



# Study on Know-Your-Customer Requirements for Digital Financial Services in Uganda

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## Introduction

The United Nations Capital Development Fund's (UNCDF) Mobile Money for the Poor (MM4P) program contracted BFA to conduct a *Study on KYC Requirements for Digital Financial Services in Uganda*. BFA Senior Associate Jeremiah Grossman conducted the study on behalf of BFA. The key objectives of the study were to:

1. **Clarify** the Know Your Customer (KYC) requirements for opening and operating different digital financial services (DFS) accounts, including accounts for individuals, informal merchants and traders, formal businesses, and non-citizens such as refugees;
2. **Understand** how financial service providers are interpreting and implementing KYC requirements for the aforementioned accounts today;
3. **Assess** the impact of the interpretation and implementation of KYC requirements on DFS adoption; and
4. **Offer** recommendations for addressing KYC challenges to foster DFS growth and uptake.

## Applicable laws and regulations

A number of laws and regulations address KYC for opening and operating DFS accounts. These include the *Financial Institutions Act, 2004* ("FI Act, 2004"), the *Financial Institutions (Anti-Money Laundering) Regulations, 2010* ("FI (AML) Regulations, 2010"), the *Mobile Money Guidelines, 2013* ("MM Guidelines, 2013"), the *Anti-Money Laundering Act, 2013* ("AML Act, 2013"), the *Anti-Money Laundering Regulations, 2015* ("AML Regulations, 2015"), the *Registration of Persons Act, 2015* ("ROPA, 2015"), and the *Anti-Money Laundering (Amendment) Act, 2017* ("AML (Amendment) Act, 2017"). In addition, draft Financial Institutions (Agent Banking) Regulations are expected to be finalized and issued in the near future.

In most cases, there is no conflict or inconsistency among different laws, regulations, and guidelines governing KYC in Uganda. One area where inconsistent requirements may exist is between the *FI (AML) Regulations, 2010* (which were developed by the BoU under the *FI Act, 2004* and apply only to licensed financial institutions) and the *AML Regulations, 2015* (which were developed by the Ministry of Finance under the *AML Act, 2013* and apply to a broad set of accountable persons). The Bank of Uganda (BoU) has confirmed that in the event of inconsistency between these two regulations, financial service providers should follow the *AML Regulations, 2015*.

## Specific KYC onboarding requirements for different individuals and entities

The report includes a summary of the key KYC onboarding requirements for a variety of individuals and entities seeking to access or provide digital financial services. Following is a discussion of the KYC requirements for individual bank accounts and individual mobile money accounts (for citizens, refugees and other legal residents, and non-resident foreign nationals), banking agents and mobile money agents (for individuals and legal entities), mobile money merchants (for individuals with an informal or semi-formal business and legal entities with a formal business), and other entities such as schools, churches, mosques, and nonprofits.

### Individual bank accounts

Among other requirements included in the *AML Regulations, 2015*, individuals must now produce a national ID card, alien/refugee ID card, or passport to open a bank account. Banks should apply a risk-based approach to customer due diligence, including verification of identity and immigration status.

### **Individual mobile money accounts**

Under the MM Guidelines, 2013, mobile money accounts could be opened with a variety of documents, such as an identity card, passport, driving permit, voter's card, or local administration letter. Following the passage of the *ROPA, 2015* and the issuance of several directives in 2017 by the Uganda Communications Commission (UCC), however, a national ID number, national ID card, alien/refugee card, or a valid passport is now required to register a SIM and open a mobile money account.

The AML Regulations, 2015 would appear on their face to apply to mobile money service providers. This implies that all of the requirements for opening individual bank accounts should apply to opening individual mobile money accounts as well. This does not appear to have been implemented in practice, however.

### **Individual banking agents**

Sole proprietorships would appear to be subject to the same KYC requirements described in the AML Regulations, 2015 for individuals. Partnerships would have to provide additional information such as registration information and KYC information on each partner and any other controlling person.

In addition, specific agent due diligence requirements are included in the draft Financial Institutions (Agent Banking) Regulations. These provisions would require banks to confirm that the sole proprietor or partnership has a bank account, is registered and licensed, has a physical address with adequate and secure premises, and has been engaged in commercial activity for at least 12 months. Furthermore, the bank would need to conduct a suitability assessment that considers factors such as credit history, criminal record, experience, and reputation.

### **Legal entity banking agents**

Legal entities seeking to serve as banking agents would appear to be subject to the KYC requirements described in the AML Regulations, 2015 for "local entities and other bodies." Among other information, legal entities must provide proof of registration or incorporation, information on the natural persons managing, controlling, or owning the entity, financial statements, and a tax ID number. Incorporation documents should be verified with the Registrar of Companies, the location and contact details of the head office or other location should be physically verified, and information regarding directors, officers, and others who are authorized to establish an agent banking relationship should be independently verified.

Legal entities would also be subject to the same agent due diligence requirements in the draft *Financial Institutions (Agent Banking) Regulations* as for individuals, which are described above.

### **Individual and legal entity mobile money agents**

The MM Guidelines, 2013 require that mobile money agents be registered businesses with a physical address and an account in a licensed financial institution. In addition, mobile money service providers are required to "put in place an effective agent selection process and carry out due diligence on its agents."

The AML Regulations, 2015 would appear on their face to apply to mobile money service providers. This implies that all of the requirements for opening individual accounts should apply to opening individual mobile money agent accounts and all of the requirements for opening accounts as a legal entity should apply to opening legal entity mobile money agent accounts. In the absence of a stated requirement to comply with the AML Regulations, 2015, however, the application of these Regulations to mobile money agents remains unclear in practice.

### **Informal, semi-formal, and formal mobile money merchants**

The MM Guidelines, 2013 are silent regarding KYC requirements for mobile money merchants; the Guidelines only address KYC requirements for agents and individual customers. The AML Regulations, 2015 address individuals and legal entities, but they do not address individuals operating informal or semi-formal merchant businesses. Furthermore, it does not appear that the Regulations are currently being applied to individual mobile money customers and mobile money agents, so it is unclear whether the BoU expects the Regulations to apply to formal mobile money merchants. Therefore, in the absence of specific requirements in the Guidelines and certainty regarding application of the Regulations, there is a lack of clarity regarding appropriate KYC requirements for informal, semi-formal, and formal mobile money merchants.

### **Schools, churches, mosques, and other nonprofit entities**

The MM Guidelines, 2013 are silent regarding KYC requirements for non-business entities such as schools, churches, mosques, and other nonprofit entities that wish to accept mobile money payments; the Guidelines only address KYC requirements for agents and individual customers. The AML Regulations, 2015 and the FI (AML) Regulations, 2010 have clear KYC requirements that could apply, but it does not appear that the Regulations currently are being applied to individual mobile money customers and mobile money agents. In the absence of specific requirements in the Guidelines and certainty regarding application of the Regulations, there is a lack of clarity regarding appropriate KYC requirements for schools, churches, mosques, and other nonprofit entities that wish to accept mobile money payments.

## How are Financial Service Providers Interpreting and Implementing KYC Requirements?

### Individual bank accounts

Currently, both the FI (AML) Regulations, 2010 and the AML Regulations, 2015 remain in force. While the BoU has indicated that the *AML Regulations, 2015* should be followed in the event of inconsistency, the *Financial Institutions (AML) Regulations, 2010* have not been repealed and have not been amended to match the 2015 regulations. As a result, some banks continue to follow the *Financial Institutions (AML) Regulations, 2010* in practice, particularly with respect to identifying clients.

With respect to refugees, while laws and regulations with respect to KYC requirements do not explicitly address requirements for refugees, this is not creating a barrier in practice. Banks and mobile money service providers have interpreted the *AML Regulations, 2015* and the *FI (AML) Regulations, 2010* to allow them to accept the refugee ID card as sufficient proof of identity.

### Individual mobile money agents

In practice, most agents are unable to meet all of the requirements in the *MM Guidelines, 2013*. Most have neither a trading license nor a bank account, some have a trading license but no bank account, and only a small percentage are fully registered businesses with a bank account and a physical address.

### Informal and semi-formal mobile money merchants

Currently, mobile money merchant acquisition in Uganda is being driven by aggregators rather than mobile money service providers. In the absence of clear legal guidance, aggregators are adopting a tiered approach on an ad hoc basis. Typically, informal and semi-formal businesses can open a mobile money merchant account with an aggregator by providing a national ID. Some aggregators will even accept other documents if the prospective merchant lacks a national ID, such as a local council letter.

### Legal entity mobile money merchants

In practice, when mobile money service providers or aggregators onboard legal entities as merchants, they apply requirements that are similar to the requirements for “local entities and other bodies” under the *AML Regulations, 2015*.

### Schools, churches, mosques, and nonprofit entities

As noted earlier, there is no clear set of KYC requirements for schools, churches and mosques, and other nonprofit entities interested in accessing mobile money services, as these entities are not specifically addressed in the *MM Guidelines, 2013*. In practice, mobile money service providers take different approaches to KYC of such entities, although all interviewed providers required copies of certain documents such as a certificate of registration, Constitution (or equivalent), and identity documents of at least two Directors or other executive members.

## How are KYC Requirements Impacting DFS Adoption?

### Challenges with customer identification

Historically, the lack of a universal identification system and an effective system for electronic verification of national ID numbers and cards has limited financial inclusion. Recently, however, access to the national identification card and refugee ID card has increased dramatically. As of April 2017, about 90% of the adult population had received a national identification number and had or should soon receive a national identification card, while as of 1 May 2017, 81% of refugees and asylum-seekers had been biometrically registered.

In addition, the National Information Technology Authority (NITA) is developing an electronic payments gateway to facilitate digital KYC, which will enable financial service providers to access identity information for KYC purposes. This offers the potential to further foster financial inclusion by expanding access to information while lowering the cost of conducting customer due diligence.

### Difficulty onboarding informal and semi-formal merchants and agents

While the *MM Guidelines, 2013* and draft Agent Banking Regulations require agents to be formal businesses, the vast majority of Ugandan businesses are informal and cannot meet the stated requirements. Given the predominance of informal businesses in Uganda, adherence to strict rules requiring agents and merchants to be registered and/or licensed would hamper DFS ecosystem development. On the positive side, the Bank of Uganda understands these challenges and is open to proposals for addressing them – such as application of simplified due diligence to informal and semi-formal mobile money merchants – to the extent permitted by law.

### Lack of risk-based KYC approach

To date, banks, mobile money service providers, and other financial service providers have faced challenges in developing a risk-based KYC approach due to the lack of data on national, sectoral, and customer- and product-specific money laundering (ML) and terrorist financing (TF) risks. For example, informal and semi-formal businesses seeking to serve as merchants cannot comply with all of the KYC requirements for legal entities, yet the risk presented by these businesses has not been adequately explored.

Uganda completed a national AML/CFT risk assessment in April 2017 that has been approved by the Cabinet and is expected to be published in the near future. In the coming months, the UCC and the BoU are expected to coordinate sector-specific risk assessments on behalf of the mobile telecommunications sector and the banking sector, respectively. Providers of mobile money services (mobile money service providers and their partner banks) and agent banking services will then be able to develop risk-based AML/CFT approaches that are grounded in the results of the national and sector-specific assessments.

## How can Sector Stakeholders Address KYC Challenges to foster DFS Growth and Uptake?

Sector stakeholders can address KYC challenges that are limiting DFS growth and uptake by taking the following steps:

1. **Maximize** the positive impact of efforts to improve identification of Ugandan citizens and refugees
2. **Promote** the development of a tiered regulatory framework for merchant and agent acquisition
3. **Conduct** sector-specific risk assessments to better understand DFS risks and enable development of proportionate AML/CFT approaches

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# KYC Requirements – What is Legally Required?

