrorism and terrorist financing.

The FATF Recommendation 7 and Immediate Outcome 11 outline measures to facilitate implementation of the relevant UNSCRs related to PF, adopted under Chapter VII of the UN Charter. These measures—FATF Recommendation 7 and its Interpretive Note, and Immediate Outcome 11—are currently applicable to two country-specific regimes: the DPRK and Iran. Uganda is expected to comply with these requirements as reflected in Anti-Terrorism (Amendment) Act, 2022. Accountable persons should acquaint themselves with the UNSCRs and FATF recommendations related to Targeted Financial Sanctions to implement a better PF regime.

### **3.0. Relevant Obligations on Proliferation Financing**

The United Nations Security Council has put in place sanctions to prevent and counter terrorism and the proliferation of WMD, and their financing which Uganda as a UN member is obliged to implement.

#### **3.1. International Obligations**

**(a) United Nations Security Council Resolution (UNSCR) 1540 (2004)** – provided broad-based provisions both prohibiting the financing of proliferation related activities by a non-state actor and requiring countries to establish, develop, review and maintain appropriate controls on providing funds and services, such as financing, related to the export and trans-shipment of items that would contribute to WMD proliferation. Obligations under this global approach are relevant in the context of other FATF requirements on combating terrorist financing and money laundering;

**(b) Country-specific resolutions - UNSCR 1718 (2006) and UNSCR 2231 (2015) and their (future) successor resolutions** - against the Democratic People's Republic of Korea (DPRK) and the Islamic Republic of Iran (Iran). The scope and nature of DPRK-related sanctions have been expanded following the country's repeated violations of UN resolutions. On the other hand, UNSCR 2231 (2015), endorsing the Joint Comprehensive Plan of Action (JCPOA), terminated previous provisions of resolutions relating to Iran and WMD proliferation, including UNSCRs 1737 (2006), 1747 (2007), 1803 (2008) and 1929 (2010), but retained Targeted Financial Sanctions (TFS) on a number of individuals and entities designated pursuant to these resolutions and also established new specific restrictions, including a number of other measures. To note is that TFS under the country-specific approach fall within the scope of the FATF Recommendation 7. Other measures imposed under the country-specific approach are not within the scope of FATF Recommendation 7 but are mandatory for UN Member States.

**Islamic Republic of Iran** – UNSC Resolution 2231 (2015) replaced all

previous UNSC Resolutions related to Iran and WMD proliferation, and imposes assets freeze measures against certain individuals and entities. The assets freeze measures will apply until October 2023 or earlier as provided in the UNSCR. The 2231 List contains the names of the persons and entities designated under UNSC Resolution 2231.

**Democratic People’s Republic of Korea (DPRK)** –\_UNSC Resolution 1718 (2006) and all successor resolutions related to the DPRK. The 1718 List contains the names of the persons and entities currently designated related to DPRK. In addition, UNSC Resolution 2270 on DPRK also requires the freezing of any funds, other financial assets and economic resource that are owned or controlled, directly or indirectly, by:

- i. entities of the Government of the DPRK or the Worker’s Party of Korea, or - by persons or entities acting on their behalf or at their direction, or
- ii. entities owned or controlled by them, that a State determines are associated with the DPRK’s nuclear or ballistic missile programmes or other activities prohibited by relevant UNSC resolutions
- iii. SFIs should also be aware of the definition of ‘funds’ as it may determine, and potentially expand, the scope of TFS implementation beyond just financial transactions and funds.

UNSC Resolution 2270 establishes that, specifically for the DPRK, the definition of ‘economic resources’ includes vessels. The UN 1718 Sanctions Committee maintains separate lists of designated vessels which are similarly subject to asset freezing actions.

<https://www.un.org/securitycouncil/sanctions/1718/materials/list-of-designated-vessels>

Despite the expanded scope of which persons and entities, and what funds and assets, are covered by TFS implementation, there are also important exceptions to TFS which should be considered. These include the ability for a designated party to access assets under limited circumstances, including

the provision of basic living expenses, or extraordinary expenses if approved by UNSC committees. For UNSC Resolution 2231 on Iran, certain payments due under contracts entered prior to a party being designated can also be approved.

**The UNSC Resolution 1267/1989 (Al-Qaida)** adopted unanimously on 15 October 1999, designating Osama bin Laden and associates as terrorists and establishing a sanctions regime to cover individuals and entities associated with Al- Qaida, Osama bin Laden and the Taliban, wherever located, and its successor resolutions;

**United Nations Resolutions 1267/1988** (Taliban) adopted unanimously on June 17, 2011, on terrorism and the threat to Afghanistan, and imposing sanctions regimes on Al-Qaeda and the Taliban, and its successor resolutions;

**c) The UNSC Resolution 1373 (2001)**, requires designations to be made, at the national or supranational level, by a country or countries acting on their own motion, or at the request of another country, if the country receiving the request is satisfied, according to applicable legal principles, that a requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee meets the criteria for designation in resolution 1373.

