



Financial
Intelligence Centre

FIC Roadshow

Compliance with the FIC Act

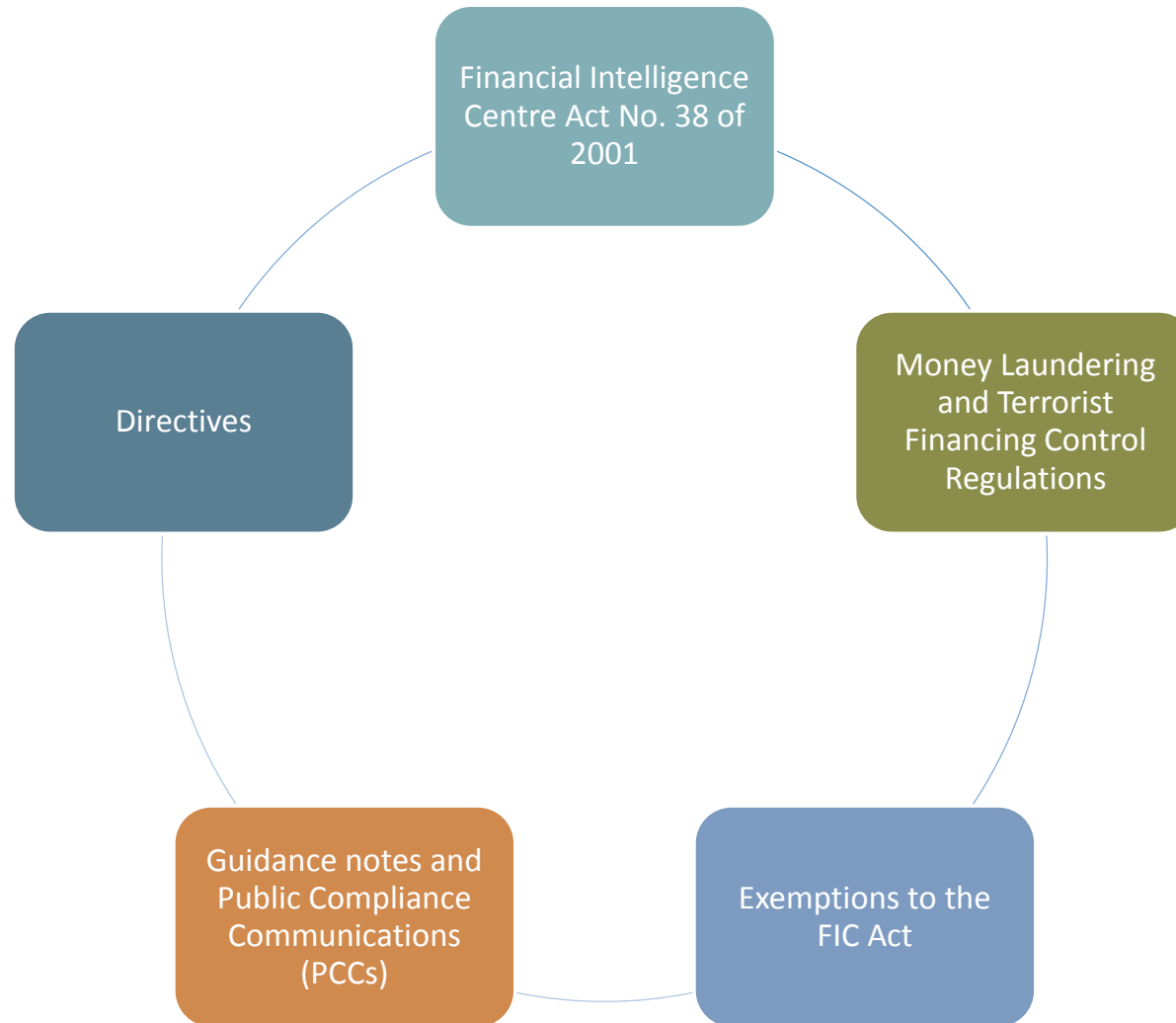
September to October 2016



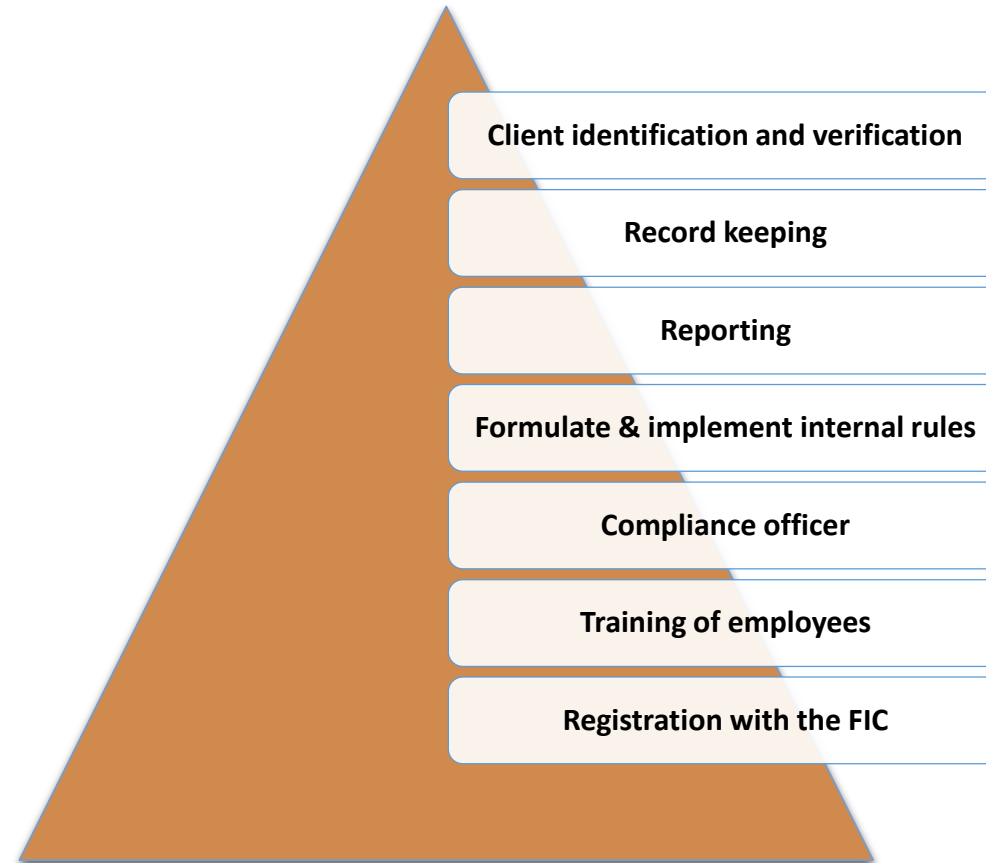
AGENDA

- Applicable sources of AML information
- Pillars of compliance – current FIC Act and Amendment Bill

Applicable sources of AML information



7 Pillars of Compliance - Current



7 Pillars of Compliance – Amendment Bill



Client identification and verification

Existing Act	FIC Amendment Bill
S21 – Identification of clients and other persons	S21 – Identification of clients and other persons
Regulations – 3 to 19	S21 A – Understanding purpose and nature of business relationship
Guidance Note 3, and 3A	S21 B – Additional due diligence (beneficial ownership)
	S21 C – Ongoing due diligence (transaction monitoring)
	S21 D – Doubts about veracity of previously obtained information
	S21 E – Inability to conduct CDD
	S21 F – Foreign Prominent Public Official
	S21 G – Domestic Prominent Influential Person
	S21 H – Family members and known associates



Client identification and verification – Amendment Bill

Introduction of a risk based approach

- In respect of the products and services it offers to clients
- Management of risk by developing control measures to mitigate risks identified

