



KNOW WHERE YOUR CLIENT'S MONEY COMES FROM

Criminals may use your business for money laundering and terrorist financing.

BE aware where the money comes from

ACT on your instinct

DISRUPT crime



Financial
Intelligence Centre

HELPING ESTATE AGENTS STEM FINANCIAL ABUSE

Typically, large amounts of cash changes hands in the course of property purchases and rentals. Thus, the potential exists that criminals who want to hide or move their proceeds can be lured by the property sector. This makes the property sector particularly vulnerable to money laundering, which can bring with it immense reputational and other collateral damage.

With proceeds for laundering money derived from any range of criminal activities such as hijacking, theft, corruption, drug and human trafficking and fraud, it is important that estate agents do not inadvertently contribute to supporting crime or be viewed as a channel for cleaning dirty money.

Criminals try to dispose of their ill-gotten gains via institutions such as banks and estate agencies, to obscure any connection to themselves or link them to the way in which they have acquired their money. Once their money is 'washed' through these institutions and into the financial system, these criminals are able to use their 'cleaned' proceeds in legal and illicit ways.

High activity, high alert

According to the Office of the Chief Registrar of Deeds, 2019 saw close to 270 000 property transfers. Furthermore, the value of property purchases amounted to a staggering amount of more than R419 billion in 2019 (source: www.deeds.gov.za).

This level of activity in the property sector makes it incumbent for estate agents and agencies to remain

on high alert and be equipped to avoid being targeted by criminals for money laundering purposes. One of the most crucial items in the toolbox for estate agents is to be aware and alert.

The FIC Act has identified several types of business, among them the property sector, as being vulnerable to being abused for purposes of money laundering and terrorist financing. Called accountable institutions, these institutions are required to fulfil various compliance obligations aimed at identifying, preventing and disrupting financial crime.

So what can estate agents do should they realise they are being targeted for money laundering? Most importantly, it is for them to become aware of where their clients derive their funds whether for the purchase of property, for rentals or any other property-related transactions.

Anti-money laundering toolbox

Included in the FIC Act's anti-money laundering legislative toolbox is the requirement for accountable institutions to register with and submit regulatory reports to the FIC.

The regulatory reports include:

- Cash threshold reports – on transactions exceeding R24 999.99
- Suspicious and unusual transaction and activity reports – on financial transactions or activities that do not feel right or raise suspicions

- Terrorist property reports – where it is identified that terrorist activity or funding is involved in the transaction.

These regulatory reports are central to assisting in the fight against money laundering and terrorist financing and are intended to assist in identifying the owners, sources, legitimacy and origins of the money that is brought into accountable institutions. The FIC uses these reports to conduct analysis and develop financial intelligence, which is shared with law enforcement, investigative authorities and other competent authorities to assist them in the fight against financial crime and the recovery of proceeds of crime.

Estate agents can assist in this by being aware and mindful that financial crime in their sector can occur in various ways. At one end of the scale, criminals can use their proceeds to buy property. At the other end of the spectrum more sophisticated approaches and complicated techniques may be used to disguise the source and use of proceeds.

Investment property can also be used to create the perception of a legitimate revenue stream. The use of investment property allows criminal entrepreneurs to deposit the proceeds of crime into bank accounts under the guise of rental income. Also, criminals could enter into transactions such as deposits, down payments, home loans, or construction and renovation expenses. In this way, they can clean, hide and integrate their ill-gotten funds via the property sector.

In 2019/20, the FIC referred 745 financial intelligence report proactively for further investigation and responded to 2 017 requests for financial intelligence from law enforcement and security agencies. The FIC also contributed to recovering more than R2.97 billion in criminal proceeds during that reporting period. The FIC received 299 256 suspicious and unusual transaction reports in 2019/20. Of these, estate agents filed 214 such reports with the FIC.■

The FIC has launched the awareness campaign aimed at equipping the property sector with the tools and know how to help identify and mitigate the risk of financial crime.

As part of the campaign, the FIC will be publishing industry insights and guides on how to deal with money laundering in the sector. Keep an eye out for updates about the campaign on the FIC website and the FIC LinkedIn page for more information.

For queries related to the campaign, please e-mail communications@fic.gov.za.

To learn more about the compliance responsibilities of estate agents visit www.fic.gov.za or call the FIC compliance contact centre on 012 641 6000.