## Applicable laws and regulations

A number of laws and regulations address KYC for opening and operating DFS accounts. They include the following:

- **Financial Institutions Act, 2004:** This law passed by the Parliament regulates financial institutions. It includes a general requirement that regulated financial institutions identify their customers and report any suspected money laundering activity.<sup>1</sup> It also empowers the Bank of Uganda (BoU) to issue “rules and regulations against the use of financial institutions for money laundering purposes.”<sup>2</sup>
- **Financial Institutions (Anti-Money Laundering) Regulations, 2010:** In 2010, the Bank of Uganda issued regulations under the *Financial Institutions Act, 2004* aimed at combating money laundering using licensed financial institutions. Among other topics, the Regulations include a requirement for financial institutions to verify their customers’ identity when opening accounts or engaging in certain types of transactions.<sup>3</sup> The Regulations also specify minimum requirements for verification of customer identity, with specific requirements for individuals, corporate entities, clubs, societies, charities, unincorporated businesses, shell companies, applicants acting on behalf of another person, accounts opened by post, occasional customers that are not accountholders, holders of safety deposit boxes, and correspondent banks.<sup>4</sup>
- **Mobile Money Guidelines, 2013:** In 2013, the Bank of Uganda issued guidelines governing the provision of mobile money services. Among other requirements, the Guidelines stipulate that mobile money service providers must verify customer identity when opening accounts using an acceptable identity document<sup>5</sup> and carry out proper due diligence on prospective agents.<sup>6</sup>
- **Anti-Money Laundering Act, 2013:** In 2013, the Parliament passed a law governing anti-money laundering (AML). This law expanded the applicability of AML law and regulation beyond licensed financial institutions to any “accountable person.” The Act defined “accountable person” broadly to encompass a wide variety of actors, including both licensed financial institutions and other people engaged in “the transfer of money or value,” whether in the formal or informal sector.<sup>7</sup> Therefore, the Act applies to mobile money service providers as well as banks and other licensed financial institutions. Among other provisions, the Act requires accountable persons to verify their clients’ identity “using reliable, independent source documents, data or information.”<sup>8</sup> The Act also empowers the Minister of Finance to issue regulations to help implement the Act.<sup>9</sup>
- **Anti-Money Laundering Regulations, 2015:** In 2015, the Ministry of Finance issued regulations under the *Anti-Money Laundering Act, 2013*. These regulations provide greater detail regarding the requirement for accountable persons to verify their clients’ identity. Specific requirements are included for verification of the identity of different types of clients, including natural persons who are citizens or legal residents, foreign nationals, “local entities and other bodies,” “foreign entities or bodies,” partnerships, trustees, beneficiaries of a legal person or legal arrangement other than a trust, beneficiaries of a life insurance or other investment-related insurance business, and individuals acting on behalf of another natural or legal person.<sup>10</sup>

<sup>1</sup>Art. 129-130.

<sup>2</sup>Art. 131(1)(g).

<sup>3</sup>Art. 7(2).

<sup>4</sup>Schedule 1.

<sup>5</sup>Art. 11.

<sup>6</sup>Art. 7(3).

<sup>7</sup>Schedule 2.

<sup>8</sup>Art. 6(3) (as amended by the Anti-Money Laundering (Amendment) Act, 2017).

<sup>9</sup>Art. 141.

<sup>10</sup>Art. 18-27.

- **Registration of Persons Act, 2015:** This Act of Parliament provides detailed requirements regarding registration and includes requirements around the use of official national identification and alien identification documents for financial services.
- **Anti-Money Laundering (Amendment) Act, 2017:** This Act of Parliament amends the *Anti-Money Laundering Act, 2013*. Key amendments relevant to this report include revisions to KYC requirements (Section 6) and inclusion of new language regarding money laundering and terrorist financing risk assessment (Section 6A).
- **Financial Institutions (Agent Banking) Regulations:** The Bank of Uganda has developed draft agent banking regulations that are expected to come into force in the near future. BFA was able to review the draft regulations as of August 8, 2016. The draft regulations include guidance regarding the types of entities that may serve as banking agents<sup>11</sup> and provide an agent suitability assessment form for conducting due diligence on prospective banking agents.<sup>12</sup>

## Priority of law in cases of inconsistency

In most cases, there is no conflict between different laws, regulations, and guidelines governing KYC in Uganda. Generally speaking, regulations are drafted to provide more detail on rights and obligations set out in laws. Guidelines lack the force of law, but in practice financial service providers are expected to comply with their requirements.

One area where inconsistent requirements may exist is between the Financial Institutions (Anti-Money Laundering) Regulations, 2010 and the Anti-Money Laundering Regulations, 2015. As noted above, the former regulations were developed by the BoU under the *Financial Institutions Act, 2004* and apply only to licensed financial institutions, while the latter regulations were developed by the Ministry of Finance under the *Anti-Money Laundering Act, 2013* and apply to a broad set of accountable persons. The BoU has confirmed that in the event of inconsistency between these two regulations, financial service providers should follow the *Anti-Money Laundering Regulations, 2015*. The BoU plans to review both documents and resolve any inconsistencies in the future.<sup>13</sup>

## Specific KYC Onboarding Requirements for Different Individuals and Entities

The following table summarizes the key KYC onboarding requirements for different individuals and entities in Uganda as stated in the relevant laws, regulations, and/or guidelines listed above. A more detailed analysis is available in Annex A. Individuals and entities considered include:

1. Individual bank accounts – citizens, legal residents (including refugees), and non-resident foreign nationals
2. Individual mobile money accounts – citizens, legal residents (including refugees), and non-resident foreign nationals
3. Individual banking agents
4. Legal entity banking agents
5. Individual mobile money agents
6. Legal entity mobile money agents
7. Informal mobile money merchants (e.g., boda drivers, shoe shiners, market traders, others without a permanent place of business)
8. Semi-formal mobile money merchants (e.g., small shops with a permanent place of business that are not legal entities and may lack certain business registration requirements)
9. Legal entity mobile money merchants (i.e., fully formalized businesses)
10. Schools, churches, mosques, and nonprofit entities

<sup>11</sup>Art. 7-8.

<sup>12</sup>Schedule 1.

<sup>13</sup>Conversation with Mr. Godfrey Yiga Masajja, Deputy Director, Commercial Banking and Mr. Ivan James Ssettimba, Assistant Director, Payment & Settlement Department, Bank of Uganda.

In many cases, the legal framework does not explicitly address KYC requirements for the particular individuals or entities listed above. In such cases, the analysis below is based upon the author’s interpretation of the relevant laws and regulations and discussions with key informants.

Individual Or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual bank accounts – citizens and legal residents (including refugees)</b></p>	<ul style="list-style-type: none"> <li>i. National ID or alien ID card (refugee ID card for refugees)</li> <li>ii. Address, phone, e-mail</li> <li>iii. Intro letter from employer, school, or senior government official</li> <li>iv. Tax ID # (if applicable)</li> <li>v. Nature of business activities</li> <li>vi. Signature/thumb print</li> </ul>	<p>If banks require further information to verify the identity and/or immigration status of the person in question, they may seek further proof of identity from the prospective client and/or confirm identity or immigration status with relevant government authorities.</p> <p>For more details, please see Annex A.</p>	<p>Banks should apply enhanced due diligence to higher-risk individuals/accounts and may apply simplified due diligence to lower-risk individuals/accounts.</p> <p>For more details, please see Annex A.</p>
<p><b>Individual bank accounts – non-resident foreign nationals</b></p>	<ul style="list-style-type: none"> <li>i. Name</li> <li>ii. Residential address, phone number, and e-mail address</li> <li>iii. Date and place of birth</li> <li>iv. Nationality</li> <li>v. Passport details</li> <li>vi. Visa status</li> <li>vii. Tax ID number (where applicable)</li> <li>viii. Signature and thumb print</li> </ul>	<p>Banks should confirm immigration details with the Uganda Citizenship and Immigration Control Board and confirm banking and financial details with the individual’s bank in her/his country or origin or residence.</p> <p>For more details, please see Annex A.</p>	<p>Banks should apply enhanced due diligence to higher-risk individuals/accounts and may apply simplified due diligence to lower-risk individuals/accounts.</p> <p>For more details, please see Annex A.</p>
<p><b>Individual mobile money accounts – citizens, legal residents (including refugees), and non-resident foreign nationals</b></p>	<p>Since a SIM is required to operate a mobile money account, in practice a national ID number or national ID card (citizens), valid passport (non-resident foreign nationals), or refugee ID card (refugees) is required to open a mobile money account.</p> <p>For more details, please see Annex A.</p>	<p>In the absence of a requirement for mobile money providers to comply with the verification requirements for individuals under the <i>Anti-Money Laundering Regulations, 2015</i>, there are no specific required verification procedures outside of reviewing the customer’s identity document. However, the recent requirement to verify and validate all SIMs using a national ID number, national ID card, passport, or refugee ID card adds a layer of verification to the KYC process.</p> <p>For more details, please see Annex A.</p>	<p>While the <i>Mobile Money Guidelines, 2013</i> do not explicitly refer to simplified due diligence, the BoU’s decision not to amend the Guidelines following the issuance of the <i>Anti-Money Laundering Regulations, 2015</i> suggests that the BoU is comfortable with the application of simplified due diligence for individual mobile money accounts subject to transaction limits.</p> <p>For more details, please see Annex A.</p>

Individual Or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual banking agents (based upon analysis of draft agent banking regulations)</b></p>	<p><b>Sole Proprietorships:</b> It would appear that sole proprietorships would be subject to the requirements for individuals, namely:</p> <ul style="list-style-type: none"> <li>i. National ID or alien ID card</li> <li>ii. Address, phone, e-mail</li> <li>iii. Intro letter from employer, school, or senior government official</li> <li>iv. Tax ID # (if applicable)</li> <li>v. Nature of business activities</li> <li>vi. Signature/ thumb print</li> </ul> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>i. Name of partnership;</li> <li>ii. Registered name and registration number (where applicable);</li> <li>iii. Copy of partnership deed;</li> <li>iv. Details of registered address or principal place of business;</li> <li>v. Information on each partner and any other person who exercises control;</li> <li>vi. Information on all natural persons authorized to establish a business relationship or enter into a transaction with the bank on behalf of the partnership; and</li> <li>vii. Prior year's financial statements.</li> </ul> <p>For more details, please see Annex A.</p>	<p><b>Verification of Individuals:</b> If banks require further information to verify the identity and/or immigration status of the individual in question, they may seek further proof of identity from the prospective client and/or confirm identity or immigration status with relevant government authorities.</p> <p><b>Agent due diligence:</b> The draft <i>Financial Institutions (Agent Banking) Regulations, 2017</i> would require banks to confirm that the sole proprietor or partnership:</p> <ul style="list-style-type: none"> <li>i. has an account in a licensed financial institution;</li> <li>ii. has a registered and licensed business;</li> <li>iii. has a physical address;</li> <li>iv. has adequate and secure premises; and</li> <li>v. has been engaged in commercial activity for at least 12 months.</li> </ul> <p>In addition, the bank would need to conduct a suitability assessment that considers factors such as credit history, criminal record, experience, and reputation.</p> <p>For more details, please see Annex A.</p>	<p>Analysis of the agent banking regulations is based upon the draft regulations as of August 8, 2016. Until regulations are issued, banks are not permitted to offer banking services through agents.</p>