Record Keeping – current and Amendment Bill

Existing Act	FIC Amendment Bill
S22 - record to be kept of business relationships and transactions	S22 – obligation to keep customer due diligence records
S23 – period for which records must be kept	S22A – obligation to keep transaction records
S24 – Records may be kept by third parties	S23 – period for which records must be kept
S25 – Admissibility of records	S24 – Records may be kept in electronic form and by third parties
S26 - Centre’s access to records	S25 – Admissibility of records

Reporting – current and Amendment Bill

Suspicious Transaction Report (STR)

- **Section 29**
 - STR
 - Suspicious Activity Report (SAR)
 - Terrorist Financing Activity Report (TFAR)
 - Terrorist Financing Transaction Report (TFTR)

Cash Threshold Report (CTR)

- **Section 28**
 - Cash Threshold Report (CTR)
 - Cash Threshold Report Aggregation (CTRA)

Terrorist Property Report (TPR)

- **Section 28A**
 - Terrorist Property Report (TPR)



Reporting – current and Amendment Bill

- All reports submitted on goAML after successful registration and updating of information
- Multiple reports can be submitted for one transaction (e.g. CTR and STR)
- Reports must be logged specifically per registered schedule item
- Dual reporting – where more than one AI / RI reports the same transaction, but different sides of the transaction (e.g. receipt of cash by motor vehicle dealer and the payment of that cash to the Bank)
- Guidance Notes and PCC's available
- Scenario documents for goAML available



Reporting – current and Amendment Bill

- **Phase 1** - New registration and reporting platform implemented in April 2016
- **Phase 2** - Fund Transfer Reporting (FTR) in terms of section 31 of the FIC Act
 - ✓ Reports in terms of Section 31 of the FIC Act must be submitted for all electronic transactions moved on behalf of or on instruction of another person across SA borders e.g. money transfers, credit card purchases, online purchases etc.
 - ✓ Zero threshold
 - ✓ Will commence testing with banks, SAPO, some FSPs and ADLAs
 - ✓ Plan to go live with FTR Reporting in 2017



Cash Threshold Reporting – current and Amendment Bill

- In terms of section 28 of the FIC Act
- Cash Threshold amount – R24 999,99
- Reportable 2 days from becoming aware of transaction
- Once off single transaction (CTR)
- Multiple related transactions (CTRA)
 - ✓ 1 Business day (24 hours)
 - ✓ Multiple business days
- Multiple reporting – cash received and cash paid (i.e. No set off)



STR – current and Amendment Bill

- In terms of section 29 of the FIC Act
- What is suspicious?
- Who must report?
 - ✓ a person who carries on a business
 - ✓ a person who is in charge of a business
 - ✓ a person who manages a business or
 - ✓ a person who is employed by a business
- NO cash threshold applicable
- When must reporting occur? No later than 15 working days from being aware
- Can one proceed with a transaction after reporting? Yes, S33 allows for this
- Protection for person reporting? Yes S38 covers this

