

BANK OF UGANDA

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**All Chief Executives of Commercial Banks, Credit Institutions & Micro Finance
Deposit Taking Institutions**

Reporting Suspicious Transactions to National Law Enforcement Agencies

- **Background**

The Bank of Uganda (BOU recently conducted on-site examinations in some of the Supervised Financial Institutions (SFIs) and ascertained that the reporting of Suspicious Transactions is not done in accordance with the Law. In addition, some SFIs have approached BOU to clarify on the specific National Law enforcement Agencies referred to in the Law to which Suspicious Transactions Reports should be reported.

- **The Law**

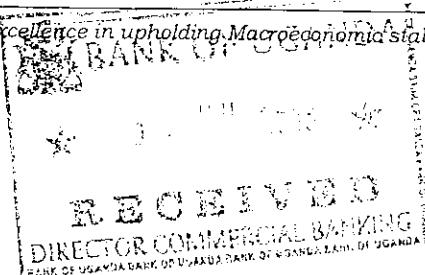
Sections 129(b) and 130(1) of the Financial Institutions Act (FIA), 2004 require BOU Supervised Financial Institutions (SFIs) to report promptly to the national law enforcement agencies any suspected money laundering activity related to any account held with the SFI. This requirement is re-stated and amplified in **Regulation 12** of the Financial Institutions (Anti-Money Laundering) Regulations, 2010 which also requires the SFI to serve a copy of the Suspicious Transaction Report (STR) to the Central Bank.

Regulation 13 of the Financial Institutions (Anti-Money Laundering) Regulations, 2010 requires SFIs to report "large cash transaction" (LCTR) (i.e. transactions amounting to US \$10,000 and above or the equivalent in any other currency involving cash or near cash (e.g. travellers' cheques), to the national law enforcement agencies with a copy to the Central Bank.

- **Statement of the Problem**

Neither the FIA, 2004 nor the Financial Institutions (Anti-Money Laundering) Regulations, 2010 defines who the "national law enforcement agencies" are, so one can assume that they are either the Uganda Police (IGP), the Criminal Investigations Department (CID), the Director of Public Prosecutions (DPP) or the Inspector General of Government (IGG).

Mission: To foster price stability and a sound financial system *Vision: To be a centre of excellence in upholding Macroeconomic stability*



- **BOU Clarification**

In order to determine who of the above (national) law enforcement authorities, STRs and LCTRs must be filed with, one needs to look at the constitutional/statutory functions of the relevant law enforcement authority vis-à-vis the reasons why STRs or LCTRs are made. The constitutional functions of the DPP are stated in Article 120(3)(a)-(d) and those of the IGG are stated in Article 225(1) & (2). Article 122(a)-(d) state the functions of the Uganda Police Force and the most pertinent one is Article 122(c) which is to “prevent and detect crime”.

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Given that STRs and LCTRs are reported to the national law enforcement authorities with a view to prevention and detection of (financial) crime, we advise that STRs and LCTRs should be reported to the Uganda Police Force/Criminal Investigations Department (CID) who have the relevant constitutional/statutory mandate to investigate, prevent and detect financial crime.

The above notwithstanding, it should be emphasized that SFIs are obliged by **Regulation 11** of the Financial Institutions (Anti-Money Laundering) Regulations, 2010 to review and properly document the background and purpose of all complex transactions and all unusual patterns of transactions which have no apparent economic or visible lawful purpose before determining whether or not to move to the next stage of reporting a STR or LCTR to the national law enforcement authorities. Compliance with the requirements of **Regulation 11** may negate the need for or form the basis of a SFI reporting a suspicious or large cash transaction to the national law enforcement authorities vide **Regulations 12 & 13**, respectively.

Please take note of the above clarification and ensure that the Reporting Requirements of STRs and LCTRs are strictly followed in accordance with the Law.



J. Bagyenda (Mrs.)

Executive Director Supervision