**d) FATF Recommendation 2** – countries should ensure that policy makers, the financial intelligence unit (FIU), law enforcement authorities, supervisors and other relevant competent authorities, at the policy making and operational levels, have effective mechanisms in place which enable them to cooperate, and, where appropriate, coordinate domestically with each other concerning the development and implementation of policies and activities to combat money laundering, terrorist financing and the financing of proliferation of WMD.

**e) FATF Recommendation 7** – Countries should implement targeted financial sanctions to comply with UNSCRs relating to the prevention, suppression and disruption of proliferation of WMD and its financing. These resolutions require

countries to freeze without delay the funds or other assets of, and to ensure that no funds and other assets are made available, directly or indirectly, to or for the benefit of, any person or entity designated by, or under the authority of, the United Nations Security Council under Chapter VII of the Charter of the United Nations. Targeted financial sanctions (TFS) are one component of a range of UNSCR measures to counter the flow of funds to proliferation actors. The full range of UN sanctions measures go beyond TFS to also include activity-based financial prohibitions, economic or sectoral sanctions and related financial prohibitions, and vigilance measures

**f) Supervision and monitoring of compliance**, to assist competent authorities and accountable persons in exercising oversight on implementation of counter proliferation financing measures This section is relevant to FATF Recommendations 7 and 2, and Immediate Outcome 11.

**g) Inter-agency cooperation and coordination**, which includes material to assist countries in establishing and implementing a cooperation mechanism to counter the financing of proliferation as required under FATF Recommendation 2, Immediate Outcome 1 and Immediate Outcome 11

### **3.2. National Obligations for TFS**

- i. **Assess risks and apply a risk-based approach:** There should be continuous identification, assessment, and understanding of the ML, TF and PF risks for the country, their sector/organisations and implement effective measures to mitigate their money laundering, terrorist financing and proliferation financing risks including designating an authority or mechanism to coordinate actions to assess risks, and apply resources.
- ii. **Ensure cooperation and coordination of AML/CFT/CPF policies:** Cooperation by national AML/CFT/PF agencies to ensure that implementation of TFS is effective is key. The implementation of policies both at strategic and operational levels of relevant organisations/institutions should be well coordinated to facilitate



exchange of information domestically with each other concerning the development and implementation of measures and activities to combat TFS.

- iii. **Prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing:** Without delay all organisations should facilitate the freezing of funds and other assets including ensuring that no funds or other assets are made available, directly or indirectly, to or for the benefit of any person or entity either (i) designated by, or under the authority of, the United Nations Security Council including in accordance with resolution 1267 (1999) and its successor resolutions; or (ii) designated by Uganda pursuant to resolution 1373 (2001).
  
- iv. **Customer due diligence (CDD):** All accountable persons should conduct CDD as a preventive measure for combating ML/TF/PF and implementation of TFS.

### **3.3. WHO MAY BE DESIGNATED**

Using the United Nations Framework, the criteria for designation as specified in the relevant United Nations Security Council resolutions are:

**(a) Security Council resolutions 1267 (1999), 1989 (2011) and their successor resolutions:**

- (i) any person or entity participating in the financing, planning, facilitating, preparing, or perpetrating of acts or activities by, in conjunction with, under the name of, on behalf of, or in support of; supplying, selling or transferring arms and related materiel to; recruiting for; or otherwise supporting acts or activities of Al-Qaida, or any cell, affiliate, splinter group or derivative thereof;
- or

(ii) any undertaking owned or controlled, directly or indirectly, by any person or entity designated under subsection 13(a)(i), or by persons acting on their behalf or at their direction.

**(b) Security Council resolutions 1267 (1999), 1988 (2011) and their successor resolutions:**

(i) any person or entity participating in the financing, planning, facilitating, preparing, or perpetrating of acts or activities by, in conjunction with, under the name of, on behalf of, or in support of; supplying, selling or transferring arms and related materiel to; recruiting for; or otherwise supporting acts or activities of those designated and other individuals, groups, undertakings and entities associated with the Taliban in constituting a threat to the peace, stability and security of Afghanistan; or any undertaking owned or controlled, directly or indirectly, by any person or entity designated under subsection 13(b)(i) of this subparagraph, or by persons acting on their behalf or at their direction.