Individual Or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Legal entity banking agents (based upon analysis of draft agent banking regulations)</b></p>	<ul style="list-style-type: none"> <li>i. Registered name and address;</li> <li>ii. Trade name under which the entity conducts business;</li> <li>iii. Proof of registration or incorporation;</li> <li>iv. Certified copy of written authorization to transact agent banking business with the bank;</li> <li>v. Information on natural persons managing, controlling, or owning the entity</li> <li>vi. Audited or unaudited financial statements for previous year (as applicable);</li> <li>vii. Tax ID number, where applicable; and</li> <li>viii: Written confirmation from entity's prior bank attesting to identity and history of account relationship (where appropriate).</li> </ul> <p>For more details, please see Annex A.</p>	<p><b>Verification of legal entities:</b></p> <ul style="list-style-type: none"> <li>i. Verify incorporation documents;</li> <li>ii. Physically verify location and contact details of head office or other place of business; and</li> <li>iii. Independently verify information regarding directors, senior management, shareholders, partners, or others authorized to establish an agent banking relationship.</li> </ul> <p><b>Agent due diligence:</b> The draft <i>Financial Institutions (Agent Banking) Regulations, 2017</i> would require banks to confirm that the legal entity:</p> <ul style="list-style-type: none"> <li>i. has an account in a licensed financial institution;</li> <li>ii. has a registered and licensed business;</li> <li>iii. has a physical address;</li> <li>iv. has adequate and secure premises; and</li> <li>v. has been engaged in commercial activity for at least 12 months.</li> </ul> <p>In addition, the bank would need to conduct a suitability assessment that considers factors such as credit history, criminal record, experience, and reputation.</p> <p>For more details, please see Annex A.</p>	<p>Analysis of the agent banking regulations is based upon the draft regulations as of August 8, 2016. Until regulations are issued, banks are not permitted to offer banking services through agents.</p>
<p><b>Individual mobile money agents</b></p>	<p><b>Mobile money agents must:</b></p> <ul style="list-style-type: none"> <li>i. Be a registered business with a physical address; and</li> <li>ii. Have an account in a licensed financial institution.</li> </ul> <p>For more details, please see Annex A.</p>	<p>In the absence of a requirement to comply with the <i>Anti-Money Laundering Regulations, 2015</i>, the verification procedures for individual mobile money agents are unclear. Mobile money service providers are required to conduct agent due diligence. While not explicitly stated, this would appear to include the need to verify the agent's business registration, physical address, and account in a licensed financial institution.</p> <p>For more details, please see Annex A.</p>	

Individual Or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Informal (e.g., boda drivers, shoe shiners, market traders) and semi-formal (e.g., small shops with a permanent place of business that are not legal entities and typically lack certain business registration requirements) mobile money merchants</b></p>	<p>In the absence of specific requirements in the Mobile Money Guidelines, there is a lack of clarity regarding appropriate KYC requirements for informal and semi-formal mobile money merchants.</p> <p>For more details, please see Annex A.</p>	<p>Since neither the <i>Mobile Money Guidelines</i> nor the <i>AML Regulations, 2015</i> specifically addresses individuals operating informal or semi-formal merchant businesses, it is unclear what type of verification procedures should be required for onboarding such merchants.</p>	<p>The lack of clarity regarding KYC requirements for onboarding informal and semi-formal mobile money merchants is creating uncertainty and limiting the growth of the mobile money ecosystem.</p>
<p><b>Formal (legal entity) mobile money merchants</b></p>	<p>In the absence of specific requirements in the Mobile Money Guidelines, there is a lack of clarity regarding appropriate KYC requirements for formal (legal entity) mobile money merchants.</p> <p>For more details, please see Annex A.</p>	<p>Since the <i>Mobile Money Guidelines</i> do not specifically address KYC requirements for merchant business, it is unclear what type of verification procedures should be required for onboarding such merchants.</p> <p>The <i>AML Regulations, 2015</i> have clear KYC requirements for legal entities that could apply, but it does not appear that these regulations are currently being applied to individual mobile money customers and mobile money agents. Therefore, it is unclear whether they would apply to mobile money merchants.</p> <p>For more details, please see Annex A.</p>	<p>The lack of clarity regarding KYC requirements for onboarding formal mobile money merchants is creating uncertainty and limiting the growth of the mobile money ecosystem.</p>
<p><b>Schools, churches, mosques, and other nonprofit entities</b></p>	<p>In the absence of specific requirements in the Mobile Money Guidelines, there is a lack of clarity regarding appropriate KYC requirements for schools, churches, mosques, and other nonprofit entities that wish to accept mobile money payments.</p> <p>For more details, please see Annex A.</p>	<p>Since the <i>Mobile Money Guidelines</i> do not specifically address KYC requirements for merchant business, it is unclear what type of verification procedures should be required for onboarding schools, churches, mosques, and other nonprofit entities to accept payments.</p> <p>The <i>AML Regulations, 2015</i> and the <i>Financial Institutions (AML) Regulations, 2010</i> have clear KYC requirements that could apply, but it does not appear that these regulations are currently being applied to individual mobile money customers and mobile money agents. Therefore, it is unclear whether they would apply to schools, churches, mosques, and other nonprofit entities seeking to accept payments.</p> <p>For more details, please see Annex A.</p>	<p>The lack of clarity regarding KYC requirements for onboarding schools, churches, mosques, and other nonprofit entities is creating uncertainty and limiting the growth of the mobile money ecosystem.</p>

## How are Financial Service Providers Interpreting and Implementing KYC Requirements?

Interpretation and implementation of KYC requirements has been complicated by the recent enactment of various laws and regulations and issuance of various directives. In just the past two years, new laws, regulations, and directives impacting KYC for digital financial services include the *Anti-Money Laundering (Amendment) Act, 2017*, the *Registration of Persons Act, 2015*, the *Anti-Money Laundering Regulations, 2015*, and various directives issued by the Uganda Communications Commission. While these laws, regulations, and directives all impact KYC requirements for the provision of DFS, none has been issued by the Bank of Uganda. As a result, there is some uncertainty regarding the application of some of these requirements. For example, the *Anti-Money Laundering Regulations, 2015* include detailed KYC requirements for individuals that apply to all “accountable persons,” which would appear to include mobile money services providers. In practice, however, not all of these requirements are applied when opening individual mobile money accounts.

In addition, some uncertainty exists regarding KYC requirements for certain customers that do not fit neatly into one of the standard KYC categories. Examples include refugees and informal or semi-formal businesses that wish to accept mobile money payments as a merchant payment rather than as a P2P payment.

This section discusses how financial service providers are interpreting and implementing KYC requirements for several of the financial services included in the above table.

### Individual bank accounts – citizens and legal residents

Banks lack clarity regarding KYC requirements for opening individual bank accounts (whether via agents or in branches). As noted earlier, the BoU has indicated that in the event of inconsistency between the *Financial Institutions (AML) Regulations, 2010* and the *AML Regulations, 2015*, providers should follow the requirements of the *AML Regulations, 2015*. With respect to KYC for opening individual accounts, these regulations vary significantly, particularly with respect to acceptable documentation for proving identity. The *Financial Institutions (AML) Regulations, 2010* permit banks to open accounts using a variety of identity documents, including driver’s licenses, voter ID cards and documents from “other reputable sources,” which some banks have interpreted to include employer ID cards and local council ID cards.

Conversely, the *AML Regulations, 2015* state that only national ID cards and alien ID cards may be accepted:

Requirements	<i>Financial Institutions (AML) Regulations, 2010</i>	<i>AML Regulations, 2015</i>
<b>Acceptable Documentation</b>	<i>"Documents issued by official or other reputable sources such as passports or identity cards, drivers license, or a voter's roll card" (Schedule 1).</i>	<p>i. <i>"A national identification card or an alien's identification card, whichever is applicable;" AND</i></p> <p>ii. <i>An introductory letter from the applicant's employer, school, or a senior government official. (Art. 19).</i></p>
<b>Verification Requirements</b>	<p><i>"A financial institution shall check the address of the applicant by appropriate means, such as recent utility or rates bills (electricity, telephone, water, satellite T.V. bills), government or local authority bills, Bank Statement, drivers licence, Passport and by checking the voters roll maintained by the Electoral Commission."</i></p> <p><i>"An introduction may be obtained if the prospective customer is unable to provide a valid address document" (Schedule 1).</i></p>	<p><i>"The accountable person may require a person to provide the following additional information to enable the identification and verification of the identity of the person—</i></p> <p><i>(a) utility bills including electricity and water bills;</i></p> <p><i>(b) details on occupation or employment;</i></p> <p><i>(c) details of source of income;</i></p> <p><i>(d) nature and location of business activity including a lease or tenancy agreement for the business premises;</i></p> <p><i>(e) income tax identification number, where applicable;</i></p> <p><i>(f) written references from acknowledged persons attesting to the customer's identity, where applicable" (Art. 19).</i></p>

Currently, both the *Financial Institutions (AML) Regulations, 2010* and the *AML Regulations, 2015* remain in force. While the BoU has indicated that the *AML Regulations, 2015* should be followed in the event of inconsistency, the *Financial Institutions (AML) Regulations, 2010* have not been repealed and have not been amended to match the 2015 regulations. As a result, some banks continue to follow the *Financial Institutions (AML) Regulations, 2010* in practice, particularly with respect to identifying clients.

## Individual bank accounts – refugees

While laws and regulations with respect to KYC requirements do not explicitly address requirements for refugees, this is not creating a barrier in practice. As noted above, the *AML Regulations, 2015* require either a national ID card or alien ID card, while the *Financial Institutions (AML) Regulations, 2010* require a document issued by an official source. In either case, banks and mobile money service providers have interpreted these regulations to allow them to accept the refugee ID card as sufficient proof of identity.



## Individual mobile money agents

As noted above, the *Mobile Money Guidelines, 2013* mandate that mobile money service providers conduct due diligence on prospective agents and require that every agent be a registered business with a bank account and a physical address. In addition, the *AML Regulations, 2015*, if applied to mobile money agents, would require additional documentation such as a national ID card and an introduction letter from an employer or senior government official.

In practice, most agents are unable to meet all of the requirements in the Guidelines. Most have neither a trading license nor a bank account, some have a trading license but no bank account, and only a small percentage are fully registered businesses with a bank account and a physical address. In some cases, mobile money service providers will work through a master agent that meets all of the requirements in the Guidelines, while the retail agents managed by the master agent are unable to meet these requirements.

## Informal and semi-formal mobile money merchants

As noted above, while requirements exist for opening individual mobile money accounts and agent mobile money accounts, there are no specific KYC requirements for mobile money merchants. As a result, there is a great deal of uncertainty regarding appropriate identification and verification requirements when onboarding individuals with an informal or semi-formal business that wish to accept mobile money payments as a merchant transaction rather than as a P2P transaction.

Currently, mobile money merchant acquisition in Uganda is being driven by aggregators rather than mobile money service providers. Aggregators such as Pegasus, True African, and Yo! Uganda are enabling merchants to accept mobile money payments from customers without having to integrate directly with multiple mobile money service providers.

In the absence of clear legal guidance, aggregators are adopting a tiered approach on an ad hoc basis. Typically, informal (e.g., street and market traders, boda drivers) and semi-formal (e.g., small shops that are not fully compliant with all business registration requirements) businesses can open a mobile money merchant account with an aggregator by providing a national ID. Some aggregators will even accept other documents if the prospective merchant lacks a national ID, such as a local council letter.



## Legal entity mobile money merchants

As discussed earlier, specific requirements have not been established for legal entities that wish to register as mobile money merchants. Application of the requirements for legal entities stipulated in the *AML Regulations, 2015* would require (i) **collection** of detailed information (such as registered name and address, proof of registration or incorporation, written authorization to conduct mobile money merchant business, and copies of financial statements) and (ii) **verification** of certain information (such as incorporation documents, location and contact details of head office, and particulars of directors, shareholders, and senior management). However, the *Mobile Money Guidelines, 2013* do not address merchant KYC and the BoU has not provided specific guidance on this issue to mobile money service providers and their partner banks.