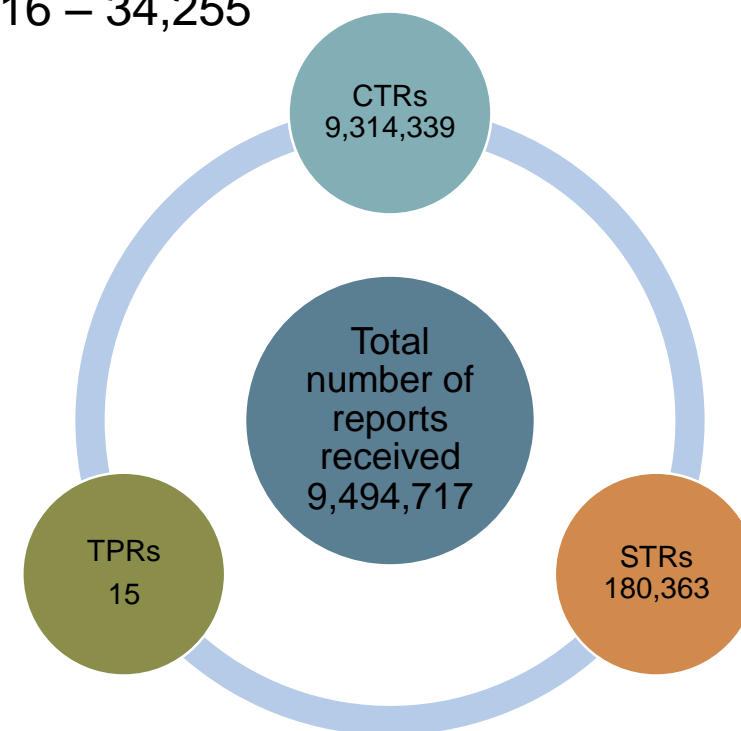


Terrorist Property Reporting – current & Amendment Bill

- In terms of section 28A of the FIC Act
- Property owned or controlled by or on behalf of, or at the direction of:
 - ✓ Any entity which has committed or facilitated the commission of a specified offence as defined in the Protection of Constitutional Democracy Against Terrorist and Related Activities Act (POCDATARA Act)
 - ✓ A specific entity identified in a notice issued by the President, under section 25 of the POCDATARA Act – This list is known currently as UN1267
- The knowledge about the origin and ownership of the property in question should be based on fact and should be acquired with reference to an objective set of circumstances or facts
- Addition of: person identified by Resolutions of United Nations Security Council (UNSC Resolution list)
- Notice will be given by the Director

Registration and reporting statistics

- Total number registrations AI/RIs registered as at end March 2016 – 34,255
- Total number of reporters as at end March 2016 – 3,531
- Total number of reports received
- Banks file most reports: 8,469,989 = 89.21% of all reports
- Gambling institutions file 635,799 reports: 6,7% of all reports
- ADLAs file 186,697 reports: 1,97% of all reports
- FSB supervised sectors file 51,711 reports: 0,54% of all reports





Formulate and implement internal rules

Existing Act	FIC Amendment Bill
S42 – Internal rules	S42 – Risk Management and Compliance Programme



Formulate and implement internal rules - current

- Internal rules to document procedures for:
 - ✓ The establishment and verification of client identities
 - ✓ Record keeping
 - ✓ Reporting of STRs
- Internal rules must be made available to all employees
- There is no 'template' available, must be unique to entity operations



Risk Management Compliance Programme – Amendment Bill

- RMCP
- Develop, document, maintain and implement Risk Management Compliance Programme
- Approval by directors/senior management
- Cover all customer due diligence measures and the process that will be followed
- Cover all recording keeping related matters, and the process that will be followed
- Cover all reporting related matters, and the process that will be followed



Compliance Officer – current and Amendment Bill

Current

- S43b Compliance Officer must be formally appointed
- General knowledge of the overall operations of the institution
- Interact with all areas of business to keep abreast of changes that may require action / Access to all areas of operations to effect corrective action

Amendment Bill

- S42A
- Board of directors/senior management are responsible for compliance
- Compliance function to assist senior management to ensure compliance by the AI and its employees with the provisions of the RMCP
- Legal person: Compliance Officer to be appointed, must be competent with sufficient seniority
- Not a legal person: Person at highest level to fill the Compliance Officer role



Training of employees – current and Amendment Bill

Current

- S43
- AI must provide training to its employees
- CO is responsible for ensuring that training takes place
- Training manual must be updated, as required
- Training should be ongoing - assessments of employees
- Employees should not deal with clients if they have not yet received training on the FIC Act
- PCC18

Amendment Bill

- Training in terms of the FIC Act
- Training in terms of the Risk Management and Compliance Program
- Training to be ongoing



Registration with the FIC – current and Amendment Bill

- All Accountable and Reporting Institutions must register – S43B
- Registration is done via the www.fic.gov.za website

Previously successfully registered with the FIC

All previously registered AI/RIs have been migrated to goAML. All AI/RI to perform the following:

- Add user by using the ORG ID number provided
- Update the entity information after ORG ID is approved

New registrations

- Register as per user guides
- Entity AND user created in registration process
- ORG ID will then be generated



Contact Us

www.fic.gov.za

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