**(c) Security Council resolution 1373 (2001):**

(i) any person or entity who commits or attempts to commit terrorist acts, or who participates in or facilitates the commission of terrorist acts;

(ii) any entity owned or controlled, directly or indirectly, by any person or entity designated under subsection (c) (i) of this subparagraph; or

(iii) any person or entity acting on behalf of, or at the direction of, any person or entity designated under subsection (c) (i) of this subparagraph.

**d) DPRK - Resolutions 1718 (2006), 2087 (2013), 2094 (2013) and 2270 (2016):**

(i) any person or entity engaged in the Democratic People's Republic of Korea (DPRK)'s nuclear-related, other WMD-related and ballistic missile-related programmes;

- (ii) any person or entity providing support for DPRK's nuclear-related, other WMD related and ballistic missile-related programmes, including through illicit means;
- (iii) any person or entity acting on behalf of or at the direction of any person or entity designated under subsection 13(a)(i) or subsection 13(a)(ii)23;
- (iv) any legal person or entity owned or controlled, directly or indirectly, by any person or entity designated under subsection 13(a)(i) or subsection 13(a)(ii)24;
- (v) any person or entity that has assisted in the evasion of sanctions or in violating the provisions of resolutions 1718 (2006) and 1874 (2009);
- (vi) any person or entity that has contributed to DPRK's prohibited programmes, activities prohibited by the DPRK-related resolutions, or to the evasion of provisions; or
- (vii) any entity of the Government of the DPRK or the Worker's Party of Korea, or person or entity acting on their behalf or at their direction, or by any entity owned or controlled by them, that countries determine are associated with the DPRK's nuclear or ballistic missile programmes or other activities prohibited by resolution 1718 (2006) and successor resolutions.

***On Iran - Resolution 2231 (2015):***

- (i) any person or entity having engaged in, directly associated with or provided support for Iran's proliferation sensitive nuclear activities contrary to Iran's commitments in the Joint Comprehensive Plan of Action (JCPOA) or the development of nuclear weapon delivery systems, including through the involvement in procurement of prohibited items, goods, equipment, materials and technology specified in Annex B to resolution 2231 (2015);
- (ii) any person or entity assisting designated persons or entities in evading or acting inconsistently with the JCPOA or resolution 2231 (2015); and
- (iii) any person or entity acting on behalf or at a direction of any person or entity in subsection 13(b)(i), subsection 13(b)(ii) and/or subsection 13(b)(iii), or by any entities owned or controlled by them.

### **3.4. WHO MAY DESIGNATE**

A person, organisation or entity may be designated and TFS placed by:

- a) The United Nations
- b) United Nations Security Council or one of its relevant Sanctions Committee.
- c) Government of Uganda through the Ministry of Internal Affairs

### **3.5. DELISTING A DESIGNATED PERSON**

- (i) For any persons, entities or organisations sanctioned by the UN, UN Security Council (including its relevant Committees), delisting can only be done under the UN arrangements.
- (ii) Persons, organisations or entities of Ugandan nationality or residing in Uganda who are designated by the United Nations Security Council or one of its Sanctions Committees may submit requests for delisting directly to the Minister of Internal Affairs
- (iii) The Minister May also initiate a request for delisting on his own or based on based on a request received from a designated person, organisation or entity, if the Minister.

## **4.0. PF IMPLEMENTATION ARRANGEMENTS FOR TFS**

### **4.1. Assessing PF risk**

Accountable person, relevant public or private body, Ugandan national, or natural or legal person within Uganda should take appropriate steps to identify and assess the proliferation financing risks for the country, on an ongoing basis. The assessment shall:

- (i) inform potential changes to the country's CPF regime, including changes to laws, regulations and other measures;

(ii) assist in the allocation and prioritisation of CPF resources by competent authorities; and

(iii) make information available for PF risk assessments conducted in the country

#### **4.2 Undertake PF Risk Assessment**

The following red flags for PF may be provided as part of assessment

- i. Individual or entity targeted for financial sanctions or connected to a targeted person and transactions related to dual use goods, proliferation sensitive or military goods whether licensable or not and there are inconsistencies in information contained in trade documents and financial flows e.g. names, addresses, final destination etc.
- ii. Customer is involved in the supply, sale, delivery or purchase of dual-use, proliferation-sensitive or military goods, particularly to higher risk jurisdictions and transactions demonstrate a link between representatives of companies exchanging goods e.g. same owners or management, in order to evade scrutiny of the goods exchanged. In addition, there is use of fraudulent documents and identities e.g. false end use certificates and forged export or re-export certificates.
- iii. Customer or counterparty or its address, is the same or similar to one of the parties found on public available lists or has a history of export control contraventions
- iv. Transaction involves the shipment of goods inconsistent with normal geographic trade patterns i.e. where the country involved does not normally export or import the types of goods concerned.
- v. Activity does not match the business profile
- vi. Lack of information on counterparty.
- vii. Insufficient documentation
- viii. Involvement of individuals or entities in foreign country of proliferation concern