In practice, when mobile money service providers or aggregators onboard legal entities as merchants, they apply requirements that are similar to the requirements for “local entities and other bodies” under the *AML Regulations, 2015*:

Requirements	Mobile Money Service Provider X’s Requirements for Limited Companies	Aggregator Y’s Requirements for Corporate Clients	<i>AML Regulations, 2015</i>
<b>Documentation and verification requirements</b>	<ul style="list-style-type: none"> <li>i. Brief organization profile</li> <li>ii. Certified copy of Certificate of Incorporation/ Registration;</li> <li>iii. Memorandum &amp; Articles of Incorporation or equivalent; iv. Copy of TIN/ VAT certificate;</li> <li>iv. Copy of TIN/VAT certificate;</li> <li>v. Copy of Trading/Operating license or equivalent;</li> <li>vi. Copy of tenancy / registered document for company premises / Form No. A.9 –Notice of Situation of the Registered Office;</li> <li>vii. Certified copy of statement of particulars of directors/members; and</li> <li>viii. Copies of two Directors’ ID cards or passports.</li> </ul> <p><b>Source:</b> <i>Conversations with and documentation from a mobile money service provider.</i></p>	<ul style="list-style-type: none"> <li>i. Memorandum / Articles of Association</li> <li>ii. Certificate of incorporation</li> <li>iii. Form 20 – providing particulars of Directors and company Secretary</li> <li>iv. Trading license</li> <li>v. Copy of letterhead vi. Identification from at least two Directors</li> <li>vii. Proof of address</li> <li>viii. Account opening form</li> </ul> <p><b>Sources:</b> <i>Conversations with aggregator staff.</i></p>	<ul style="list-style-type: none"> <li>i. Registered name and address (with physical verification of location and contact details of head office or other place of business);</li> <li>ii. Trade name under which the entity conducts business;</li> <li>iii. Proof of registration or incorporation, including registration or incorporation number (verified with Registrar of Companies);</li> <li>iv. Certified copy of written authorization permitting the entity to transact agent banking business with the bank;</li> <li>v. For natural persons managing, controlling, or owning the entity: Name, date of birth, identity or passport, number, and address (this information should be independently verified);</li> <li>vi. Audited or unaudited financial statements for previous year (as applicable);</li> <li>vii. Tax ID number, where applicable; and</li> <li>viii: Where appropriate, written confirmation from entity’s prior bank attesting to identity and history of account relationship.</li> </ul> <p><b>Source:</b> <i>AML Regulations, Art. 21</i></p>

## Schools, churches, mosques, and nonprofit entities

As noted earlier, there is no clear set of KYC requirements for schools, churches and mosques, and other nonprofit entities interested in accessing mobile money services, as these entities are not specifically addressed in the *Mobile Money Guidelines, 2013*. Possible KYC requirements that could apply to such entities include the requirements for “local entities and other bodies” included in the *Anti-Money Laundering Regulations, 2015* or the requirements for “clubs, societies and charities” included in the *Financial Institutions (Anti-Money Laundering) Regulations, 2010*.

In practice, mobile money service providers take different approaches to KYC of such entities. KYC requirements from two mobile money service providers that apply to many of these entities are included in the following table:

Mobile Money Service Provider X – NGOs	Mobile Money Service Provider X – SACCOs, religious or community organizations	Mobile Money Service Provider Y – NGOs and CBOs
<ul style="list-style-type: none"> <li>i. Brief organization profile;</li> <li>ii. Copy of certificate of registration</li> <li>iii. Copy of Constitution or equivalent</li> <li>iv. Copy of operating license or equivalent</li> <li>v. Copy of lease / tenancy / title document for company premises</li> <li>vi. Copy of Statement of Particulars of Directors / members / Trustee</li> <li>vii. Copies of two Directors' ID cards or passports</li> </ul>	<ul style="list-style-type: none"> <li>i. Brief organization profile;</li> <li>ii. Copy of certificate of registration</li> <li>iii. Copy of Constitution or equivalent</li> <li>iv. Copy of Statement of Particulars of members</li> <li>v. Copies of two executive members' ID cards or passports</li> <li>vi. Letter of consent from executive members (Board resolution or annual meeting minutes) approving account opening.</li> </ul>	<ul style="list-style-type: none"> <li>i. Brief organization profile</li> <li>ii. Certified copy of certificate of Registration and Incorporation (Form B, Regulation 6)</li> <li>iii. Constitution (certified by NGO Board Secretariat)</li> <li>iv. Certified copy of permit to operate as an NGO (Form C, Regulation 7)</li> <li>v. Authorization letter to procure mobile money services (signed by Directors)</li> <li>vi. Memorandum of Understanding between organization and its donors (if applicable)</li> <li>vii. Board/Directors resolution to apply for MM services</li> <li>viii. Copies of IDs for at least two directors or authorized signatory (if any)</li> <li>ix. Application form x. Compliance form and agency agreement (for agency applications)</li> <li>xi. Contract request form and contract agreement (for bill collection, bulk payment, merchant, and other services)</li> <li>xii. If more than 2 lines requested, a written request referencing applicable documents to justify need</li> <li>xiii. Company documents (only if registered as a limited company or sole proprietorship)</li> <li>xiv. Proximity form signed by area sales rep or RMMC (for agency applications)</li> </ul>

# How are KYC Requirements Impacting DFS Adoption?

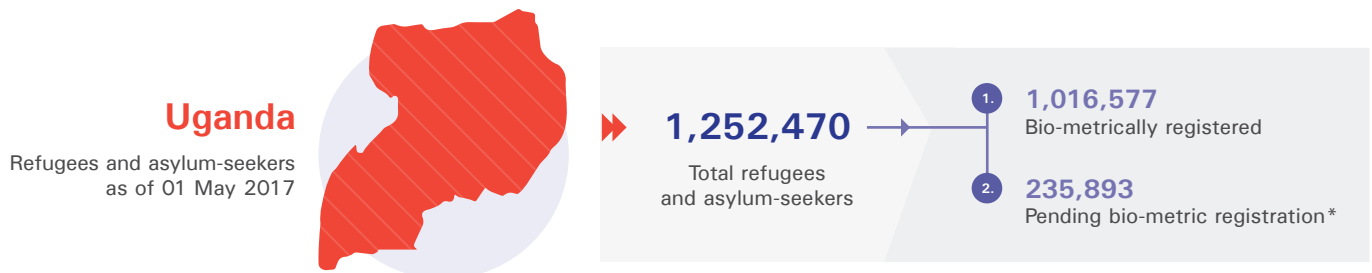
## Challenges with customer identification

Historically, Uganda financial service providers have struggled to effectively identify customers, particularly for the mass market. In the absence of a ubiquitous national identification scheme, most of the population lacked access to reliable national documents such as passports, driver's licenses, and the national identification card. Instead, banks and mobile money service providers have been forced to rely upon alternatives such as local council IDs and letters, employer IDs, and introductions from existing customers.

In addition, the lack of an effective system for electronic verification of national ID numbers and cards is limiting financial inclusion. National ID cards include valuable information for facilitating customer due diligence, including biodata, biometric data, verified place of birth, and family information (next of kin, children, etc.). Currently, however, even if a customer has a national ID card, providers are unable to directly query the national ID database to verify the authenticity of the information. As a result, providers must conduct manual customer identity verification. In particular, many banks will not onboard customers without requesting additional documentation such as utility bills, local council letters, or tenancy agreements. This drives up the cost of doing business, discouraging banks from targeting low-income customers. In addition, low-income customers may struggle to obtain the required documents and drop out of the bank account application process.

On the positive side, access to the national identification card is rapidly increasing. While both the *Registration of Persons Act, 2015* and the *AML Regulations, 2015* have mandated production of a national (or alien) ID card for access to financial services since 2015, the drive to issue every Ugandan a national identification number and national identification card intensified in April 2017 when the Uganda Communications Commission mandated that all existing SIMs be validated against the National Identification and Registration Authority's (NIRA) database of national identification numbers and passport numbers. As of April 2017, 16.8 million national ID cards had been produced. Given that Uganda's total population is approximately 38 million and approximately 51% of the population is younger than 18,<sup>14</sup> about 90% of the adult population has received a national identification number and has or should soon receive a national identification card.

Similarly, refugee access to official identification has expanded recently. Historically, approximately 20-30% of refugees had a biometric ID card. Following engagement from UNHCR and partners such as Mercy Corps, however, biometric registration increased rapidly.<sup>15</sup> As of 1 May 2017, 81% of the 1.25 million refugees and asylum-seekers had been biometrically registered.



Source: UNHCR (2017), Uganda: Refugees and Asylum-Seekers as of 01 May 2017.

<sup>14</sup>Conversation with Dr. Tumubweinee Twinemanzi, Director of Industry Affairs and Content, Uganda Communications Commission).

<sup>15</sup>Conversation with Ronald Rwakigumba, Country Coordinator – Agri-Fin Mobile, Mercy Corps.

In addition, the government is taking steps to facilitate electronic verification of identity. The National Information Technology Authority (NITA) is developing an electronic payments gateway to facilitate digital KYC, which they hope to launch by February 2018. This gateway will enable financial service providers to access information in the NIRA database for KYC purposes via an Application Programming Interface (API). In the future, other public information could be integrated with the ID database via the gateway to enable verification of other records such as credit history, property registration, and business registration. This offers the potential to further foster financial inclusion by expanding access to information while lowering the cost of conducting customer due diligence. Electronic verification could also encourage banks to enter the financial inclusion space, as they typically require more stringent KYC for onboarding customers.

## Difficulty onboarding informal and semi-formal merchants and agents

Robust agent and merchant networks are critical components of the DFS ecosystem. In the absence of convenient and liquid agent networks, customers will limit their usage of mobile money and other DFS, store less money on the digital account, and be more likely to cash out in full. Similarly, customers are more likely to cash out in full if there are few options for spending money electronically.

The *Mobile Money Guidelines, 2013* require agents to be formal businesses. The Guidelines require mobile money agents to (i) have an account in a licensed financial institution and (ii) be a registered business with a physical address.<sup>16</sup>

Similar requirements are expected to be enacted for banking agents. The draft *Agent Banking Regulations* would only permit banks to work with agents that (i) have an account in a licensed financial institution; (ii) are registered and licensed businesses with a physical address; (iii) have “adequate and secure premises;” and (iv) have been engaged in commercial activity for at least 12 months.<sup>17</sup>

The vast majority of Ugandan businesses, however, are informal. According to a survey conducted by the Uganda Bureau of Statistics,<sup>18</sup> informal businesses – defined as a business that “may not be registered/licensed and normally has no final accounts and also employs less than 5 persons and does not pay any taxes such as Value Added Tax and Income Tax” – account for 96% of total businesses in Uganda.

In practice, most registered mobile money agents cannot meet all of the requirements stipulated in the *Mobile Money Guidelines, 2013*. Discussions with industry stakeholders indicate that the majority of agents lack trading licenses, while few agents have bank accounts. If the BoU or partner banks were to enforce these requirements and compel mobile money service providers to cease doing business with such agents, mobile money agent networks would collapse.

Several banks have also expressed concerns regarding the impact of KYC requirements on their ability to onboard banking agents. Equity Bank formally proposed to enable individuals with unregistered businesses to serve as agents, to which the BoU replied “Unregistered businesses are illegal.”<sup>19</sup> Similarly, other banks have indicated that the requirement to be a registered business will hamper agent network development, particularly in rural areas.<sup>20</sup>

The development of mobile money merchant networks is being limited by uncertainty around KYC, particularly for informal and semi-formal merchants. As noted above, the *Mobile Money Guidelines, 2013* do not discuss merchants, so it is unclear what type of merchant due diligence would be expected by the BoU and/or partner banks when onboarding individuals with an informal or semi-formal business. As a result, different providers are taking different approaches to merchant KYC. To date, mobile money service providers are proceeding cautiously when directly onboarding merchants, typically

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<sup>16</sup>Art. 7(5).

<sup>17</sup>Art. 7(2).

<sup>18</sup>Uganda Bureau of Statistics, Report on the Uganda Business Inquiry 2009/2010.

<sup>19</sup>Bank of Uganda (10 August 2016), Circular on Agent Banking Regulations, Comments Received by Stake Holders on the Agent Banking Regulations.

