KNOW YOUR RIGHTS

"KNOW YOUR CUSTOMER": Key anti-money laundering points to note for NGOs

The Anti-Money Laundering Act 2013 was enacted to provide for the prohibition and prevention of money laundering and other related matters in Uganda. This law introduced a number of obligations for NGOs and other "accountable persons". In this anti-money laundering law *"Know Your Rights"* series, Chapter Four Uganda outlines key points that all NGOs in Uganda need to know and do under "Know Your Customer (KYC)" legal obligations.

What is "Know Your Customer (KYC)"?

Know Your Customer (KYC) is the process of verifying the identity of the NGO's client and assessing potential risks of illegal intentions for the relationship. NGOs being Accountable persons are under obligation to carry out KYC on their customers just like financial institutions, lawyers etc. are required to do.

Who are "customers" of NGOs?

Customers of an NGO can be said to be people who or entities that provide funds into an NGO and those the NGO pays. These may include;

- Donors and development partners.
- Recipients of funds/grantees.
- Project beneficiaries e.g. village groups, refugees, individuals etc.
- Consultants and other service providers engaging the entity.

KEY BASICS OF KYC

Below are 5 basic steps that one needs to address while designing KYC systems. The organisation may also need to develop specific KYC checks for different types of customers.

1. Identify your customer

Know who you are dealing with. This should include having means of identifying and clarifying the identity of the person or entity you are dealing with. In case of an individual this can be by asking for IDs and documents that identify the person you are dealing with. In case of an entity such as NGO, Trustee, Company, Partnership etc., this can be through:

- Getting registration documents of the entity (can include registration/incorporation certificates, constitution, articles of association etc.).
- Getting documents that identify the promoters of these entities e.g. directors, shareholders, partners, members etc. as the case might be.

2. Verify the identity of your customer

Where reasonable and the risks are high, verify identities. Have means to verify identity in cases of suspicion of identity theft, or in cases where the risk is high. Have in place a system that enables you to do 3rd party verification. The third parties should not be people who need verification in themselves.

This should involve having systems to:

- Know what the organisation's or individual's business is.
- Ensure the kind of business the person or entity is engaged in poses no risk to your organisation.
- Know and be clear what specific business or engagement you are going to engage with the particular entity or person.
- Maintain boundaries to avoid conflicts of interest and protect the organisation's independence.

3. Assess risk

You need to determine if the person or entity poses any risk. This requires systems to assess if there is any risk or no risk will arise from the engagement. It may also require conducting Enhanced Customer Due Diligence (EDD).

4. Conduct ongoing customer due diligence

Your system must have modes of monitoring continued engagement and where the engagement rises suspicion, you should be able to note and inquire.

5. Keep records

Ensure you have records that identify your clients. Records have to be kept for a minimum of 10 years.

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