- ix. Involvement of front companies, also shell companies (e.g. companies that do not have a high level of capitalization or display other shell company indicators such as absence of online or physical presence
- x. Presence of items controlled under WMD export control regimes or national controlled items
- xi. Transaction involves financial institutions with known deficiencies in AML/CFT controls and/or domiciled in countries with weak export control laws or weak enforcement of export control laws.

#### **4.3. Mitigate PF risk**

Accountable person, relevant public or private body, Ugandan national, or natural or legal person within Uganda should take appropriate measures to manage and mitigate the proliferation financing risks that they identify. The following measures should be utilized:

- i. Develop robust AML standards and enforcement routines to reduce systemic exposure, include counter-proliferation financing considerations in employee training programmes, client and business risk assessments and compliance programmes.
- ii. Develop an understanding of the potential breaches, evasion and non-implementation of targeted financial sanctions present in their sector and country. Special attention should be given to customers, geographic areas; and products, services, transactions or delivery channels. Assessments should be documented in order to be able to demonstrate their basis, up to date, and have appropriate mechanisms to provide risk assessment information to competent authorities.
- iii. Conduct customer due diligence: This may be by identification and verification of the identity of their members, customers and the beneficial owners; proper record keeping, assess client geographic activity and relations, inclusion of proliferation financing-specific questions in due diligence evaluations, noting any customer involvement in WMD

technology supply chains and scrutiny of business transactions undertaken during the time of the relationship.

- iv. Share/report potential breaches, evasion and non-implementation of TFS to FIA, Permanent Secretary Ministry of Internal Affairs or any other competent authority
- v. Apply a risk-based approach to implementation of TFS measures and ensure that they are commensurate with the risk levels
- vi. Establish appropriate organizational or sectoral coordinating framework for implementation of TFS related to proliferation financing and or include TFS in existing frameworks for ML, TF and PF

#### **4.4. Identifying and Designating Persons and Entities Financing or Supporting Terrorist Activities**

Accountable person, relevant public or private body, Ugandan national, or natural or legal person within Uganda shall:

- i. Adhere to the UNSC targeted sanctions arrangement including implementing the existing designated person and entities framework as explained in Section above and any other designations/de - listing that may in future be made
- ii. Shall adhere to the country's TFS to designated persons and entities list.
- iii. Shall prohibit their member, or any persons and entities within their sector, from making any funds or other assets, economic resources, or financial or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorised or otherwise notified in accordance with the relevant Security Council resolutions
- iv. Should develop a communication mechanism through which designations can be communicated to from the competent authority and

immediate action is taken to avoid access to funds or assets under freezing mechanisms.

- v. Should report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant Security Council resolutions or country specific designations, including attempted transactions, and ensure that such information is effectively utilised by the competent authorities.
- vi. Should adopt effective measures which protect the rights of bona fide third parties acting in good faith when implementing the obligations related to ML and TF.
- vii. Should have in place appropriate mechanisms for any delisted person designated pursuant to resolution 1373 (2001), to have his/her assets or funds unfrozen once the person or entity no longer meets the criteria for designation.
- viii. Are encouraged to check with FIA on any important exceptions to TFS. This includes the ability for a designated party to access assets under limited circumstances, including the provision of basic living expenses, or extraordinary expenses if approved by UNSC committees, as well as the rights of bona fide third parties as outlined in outlined under Recommendation 7.

#### **4.5. Freezing and Prohibiting Dealing in Funds or Other Assets of Designated Persons and Entities**

- a. The guiding principle in implementation of TFS in freezing and prohibition of persons or entities from dealing in funds or other assets is implementation without delay and without prior notice and also ensure that no any other funds or other assets are made available to any persons or entities for the benefit of designated persons or entities unless licensed, authorised or otherwise notified in accordance with the relevant Security Council resolutions.