<sup>20</sup>Conversations with Centenary Bank and Postbank.

requiring proof of business registration. As for aggregators, some are onboarding informal or semi-formal merchants with just a national ID or local council letter, while others are requiring both a national ID and a trading license.

Given the predominance of informal businesses in Uganda, adherence to strict rules requiring agents and merchants to be registered and/or licensed would hamper DFS ecosystem development. Low-income and rural Ugandans and refugees would be most affected, as these groups are particularly likely to be served by less-formal businesses.

On the positive side, the Bank of Uganda understands these challenges and is open to proposals for addressing them. During discussions with BFA, the BoU's Deputy Director of Commercial Banking and Assistant Director of the Payment & Settlement Department both indicated that they understood mobile money service providers' concerns regarding KYC requirements for onboarding mobile money merchants. They recognized that informal or semi-formal businesses with limited transaction volumes were unlikely to be registered, and they felt that such businesses could be subjected to simplified due diligence under a tiered KYC regime, provided that the mobile money service providers could convince their partner banks that the risks were adequately mitigated.<sup>21</sup> If so, the partner banks could notify the BoU of their intention to conduct simplified due diligence when onboarding informal and semi-formal mobile money merchants, provided that AML/CFT risk mitigation measures such as transaction and balance limits were properly implemented.

## **Lack of risk-based KYC approach**

The *AML Act, 2013* (as amended by the *AML (Amendment) Act, 2017*) and the *AML Regulations, 2015* state that banks, mobile money service providers, and other accountable persons should adopt a risk-based approach to customer due diligence.<sup>22</sup> If a provider determines that a customer or business relationship is lower-risk, it may apply simplified due diligence to that customer. Conversely, if a customer or business relationship is determined to be higher-risk, enhanced due diligence measures should be applied.

In order to conduct an effective sectoral risk assessment, however, providers have been awaiting the results of the national AML/CFT risk assessment. Uganda conducted a national AML/CFT risk assessment in late 2016 that was completed in April 2017, was approved by the Cabinet on 4 August 2017, and is expected to be published in the near future. Among other findings, the risk assessment found that the mobile money sector's money laundering (ML) exposure was very low but that its terrorist financing (TF) exposure was medium-high. Now that the national AML/CFT risk assessment has been completed, the Financial Intelligence Authority (FIA) expects that the Uganda Communications Commission (UCC) and the BoU will coordinate sector-specific risk assessments in the coming months on behalf of the mobile telecommunications sector and the banking sector, respectively.<sup>23</sup> Providers of mobile money services (mobile money service providers and their partner banks) and agent banking services will then be able to develop risk-based AML/CFT approaches that are grounded in the results of the national and sector-specific assessments.

The lack of data on national, sectoral, and customer- and product-specific ML and TF risks may be limiting DFS ecosystem development. For example, informal and semi-formal businesses seeking to serve as merchants cannot comply with all of the KYC requirements for legal entities, yet the risk presented by these businesses has not been adequately explored. A high-quality sectoral risk assessment could also help banks to assess banking agent risks and develop risk-based customer due diligence requirements for prospective agents that vary according to formality (legal entities vs. semi-formal businesses vs. informal businesses), business size (large, medium, small, micro), and geography (urban vs. rural). Risk assessments could also help providers understand the risks posed by refugees from different countries and develop products and services tailored to the needs and risk profiles of these potential customers.

<sup>21</sup>In the absence of a law governing the national payment system, the BoU provides the mobile money authorization to the partner banks of mobile money service providers rather than directly to the mobile money service providers themselves. See *Mobile Money Guidelines, 2013*, Art. 6(a)(ii).

<sup>22</sup>*AML Act, 2013* (as amended by *AML (Amendment) Act, 2017*), Art. 6(3); *AML Regulations, 2015*, Art. 15.

<sup>23</sup>Conversation and e-mail correspondence with Michael Tukei, Deputy Executive Director, Financial Intelligence Authority (June-August 2017).

# How can Sector Stakeholders Address KYC Challenges to foster DFS Growth and Uptake?

## 1. Maximize the positive impact of efforts to improve identification of Ugandan citizens and refugees

Recent efforts to strengthen identity documentation for citizens and refugees present a real opportunity for DFS sector stakeholders. To seize this opportunity, the following steps are recommended:

Actor	Recommendation	Timing
UNCDF	Strengthen engagement with relevant staff in government ministries whose active participation is key to maximizing the potential for electronic verification and the e-payments gateway for DFS and financial inclusion (e.g., NIRA, NITA, BoU, OPM, MoF, Uganda Registration Services Bureau, etc.).	Ongoing
UNCDF	Explore potential for creating a Working Group to facilitate regular public- and private-sector engagement on issues related to digital ID and electronic verification.	Ongoing
UNCDF	Follow up with NIRA to obtain updated statistics on access to the national identification card, particularly with respect to (i) percentage of adults with national ID; and (ii) urban/rural and regional breakdown of access.	ASAP
Bankers Association	Seek opportunities for regular engagement with key government ministries and other relevant stakeholders on issues related to digital ID and electronic verification, such as through a Working Group.	Ongoing in collaboration with UNCDF
Mobile Money Service Providers	Reestablish mobile money association and seek opportunities for regular engagement through the association with key government ministries and other relevant stakeholders on issues related to digital ID and electronic verification, such as through a Working Group.	Ongoing in collaboration with UNCDF following reestablishment of mobile money association

## 2. Promote the development of a tiered regulatory framework for merchant and agent acquisition

Given the very high percentage of informal businesses in Uganda, developing a tiered framework for merchant and agent acquisition is critical for DFS ecosystem development. KYC requirements and transaction/balance limits for each tier should be informed by industry research that considers (i) available documentation for prospective merchants and agents; (ii) required transaction and balance limits to provide sufficient account functionality; and (iii) level and type of risk presented by the prospective merchant or agent.

Efforts to develop tiered KYC for mobile money merchants can be informed by Safaricom’s experience in Kenya. Like Uganda, the vast majority of businesses in Kenya are informal (95% according to the World Bank).<sup>24</sup> When Safaricom began marketing its Lipa na M-Pesa service to informal and semi-formal businesses, it found that informal providers typically lacked trading licenses, while semi-formal businesses (e.g., small shops with a fixed business location) typically had a local business license but often were not registered with the tax authority. Following are the KYC requirements and transaction and balance limits instituted by Safaricom for these two merchant tiers:<sup>25</sup>

Merchant Tier	KYC Requirements	Transaction and Balance Limits
<b>Informal</b>	<ol style="list-style-type: none"> <li>1. Name (verified against national ID)</li> <li>2. Phone number</li> <li>3. Nature of business</li> <li>4. General vicinity of business</li> <li>5. Business name (registered in the name of the individual)</li> <li>6. County government license Merchants would then receive a separate SIM for business purposes only.</li> </ol>	<p><b>Maximum individual transaction:</b> KSH 70,000 (approx. USD 685)</p> <p><b>Maximum daily transactions (aggregate):</b> KSH 140,000 (approx. USD 1,370)</p> <p><b>Maximum account balance:</b> KSH 100,000 (approx. USD 980)</p> <p><b>NOTE:</b> Transaction and balance limits for informal merchants are the same as for individual M-Pesa accounts.</p>
<b>Semi-formal</b>	<p>All of the requirements for informal merchants, plus:</p> <ol style="list-style-type: none"> <li>1. Copy of business registration (verified against a government database)</li> <li>2. Names and copies of national IDs of all business owners (if not a sole proprietorship)</li> <li>3. Photo of premises</li> </ol> <p>Other documents that may be requested include:</p> <ol style="list-style-type: none"> <li>4. Incorporation documents (if applicable)</li> <li>5. Copies of IDs of directors or partners (if applicable)</li> <li>6. Tax identity number (if applicable)</li> <li>7. Bank account details (if applicable)</li> </ol>	<p><b>Maximum individual transaction:</b> N/A</p> <p><b>Maximum daily transactions (aggregate):</b> N/A</p> <p><b>Maximum account balance:</b> KSH 1 million – KSH 50 million (approx. USD 9,800 – USD 490,000), depending upon customer preference and internal risk assessment.</p>

In the short term, mobile money service providers will need to seek approval from their partner banks for tiered KYC for mobile money merchants. In the absence of specific guidance within the relevant laws, regulations, and guidelines, mobile money service providers will need to convince their partner banks that they are effectively mitigating the risks presented by informal, semi-formal, and formal merchants. Partner banks could then notify the BoU of their proposed approach. As the BoU has already indicated its openness to the application of simplified due diligence to lower-risk mobile money merchant services, it is unlikely that the BoU would object.

In the medium term, the BoU could provide greater certainty. Some partner banks may view mobile money service providers as competitors for merchant services and may be reluctant to take steps to facilitate mobile money merchant acquisition, particularly in the absence of legal clarity regarding the application of tiered KYC to mobile money merchants. This challenge is expected to be addressed in the future following the enactment of a National Payment Systems Act, which would enable the BoU to directly license mobile money service providers. In the meantime, however, the BoU could address this issue by revising the *Mobile Money Guidelines* to specifically discuss KYC for mobile money merchants.

<sup>24</sup>World Bank (2016), Informal Enterprises in Kenya.

<sup>25</sup>Conversation with Isaac Kibere, Legal Counsel – Financial Services and Finance, Safaricom (28 July 2017); Conversation with Brian Muthiora-Njenga, Senior Mobile Money Regulatory Specialist, GSMA (7 July 2017).



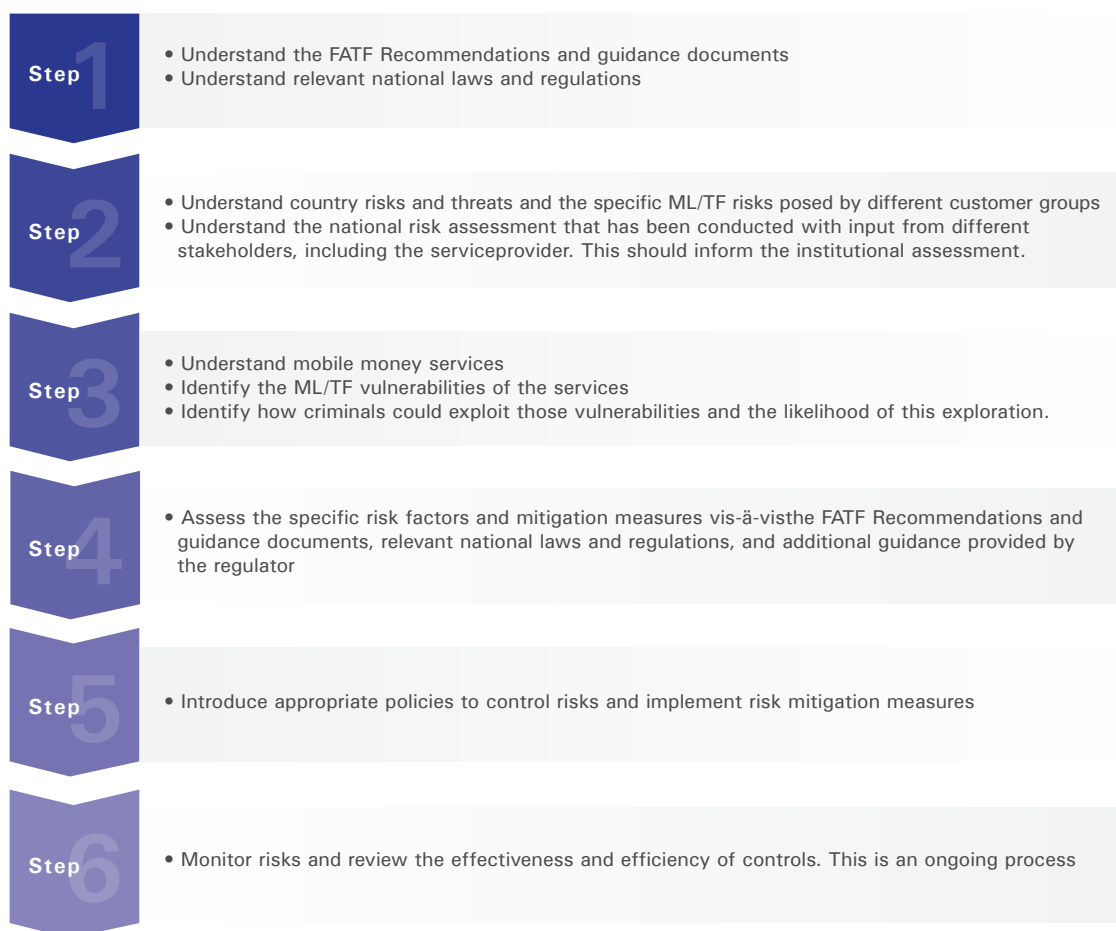
To develop and implement a tiered regulatory framework for merchant and agent acquisition, the following steps are recommended:

Actor	Recommendation	Timing
<b>Mobile Money Service Providers</b>	<p>In consultation with aggregators, conduct internal research to determine the following:</p> <ol style="list-style-type: none"> <li>1. Percentage of target merchant businesses in each of the following categories: <ol style="list-style-type: none"> <li>a. <b>Fully formalized</b> (capable of meeting all KYC requirements for legal entities)</li> <li>b. <b>Semi-formal</b> (e.g., small shop with limited documentation, such as trading license)</li> <li>c. <b>Informal</b> (self-employed street trader, kiosk, boda driver, market vendor, not formally registered).</li> </ol> </li> <li>2. Documentation available within each category</li> <li>3. Required transaction and balance limits to facilitate merchant business for each tier</li> <li>4. Level and type of ML/TF risk presented by businesses within each tier</li> </ol> <p>Based upon the outcomes of this internal research, MMSPs should propose customer due diligence requirements and transaction/balance for each merchant tier.</p>	ASAP
<b>Mobile Money Service Providers</b>	Relaunch mobile money association to discuss merchant KYC-related issues and agree upon common positions with respect to merchant due diligence.	ASAP
<b>Mobile Money Service Providers</b>	Once mobile money association has been reestablished, request permission to join Ministry of Finance-led Anti-Money Laundering Committee	Following reestablishment of mobile money association and upon agreement of MMSP members
<b>Bankers Association</b>	Consult with members to assess demand for developing a tiered framework for agent banking KYC. If sufficient demand exists, coordinate similar research to that described above for MMSPs and propose customer due diligence requirements and transaction/balance for each banking agent tier.	Upon request from members
<b>UNCDF</b>	Facilitate cooperative efforts by mobile money service providers to relaunch association, develop common recommendations with respect to merchant KYC, and participate in Ministry of Finance-led Anti-Money Laundering Committee.	Upon request from MMSPs
<b>GSMA Africa</b>	Facilitate cooperative efforts by mobile money service providers to relaunch association, develop common recommendations with respect to merchant KYC, and participate in Ministry of Finance-led Anti-Money Laundering Committee.	Upon request from MMSPs
<b>Bank of Uganda</b>	Support proposal for mobile money association to participate in Ministry of Finance-led Anti-Money Laundering Committee to facilitate engagement with mobile money service providers on AML/CFT-related issues.	Upon request from mobile money association
<b>Bank of Uganda</b>	Revise <i>Mobile Money Guidelines</i> to provide clarity regarding permissibility of tiered KYC for mobile money merchants.	In response to submissions from mobile money service providers and/or partner banks

### 3. Conduct sector-specific risk assessments to better understand DFS risks and enable development of proportionate AML/CFT approaches

As noted above, Uganda recently completed a national AML/CFT risk assessment. With the national risk assessment now complete, the BoU and the UCC can proceed with coordination of sector-specific risk assessments for the banking and mobile telecommunications sectors, respectively. These sector-specific risk assessments will enable banks, mobile money service providers, and other financial service providers to better understand the risks presented by (i) different types of products and services (e.g., mobile money, agent banking) and (ii) different individuals and entities (e.g., informal businesses, semi-formal businesses, refugees). Using this information, providers will then be able to craft customer due diligence and AML/CFT approaches that are proportionate to the identified risks.

#### Risk-Based Assessment of Mobile Money Services: The Workflow for Service Providers



Source: di Castri, Grossman, and Sihin (2015), Proportional Risk-Based AML/CFT Regimes for Mobile Money

Recommended next steps include the following:

Actor	Recommendation	Timing
<b>Bank of Uganda</b>	Using national ML/TF risk assessment, coordinate sector-specific ML/TF risk assessment on behalf of the banking sector.	As soon as possible
<b>Uganda Communications Commission</b>	Using national ML/TF risk assessment, coordinate sector-specific ML/TF risk assessment on behalf of the mobile telecommunications sector.	As soon as possible
<b>Banks</b>	Using national and sector-specific ML/TF risk assessments, profile how different customers use different services and determine appropriate customer due diligence requirements for informal businesses, semi-formal businesses, refugees, and other agent banking users.	Following completion of banking sector-specific ML/TF risk assessment
<b>Mobile Money Service Providers</b>	Using national and sector-specific ML/TF risk assessments, profile how different customers use different services and determine appropriate customer due diligence requirements for informal businesses, semi-formal businesses, refugees, and other mobile money users.	Following completion of mobile telecommunications sector-specific ML/TF risk assessment
<b>Bankers Association</b>	Support member banks with guidance on how to use national and sector-specific ML/TF risk assessments to inform internal AML/CFT policies and practices.	On demand
<b>GSMA Africa</b>	Support member mobile money service providers with guidance on how to use national and sector-specific ML/TF risk assessments to inform internal AML/CFT policies and practices.	On demand

# ANNEX A:



Detailed KYC Requirements for  
Individuals and Entities

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual bank accounts – citizens and legal residents</b></p>	<ul style="list-style-type: none"> <li>i. National ID or alien ID card</li> <li>ii. Address, phone, e-mail</li> <li>iii. Intro letter from employer, school, or senior government official</li> <li>iv. Tax ID # (if applicable)</li> <li>v. Nature of business activities</li> <li>vi. Signature/thumb print</li> </ul> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 19.</i></p>	<p>In addition to reviewing the national ID card or alien ID card and student ID card (as applicable), banks may require further information to verify identity, such as:</p> <ul style="list-style-type: none"> <li>i. Utility bills</li> <li>ii. Details regarding occupation, employment, and/or source of income</li> <li>iii. Proof of nature and location of business activity</li> <li>iv. Written references</li> </ul> <p>Furthermore, if any doubt exists regarding the identity or immigration status of the person in question, this information should be confirmed with the National Identification and Registration Authority or the Uganda Citizenship and Immigration Control Board, respectively.</p> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 19.</i></p>	<p>The listed documentation and verification requirements are for accounts where the bank considers the risk involving the individual and the account to be typical. Banks should apply enhanced due diligence to higher-risk individuals/accounts and may apply simplified due diligence to lower-risk individuals/accounts.</p> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 15.</i></p>
<p><b>Individual bank accounts – foreign nationals</b></p>	<ul style="list-style-type: none"> <li>i. Name</li> <li>ii. Residential address, phone number, and e-mail address</li> <li>iii. Date and place of birth</li> <li>iv. Nationality</li> <li>v. Passport details</li> <li>vi. Visa status</li> <li>vii. Tax ID number (where applicable)</li> <li>viii. Signature and thumb print</li> </ul> <p><b>Source:</b> <i>AML Regulations 2015, Art. 20.</i></p>	<p>Immigration details should be verified by confirming with the Uganda Citizenship and Immigration Control Board.</p> <p>Banks should also confirm banking and financial details with the individual's bank in her/his country or origin or residence. If this is not practicable, banks may use other information from an <i>"independent and reliable source"</i> after evaluating the risk presented by the individual customer.</p> <p><b>Source:</b> <i>AML Regulations 2015, Art. 20.</i></p>	<p>The listed documentation and verification requirements are for accounts where the bank considers the risk involving the individual and the account to be typical. Banks should apply enhanced due diligence to higher-risk individuals/accounts and may apply simplified due diligence to lower-risk individuals/accounts.</p> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 15.</i></p>
<p><b>Individual bank accounts – refugees</b></p>	<ul style="list-style-type: none"> <li>i. National ID or alien ID card</li> <li>ii. Address, phone, e-mail</li> <li>iii. Intro letter from employer, school, or senior government official</li> <li>iv. Tax ID # (if applicable)</li> <li>v. Nature of business activities</li> <li>vi. Signature/thumb print</li> </ul> <p>Note that while "alien ID card" is not clearly defined, it appears that in the case of refugees, this refers to the identity card issued to refugees that have been biometrically registered.</p> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 19.</i></p>	<p>In addition to reviewing the national ID card or alien ID card and student ID card (as applicable), banks may require further information to verify identity, such as:</p> <ul style="list-style-type: none"> <li>i. Utility bills</li> <li>ii. Details regarding occupation, employment, and/or source of income</li> <li>iii. Proof of nature and location of business activity</li> <li>iv. Written references</li> </ul> <p>Furthermore, if any doubt exists regarding the immigration status of the person in question, this information should be confirmed with the Uganda Citizenship and Immigration Control Board.</p> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 19.</i></p>	<p>The listed documentation and verification requirements are for accounts where the bank considers the risk involving the individual and the account to be typical. Banks should apply enhanced due diligence to higher-risk individuals/accounts and may apply simplified due diligence to lower-risk individuals/accounts.</p> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 15.</i></p>

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual mobile money accounts – citizens and legal residents</b></p>	<p>Since the <i>Anti-Money Laundering Regulations, 2015</i> would appear on their face to apply to mobile money service providers, it would seem that all of the requirements for individual bank accounts would apply to mobile money accounts as well.</p> <p>In practice, however, mobile money accounts have been opened following the requirements listed in the <i>Mobile Money Guidelines, 2013</i>, which require mobile money service providers to (i) set transaction limits on mobile money accounts and (ii) verify customer identity using at least one of the following documents:</p> <ul style="list-style-type: none"> <li>i. Valid passport</li> <li>ii. Driving permit</li> <li>iii. Identity card</li> <li>iv. Voter's card</li> <li>v. Financial card</li> <li>vi. Local administration letter</li> <li>vii. Business registration certificate</li> </ul> <p>Since 2015, the <i>Registration of Persons Act, 2015</i> has required the use of a national identification number, national identification card, alien's identification number, or alien's identification card for the provision of a variety of services, including the provision of financial services. It would appear, therefore, that the Act requires mobile money service providers to obtain a national or alien's identification number or view a national or alien's identification card in order to open a mobile money account.</p> <p>In addition, in March 2017 the Uganda Communications Commission (UCC) issued a directive stating that as of 29 March 2017, only a national ID or valid passport could be used for SIM registration. Then on 11 April 2017, the UCC issued another directive stating that existing SIMs needed to be verified and validated using a national ID card or number (for citizens) or valid passport (for aliens). The deadline for verification and validation of existing SIMs has been postponed several times and is currently 30 August 2017.</p> <p>Since a SIM is required to operate a mobile money account, in practice a national ID number, national ID card, or valid passport is required to open a mobile money account.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 19; Mobile Money Guidelines, 2013, Art. 11; Registration of Persons Act, Art. 66; UCC, Statement by the Executive Director, UCC to the media on the status of SIM Card registration; UCC, Public Notice: Extension of the SIM Card Verification Exercise.</i></p>	<p>If applied to mobile money accounts, the <i>Anti-Money Laundering Regulations, 2015</i> would authorize mobile money providers to take further steps to verify identity as required (see Required Verification Procedures for individual bank accounts, above).</p> <p>In the absence of a requirement to comply with these regulations, there are no specific required verification procedures outside of reviewing the customer's identity document. However, the recent requirement to verify and validate all SIMs using a national ID or passport adds a layer of verification to the KYC process.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 19; Mobile Money Guidelines, 2013, Art. 11; Registration of Persons Act, Art. 66; UCC, Statement by the Executive Director, UCC to the media on the status of SIM Card registration; UCC, Public Notice: Extension of the SIM Card Verification Exercise.</i></p>	<p>As noted above, the <i>Anti-Money Laundering Regulations, 2015</i> allow accountable persons to apply simplified due diligence to lower-risk individuals and accounts. While the <i>Mobile Money Guidelines, 2013</i> do not explicitly refer to simplified due diligence, the BoU's decision not to amend the Guidelines following the issuance of the <i>Anti-Money Laundering Regulations, 2015</i> suggests that the BoU is comfortable with the application of simplified due diligence for individual mobile money accounts subject to transaction limits.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 15; Mobile Money Guidelines.</i></p>

