

BE ON THE LOOK OUT: YOUR BUSINESS COULD BE TARGETED BY MONEY LAUNDERERS

Typically, many criminals use their ill-gotten gains to expand their lifestyle and persona. They may do this through purchasing expensive household furniture and décor items, fast cars and yachts, jewellery and clothing, or property and businesses.

If you own or manage a business, you need to be aware that criminals may try to exploit you and your business to launder their 'dirty' proceeds and to bring their 'cleaned' money into the financial system. Most financial transactions that take place in a business are usually legitimate and above board. However, business owners and managers need to remain wary and alert to those transactions that are not usual or commonplace.

Consider a hypothetical example of the client of a construction company who offers to pay R2 million upfront for a building project. Notwithstanding that this kind of payment may be welcome to the small business, there are questions that come to mind. Questions such as, where and how did the client acquire such funds especially if they did not apply for a bank loan to fund the building project? Why is the R2 million being paid directly in cash and not through a bank? These aspects should raise warning signals to the construction company.

REPORTING

What do you do if you are the owner or manager of such a construction company? When a transaction arouses your suspicion that there may be money laundering activity or that it does not make business sense, you must report it to the Financial Intelligence Centre (FIC) as a suspicious and unusual transaction.

The FIC is South Africa's national centre for the receipt of transaction and other data. The FIC uses the information in these and other reports to conduct its analysis and develop financial intelligence reports. In turn, the financial intelligence it develops is provided to partners in the criminal justice system and other areas such as the South African Police Service, the National Prosecuting Authority, the Public Protector and the South

African Revenue Service. Financial intelligence is used by these partners to develop evidence to pursue criminal activity.



SIGNIFICANT ROLE TO PLAY

Thus, you and every other business has a significant role in stemming money laundering and exploitation of businesses in the country. When identifying such transactions, they need to be reported to the FIC as soon as possible but, within 15 days of the transaction taking place. The person who reports such a transaction may not reveal to the client or anyone else that they are submitting such a report. The reporter need not fear that the content of their report or their name will be revealed. Stringent confidentiality clauses in the FIC Act protect reporters and the content of reports they submit.

Remember, persons who conduct illicit transactions have likely acquired their funds through any combination of illicit activity including smuggling and sales of narcotics, humans, poaching, through theft, hijacking or any other serious or petty crimes. By continuing to do business with such persons, you will be supporting their continued actions.

All businesses are required to submit suspicious and unusual transaction reports to the FIC.

Reporting is done on the FIC's goAML reporting platform, which is accessible via the FIC website, www.fic.gov.za. All business that reports to the FIC must first register with the FIC.

THE FIC ACT AND YOUR BUSINESS

The Financial Intelligence Centre was established in 2003 to administer the Financial Intelligence Centre Act, 2001. Its role is to identify proceeds of crime, combat money laundering and terrorist financing. The FIC cannot achieve this mandate on its own. It therefore requires identified business sectors i.e. accountable and reporting institutions, to adhere to compliance obligations of the FIC Act, including submitting regulatory reports.

TARGETED FINANCIAL SANCTIONS

Since April this year, the FIC has put in place measures to effect financial sanctions and resolutions of the United Nations Security Council (UNSC). The measures are intended to assist in combating the financing of terrorism and the proliferation of weapons of mass destruction. South Africa has implemented these measures, as it is a member of the UNSC and of the Financial Action Task Force.

Targeted financial sanctions impose restrictions on activities that relate to particular countries, goods and services, or persons and entities. Targeted financial sanctions measures generally restrict sanctioned persons and entities from having access to funds and property under their control and from receiving financial services in relation to such funds and property.

This implies therefore, that no one may transact or process transactions for a sanctioned person or entity. The only exception to this general prohibition is in specific instances where the Minister of Finance has permitted certain financial services or dealings with property as discussed below.

The targeted financial sanction list, that contains the names and details of the persons and entities identified by the UN, is available on the FIC's website, and can be accessed for free.

For further information on the targeted financial sanctions, visit the FIC website on www.fic.gov.za.