- b. The accountable person, relevant public or private body, Ugandan national, or natural or legal person within Uganda are required to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant Security Council resolutions, including attempted transactions, and ensure that such information is effectively utilised by competent authorities. ATR, 2016 requires agencies to inform FIA of freezing or seizing any assets or property with full particulars of the funds or property which have been frozen or seized and any other information that is relevant to or would facilitate compliance with the including all transactions or attempted transactions relating to the funds or property. Regulation 12 (9) of the ATR, 2016 clearly indicates the information that should be included in the report.
- c. In cases of false positives, the funds or other assets of such persons or entities should be unfrozen in a timely manner subject to the specified timelines, upon verification with the competent authority that the person or entity involved is not a designated person or entity.
- d. FIA will coordinate the seizure and freezing of any funds, assets of any persons, entities or organisations under TFS including informing the Director of Public Prosecutions.
- e. For any person or entity designated by the Minister and has property outside country, appropriate diplomatic channels shall be used to facilitate seizure and freezing of such assets.
- f. Any dealings in frozen assets related to TFS, shall be guided by the existing international and legal frameworks.

#### **4.6 Time periods for implementation of sanctions**

Sanctions should be implemented within a 24-hour period after designation.

According to regulation 10 of the Anti-Terrorism Regulations, 2023, the declaration by Minister of organisations or persons required to be designated by the United Nations Security Council should be done within 8 hours after designation. The whole process of designation by the UN and declaration by the Minister must not exceed 24 hours from the time of designation.

#### **4.7. Understanding Sanctions evasion**

**a)** It is crucial that the accountable person, relevant public or private body, Ugandan national, or natural or legal person within Uganda consider how designated parties may indirectly gain access to services. This is because designated parties will rarely (if ever) show up in a transaction but will instead make use of complex networks of front companies and intermediaries to conceal their involvement in a financial transaction and seeking services.

**b)** Accountable person, relevant public or private body, Ugandan national, or natural or legal person within Uganda should familiarise themselves with common sanctions evasion techniques of terrorists / proliferators to effectively implement TFS related to terrorism / proliferation and ensure that no funds, or other assets are made available to designated persons and entities, as well as anyone acting on behalf of or at the direction of designated persons and entities or owned or controlled by them. The common sanctions evasion techniques used by terrorists / proliferators include:

- i. The use of aliases and falsified documentation to hide involvement of designated party.
- ii. Bank accounts owned by nationals not from a proliferating country, who act as financial representatives on behalf of designated parties from the proliferating country.
- iii. Offshore, front and shell companies to hide beneficial ownership information, and the involvement of designated parties.

- iv. Designated parties entering joint ventures with non-designated companies.
- v. Use of diplomatic staff bank accounts, on behalf of designated parties and proliferating countries.
- vi. Use of virtual currencies by designated parties to circumvent the formal financial system and evade sanctions.
- ii. Conduct cyber-attacks against financial institutions and crypto currency exchanges to raise funds and evade sanctions.

**c) Situations that may indicate sanctions evasion include:**

- i. Customers who have unnecessarily complex or opaque beneficial ownership structures, or have frequent changes in directors, beneficial owners, or signatories (especially within short time from account opening).
- ii. Customers who have previously had dealings with individuals or entities designated for terrorism / proliferation by the UNSC. Customers linked to high-risk countries or business sectors.
- iii. Customers who have entered into joint venture or cooperation agreements with designated parties, including the sharing of address with a designated party.
- iv. Customers involved in trading, brokering or intermediary services, and carrying out business inconsistent with normal business practices or with significant changes in business activities.
- v. Transactions that are unusual, lack an obvious economic or lawful purpose, are complex or large or might lend themselves to anonymity.
- vi. Transactions or trade with countries known to be exploited by terrorism / proliferation financing regimes or neighboring countries to terrorism / proliferation financing regimes.
- vii. Transactions involving correspondent banks known to facilitate payments for terrorists/ proliferating regimes or within high-risk jurisdictions.

#### **4.8. Supervision and Monitoring**

Accountable persons are required to design appropriate measures for monitoring, and ensuring compliance with the relevant laws or enforceable means on TFS. Failure to comply with such laws, or enforceable means should be subject to civil, administrative or criminal sanctions as per the laws of Uganda.

Regulatory bodies of DNFPS should provide appropriate supervision, monitoring and investigation of their sector to ensure that supervision and monitoring are conducted. Regulation 53 (1) of the AMLR, 2015 requires supervisory authorities to supervise and enforce compliance by accountable persons over whom they exercise supervisory control or oversight with the requirements imposed under the AMLA and AMLR.

The Ministry shall establish an inter-agency Forum on TFS for coordination and implementation of TFS on TF and PF. The Forum will draw representation from of the Ministry, Ministry of Justice and Constitutional Affairs, Attorney General, Ministry of Foreign Affairs, Bank of Uganda, FIA, Office of the Director of Public Prosecutions, Uganda Police Force and each Regulator of the relevant DNFPS.

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