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual mobile money accounts – foreign nationals</b></p>	<p>Since the <i>Anti-Money Laundering Regulations, 2015</i> would appear on their face to apply to mobile money service providers, it would seem that all of the requirements for individual bank accounts would apply to mobile money accounts opened for foreign nationals as well.</p> <p>In practice, however, mobile money accounts have been opened following the requirements listed in the <i>Mobile Money Guidelines, 2013</i>, which require mobile money service providers to (i) set transaction limits on mobile money accounts and (ii) verify customer identity using a valid passport (which is the only accepted identity document available to a non-resident foreigner).</p> <p>Since 2015, the <i>Registration of Persons Act, 2015</i> has required the use of a national identification number, national identification card, alien's identification number, or alien's identification card for the provision of a variety of services, including the provision of financial services. It would appear, therefore, that the Act requires mobile money service providers to obtain a national or alien's identification number or view a national or alien's identification card in order to open a mobile money account. In practice, this would not be feasible given that a non-resident foreign national would not have a national ID card or alien ID card.</p> <p>However, in March 2017 the Uganda Communications Commission (UCC) issued a directive stating that as of 29 March 2017, only a national ID or valid passport could be used for SIM registration. Then on 11 April 2017, the UCC issued another directive stating that existing SIMs needed to be verified and validated using a national ID card or number (for citizens) or valid passport (for aliens). The deadline for verification and validation of existing SIMs has been postponed several times and is currently 30 August 2017.</p> <p>Since a SIM is required to operate a mobile money account, in practice a valid passport is required for foreign nationals to open a mobile money account.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 20; Mobile Money Guidelines, 2013, Art. 11; Registration of Persons Act, Art. 66; UCC, Statement by the Executive Director, UCC to the media on the status of SIM Card registration; UCC, Public Notice: Extension of the SIM Card Verification Exercise.</i></p>	<p>If applied to mobile money accounts, the <i>Anti-Money Laundering Regulations, 2015</i> would require mobile money providers to take further steps to verify identity, including verification of immigration status and confirmation of banking and financial details (see Required Verification Procedures for individual bank accounts opened by foreign nationals, above).</p> <p>In the absence of a requirement to comply with these regulations, there are no specific required verification procedures outside of reviewing the customer's passport. However, the recent requirement to verify and validate all SIMs using a national ID or passport adds a layer of verification to the KYC process.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 20; Mobile Money Guidelines, 2013, Art. 11; Registration of Persons Act, Art. 66; UCC, Statement by the Executive Director, UCC to the media on the status of SIM Card registration; UCC, Public Notice: Extension of the SIM Card Verification Exercise.</i></p>	<p>As noted above, the <i>Anti-Money Laundering Regulations, 2015</i> allow accountable persons to apply simplified due diligence to lower-risk individuals and accounts. While the <i>Mobile Money Guidelines, 2013</i> do not explicitly refer to simplified due diligence, the BoU's decision not to amend the Guidelines following the issuance of the <i>Anti-Money Laundering Regulations, 2015</i> suggests that the BoU is comfortable with the application of simplified due diligence for individual mobile money accounts subject to transaction limits.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 15; Mobile Money Guidelines.</i></p>

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual mobile money accounts – refugees</b></p>	<p>Since the <i>Anti-Money Laundering Regulations, 2015</i> would appear on their face to apply to mobile money service providers, it would seem that all of the requirements for individual bank accounts would apply to mobile money accounts as well. In practice, however, mobile money accounts have been opened following the requirements listed in <i>the Mobile Money Guidelines, 2013</i>, which require mobile money service providers to (i) set transaction limits on mobile money accounts and (ii) verify customer identity using at least one of the following documents:</p> <ul style="list-style-type: none"> <li>i. Valid passport</li> <li>ii. Driving permit</li> <li>iii. Identity card</li> <li>iv. Voter’s card</li> <li>v. Financial card</li> <li>vi. Local administration letter</li> <li>vii. Business registration certificate</li> </ul> <p>Of these documents, refugees are most likely to have a refugee identity card, which would be considered an identity card.</p> <p>Since 2015, the <i>Registration of Persons Act, 2015</i> has required the use of a national identification number, national identification card, alien’s identification number, or alien’s identification card for the provision of a variety of services, including the provision of financial services. It would appear, therefore, that the Act requires mobile money service providers to obtain a national or alien’s identification number or view a national or alien’s identification card in order to open a mobile money account. In the case of refugees, it appears that the refugee ID card would be an acceptable alien’s identification card.</p> <p>In addition, on 28 March 2017 the Uganda Communications Commission (UCC) issued a directive stating that as of 29 March 2017, only a national ID or valid passport could be used for SIM registration. On 31 March 2017, the UCC clarified that refugees could use “an official ID from the Office of the Prime Minister.” Then on 11 April 2017, the UCC issued another directive stating that existing SIMs needed to be verified and validated using a national ID card or number (for citizens) or valid passport (for aliens). The Directive did not mention refugees, but it can be presumed that existing SIMs held by refugees could use the official refugee ID mentioned in the prior directive. The deadline for verification and validation of existing SIMs has been postponed several times and is currently 30 August 2017.</p> <p>Since a SIM is required to operate a mobile money account, in practice an official refugee ID card is required for refugees to open a mobile money account.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 19; Mobile Money Guidelines, 2013, Art. 11; Registration of Persons Act, Art. 66; UCC, Statement by the Executive Director, UCC to the media on the status of SIM Card registration; UCC, SIM Card Registration; UCC, Public Notice: Extension of the SIM Card Verification Exercise.</i></p>	<p>If applied to mobile money accounts, the <i>Anti-Money Laundering Regulations, 2015</i> would authorize mobile money providers to take further steps to verify refugees’ identity as required (see Required Verification Procedures for individual bank accounts, above).</p> <p>In the absence of a requirement to comply with these regulations, there are no specific required verification procedures outside of reviewing the refugee customer’s identity document. However, the recent requirement to verify and validate all SIMs using an official refugee ID card adds a layer of verification to the KYC process.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 19; Mobile Money Guidelines, 2013, Art. 11; Registration of Persons Act, Art. 66; UCC, Statement by the Executive Director, UCC to the media on the status of SIM Card registration; UCC, SIM Card Registration; UCC, Public Notice: Extension of the SIM Card Verification Exercise.</i></p>	<p>As noted above, the <i>Anti-Money Laundering Regulations, 2015</i> allow accountable persons to apply simplified due diligence to lower-risk individuals and accounts. While <i>the Mobile Money Guidelines, 2013</i> do not explicitly refer to simplified due diligence, the BoU’s decision not to amend the Guidelines following the issuance of the <i>Anti-Money Laundering Regulations, 2015</i> suggests that the BoU is comfortable with the application of simplified due diligence for individual mobile money accounts subject to transaction limits.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 15; Mobile Money Guidelines.</i></p>



Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual banking agents</b></p>	<p><b>Sole Proprietorships:</b> No KYC requirements specific to sole proprietorships are included in the <i>AML Regulations, 2015</i>. Therefore, it would appear that sole proprietorships would be subject to the requirements for individuals, namely:</p> <ul style="list-style-type: none"> <li>i. National ID or alien ID card</li> <li>ii. Address, phone, e-mail</li> <li>iii. Intro letter from employer, school, or senior government official</li> <li>iv. Tax ID # (if applicable) v. Nature of business activities</li> <li>vi. Signature/thumb print</li> </ul> <p><b>Partnerships:</b> The <i>AML Regulations, 2015</i> require banks to obtain the following for partnerships:</p> <ul style="list-style-type: none"> <li>i. Name of partnership;</li> <li>ii. Registered name and registration number (where applicable);</li> <li>iii. Copy of partnership deed;</li> <li>iv. Details of registered address or principal place of business;</li> <li>v. For each partner and any other person who exercises control: Name, date and place of birth, identity card or passport number, tax ID number, and address;</li> <li>vi. Names and particulars of all natural persons authorized to establish a business relationship or enter into a transaction with the bank on behalf of the partnership; and</li> <li>vii. Prior year's financial statements.</li> </ul> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 19, 23.</i></p>	<p><b>Verification of Individuals:</b> In addition to reviewing the national ID card or alien ID card and student ID card (as applicable), banks may require further information to verify identity, such as:</p> <ul style="list-style-type: none"> <li>i. Utility bills</li> <li>ii. Details regarding occupation, employment, and/or source of income</li> <li>iii. Proof of nature and location of business activity</li> <li>iv. Written references</li> </ul> <p>Furthermore, if any doubt exists regarding the identity or immigration status of the person in question, this information should be confirmed with the National Identification and Registration Authority or the Uganda Citizenship and Immigration Control Board, respectively.</p> <p><b>Agent due diligence:</b> The draft <i>Financial Institutions (Agent Banking) Regulations, 2017</i> permit unincorporated sole proprietorships and partnerships to be appointed as banking agents, but banks must confirm that the sole proprietor or partnership:</p> <ul style="list-style-type: none"> <li>i. has an account in a licensed financial institution;</li> <li>ii. has a registered and licensed business;</li> <li>iii. has a physical address;</li> <li>iv. has adequate and secure premises; and</li> <li>v. has been engaged in commercial activity for at least 12 months.</li> </ul> <p>In addition, the bank must conduct a suitability assessment that considers the following:</p> <ul style="list-style-type: none"> <li>i. Negative information from credit bureaus or other sources;</li> <li>ii. Criminal record related to finance, fraud, honesty, or integrity;</li> <li>iii. Reputation;</li> <li>iv. Business or work experience;</li> <li>v. Sources of funds;</li> <li>vi. Business track record over past three years (where applicable); and</li> <li>vii. Any other relevant considerations.</li> </ul> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 19; Financial Institutions (Agent Banking) Regulations, 2017 (draft), Art. 7, Schedule 1).</i></p>	<p>Analysis of the agent banking regulations is based upon the draft regulations as of August 8, 2016. Until regulations are issued, banks are not permitted to offer banking services through agents.</p>

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Legal entity banking agents</b></p>	<p>The <i>AML Regulations, 2015</i> include the following KYC requirements for “<i>local entities and other bodies</i>” seeking to serve as banking agents:</p> <ul style="list-style-type: none"> <li>i. Registered name and address;</li> <li>ii. Trade name under which the entity conducts business;</li> <li>iii. Proof of registration or incorporation, including registration or incorporation number;</li> <li>iv. Certified copy of written authorization permitting the entity to transact agent banking business with the bank;</li> <li>v. For natural persons managing, controlling, or owning the entity: Name, date of birth, identity or passport, number, and address;</li> <li>vi. Audited or unaudited financial statements for previous year (as applicable);</li> <li>vii. Tax ID number, where applicable; and</li> <li>viii: Where appropriate, written confirmation from entity’s prior bank attesting to identity and history of account relationship.</li> </ul> <p><b>Source:</b> <i>AML Regulations, Art. 21</i></p>	<p><b>Verification of legal entities:</b> The <i>AML Regulations, 2015</i> require banks to conduct the following verification measures:</p> <ul style="list-style-type: none"> <li>i. Verify incorporation documents with Registrar of Companies;</li> <li>ii. Physically verify location and contact details of head office or other place of business; and</li> <li>iii. Independently verify information regarding directors, senior management, shareholders, partners, or others who claim to be authorized to establish an agent banking relationship with the bank on the entity’s behalf.</li> </ul> <p>Where some or all of these verification measures are impracticable, banks may use other information from “<i>any other independent and reliable source</i>” on a risk-sensitive basis.</p> <p><b>Agent due diligence:</b> The draft <i>Financial Institutions (Agent Banking) Regulations, 2017</i> permit limited liability companies, cooperative societies, microfinance institutions, and other BoU-approved entities to be appointed as banking agents, but banks must confirm that the legal entity in question:</p> <ul style="list-style-type: none"> <li>i. has an account in a licensed financial institution;</li> <li>ii. is a registered and licensed business;</li> <li>iii. has a physical address;</li> <li>iv. has adequate and secure premises; and</li> <li>v. has been engaged in commercial activity for at least 12 months.</li> </ul> <p>In addition, the bank must conduct a suitability assessment that considers the following:</p> <ul style="list-style-type: none"> <li>i. Negative information from credit bureaus or other sources;</li> <li>ii. Criminal record related to finance, fraud, honesty, or integrity;</li> <li>iii. Reputation;</li> <li>iv. Business or work experience;</li> <li>v. Sources of funds;</li> <li>vi. Business track record over past three years (where applicable); and</li> <li>vii. Any other relevant considerations.</li> </ul> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 21; Financial Institutions (Agent Banking) Regulations, 2017 (draft), Art. 7, Schedule 1).</i></p>	<p>Analysis of the agent banking regulations is based upon the draft regulations as of August 8, 2016. Until regulations are issued, banks are not permitted to offer banking services through agents.</p>

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Individual mobile money agents</b></p>	<p>Mobile money service providers are required to “put in place an effective agent selection process and carry out due diligence on its agents.” Mobile money agents must:</p> <ul style="list-style-type: none"> <li>i. Be a registered business with a physical address; and</li> <li>ii. Have an account in a licensed financial institution.</li> </ul> <p>Since the <i>Anti-Money Laundering Regulations, 2015</i> would appear on their face to apply to mobile money service providers, it would seem that all of the requirements for opening individual bank accounts would apply to opening agent mobile money accounts as well. This does not appear to have been enforced in practice, however.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 19; Mobile Money Guidelines, 2013, Art. 7(3), 7(5).</i></p>	<p>If applied to mobile money accounts, the <i>Anti-Money Laundering Regulations, 2015</i> would authorize mobile money providers to take further steps to verify individual agents’ identity as required (see Required Verification Procedures for individual bank accounts, above).</p> <p>In the absence of a requirement to comply with these regulations, however, the verification procedures for individual mobile money agents are unclear. As noted, mobile money service providers are required to conduct agent due diligence. While not explicitly stated, this would appear to include the need to verify the agent’s business registration, physical address, and account in a licensed financial institution.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 19; Mobile Money Guidelines, 2013, Art. 7(3), 7(5).</i></p>	
<p><b>Legal entity mobile money agents</b></p>	<p>Mobile money service providers are required to “put in place an effective agent selection process and carry out due diligence on its agents.” Mobile money agents must:</p> <ul style="list-style-type: none"> <li>i. Be a registered business with a physical address; and</li> <li>ii. Have an account in a licensed financial institution.</li> </ul> <p>In addition, since the <i>Anti-Money Laundering Regulations, 2015</i> would appear on their face to apply to mobile money service providers, it would seem that all of the requirements for legal entity bank accounts would apply to mobile money accounts as well. The <i>AML Regulations, 2015</i> include the following KYC requirements for “local entities and other bodies”:</p> <ul style="list-style-type: none"> <li>i. Registered name and address;</li> <li>ii. Trade name under which the entity conducts business;</li> <li>iii. Proof of registration or incorporation, including registration or incorporation number;</li> <li>iv. Certified copy of written authorization permitting the entity to transact mobile money business with the mobile money service provider;</li> <li>v. For natural persons managing, controlling, or owning the entity: Name, date of birth, identity or passport, number, and address;</li> <li>vi. Audited or unaudited financial statements for previous year (as applicable);</li> <li>vii. Tax ID number, where applicable; and</li> <li>viii: Where appropriate, written confirmation from entity’s prior bank attesting to identity and history of account relationship.</li> </ul> <p><b>Source:</b> <i>AML Regulations, 2015, Art. 21; Mobile Money Guidelines, 2013, Art. 7(3), 7(5).</i></p>	<p>Verification of legal entities: If applied to mobile money agents, the <i>AML Regulations, 2015</i> would require mobile money service providers to conduct the following verification measures on prospective legal entity mobile money agents:</p> <ul style="list-style-type: none"> <li>i. Verify incorporation documents with Registrar of Companies;</li> <li>ii. Physically verify location and contact details of head office or other place of business; and</li> <li>iii. Independently verify information regarding directors, senior management, shareholders, partners, or others who claim to be authorized to establish an agent banking relationship with the bank on the entity’s behalf.</li> </ul> <p>Where some or all of these verification measures are impracticable, mobile money service providers could use other information from “any other independent and reliable source” on a risk-sensitive basis.</p> <p>In the absence of a requirement to comply with these regulations, however, the verification procedures for legal entity mobile money agents are unclear. As noted, mobile money service providers are required to conduct agent due diligence. While not explicitly stated, this would appear to include the need to verify the agent’s business registration, physical address, and account in a licensed financial institution.</p> <p><b>Sources:</b> <i>AML Regulations, 2015, Art. 21; Mobile Money Guidelines, 2013, Art. 7(3), 7(5).</i></p>	

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Informal mobile money merchants</b></p>	<p>The <i>Mobile Money Guidelines, 2013</i> are silent regarding KYC requirements for mobile money merchants; the Guidelines only address KYC requirements for agents and individual customers.</p> <p>In the absence of specific requirements in the Guidelines, KYC requirements for informal mobile money merchants could be subject to various interpretations, including:</p> <ul style="list-style-type: none"> <li>i. KYC should be the same as for individual mobile money customers;</li> <li>ii. The full KYC requirements for individuals included in the <i>Anti-Money Laundering Regulations, 2015</i> should be applied; or</li> <li>iii. Since the merchant is engaged in business activity, the requirements for mobile money agents (in the <i>Mobile Money Guidelines</i>) and/or the requirements for legal entities (in the <i>AML Regulations, 2015</i>) should apply.</li> </ul> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015.</i></p>	<p>Since neither the <i>Mobile Money Guidelines</i> nor the <i>AML Regulations, 2015</i> specifically addresses individuals operating informal merchant businesses, it is unclear what type of verification procedures should be required for onboarding such merchants.</p> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015.</i></p>	<p>The lack of clarity regarding KYC requirements for onboarding informal mobile money merchants is creating uncertainty and limiting the growth of the mobile money ecosystem.</p>
<p><b>Semi-formal mobile money merchants</b></p>	<p>The <i>Mobile Money Guidelines, 2013</i> are silent regarding KYC requirements for mobile money merchants; the Guidelines only address KYC requirements for agents and individual customers.</p> <p>In the absence of specific requirements in the Guidelines, KYC requirements for semi-formal mobile money merchants (i.e., unincorporated businesses with a fixed place of business that may comply with certain business registration requirements) could be subject to various interpretations, including:</p> <ul style="list-style-type: none"> <li>i. KYC should be the same as for individual mobile money customers;</li> <li>ii. The full KYC requirements for individuals included in the <i>Anti-Money Laundering Regulations, 2015</i> should be applied; or</li> <li>iii. Since the merchant is engaged in business activity, the requirements for mobile money agents (in the <i>Mobile Money Guidelines</i>) and/or the requirements for partnerships or legal entities (in the <i>AML Regulations, 2015</i>) should apply.</li> </ul> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015.</i></p>	<p>Since neither the <i>Mobile Money Guidelines</i> nor the <i>AML Regulations, 2015</i> specifically addresses individuals operating semi-formal merchant businesses, it is unclear what type of verification procedures should be required for onboarding such merchants.</p> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015.</i></p>	<p>The lack of clarity regarding KYC requirements for onboarding semi-formal mobile money merchants is creating uncertainty and limiting the growth of the mobile money ecosystem.</p>

Individual or Entity	Required Documentation	Required Verification Procedures	Additional Information
<p><b>Formal (legal entity) mobile money merchants</b></p>	<p>The <i>Mobile Money Guidelines, 2013</i> are silent regarding KYC requirements for formal mobile money merchants; the Guidelines only address KYC requirements for agents and individual customers.</p> <p>In the absence of specific requirements in the Guidelines, KYC requirements for formal mobile money merchants (i.e., legal entities that fully comply with business registration and licensing requirements) could be subject to various interpretations, including:</p> <ul style="list-style-type: none"> <li>i. KYC should be the same as for mobile money agents; or</li> <li>ii. The full KYC requirements for legal entities included in the <i>Anti-Money Laundering Regulations, 2015</i> should be applied.</li> </ul> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015.</i></p>	<p>Since the <i>Mobile Money Guidelines</i> do not specifically address KYC requirements for merchant business, it is unclear what type of verification procedures should be required for onboarding such merchants. The <i>AML Regulations, 2015</i> have clear KYC requirements for legal entities that could apply, but it does not appear that these regulations are currently being applied to individual mobile money customers and mobile money agents. Therefore, it is unclear whether they would apply to mobile money merchants.</p> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015.</i></p>	<p>The lack of clarity regarding KYC requirements for onboarding formal mobile money merchants is creating uncertainty and limiting the growth of the mobile money ecosystem.</p>
<p><b>Schools, churches, mosques, and other nonprofit entities</b></p>	<p>The <i>Mobile Money Guidelines, 2013</i> are silent regarding KYC requirements for non-business entities such as schools, churches, mosques, and other nonprofit entities that wish to accept mobile money payments; the Guidelines only address KYC requirements for agents and individual customers.</p> <p>In the absence of specific requirements in the Guidelines, KYC requirements for schools, churches, mosques, and other nonprofit entities that wish to accept mobile money payments could be subject to various interpretations, including:</p> <ul style="list-style-type: none"> <li>i. KYC should be the same as for mobile money agents;</li> <li>ii. The full KYC requirements for legal entities (“local entities and other bodies”) included in the <i>Anti-Money Laundering Regulations, 2015</i> should be applied.; or</li> <li>iii. The KYC requirements for “clubs, societies and charities” included in the <i>Financial Institutions (Anti-Money Laundering) Regulations, 2010</i> should be applied. These regulations require licensed financial institutions to obtain the following information: <ul style="list-style-type: none"> <li>a. Copy of the entity’s constitution;</li> <li>b. Evidence of the identity of authorized signatories;</li> <li>c. A copy of one or more of the following (as appropriate): trust deed, certificate of registration/trading, constitution, headed paper, and/or VAT registration number and receipt.</li> </ul> </li> </ul> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015; Financial Institutions (AML) Regulations, 2010, Schedule 1(3).</i></p>	<p>Since the <i>Mobile Money Guidelines</i> do not specifically address KYC requirements for merchant business, it is unclear what type of verification procedures should be required for onboarding schools, churches, mosques, and other nonprofit entities to accept payments. The <i>AML Regulations, 2015</i> and the <i>Financial Institutions (AML) Regulations, 2010</i> have clear KYC requirements that could apply, but it does not appear that these regulations are currently being applied to individual mobile money customers and mobile money agents. Therefore, it is unclear whether they would apply to schools, churches, mosques, and other nonprofit entities seeking to accept payments.</p> <p><b>Sources:</b> <i>Mobile Money Guidelines, 2013; AML Regulations, 2015.</i></p>	<p>The lack of clarity regarding KYC requirements for onboarding schools, churches, mosques, and other nonprofit entities is creating uncertainty and limiting the growth of the mobile money ecosystem.</p>

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