



When doing business becomes suspicious

In the day-to-day life of a typical business, there is interaction between staff, clients and service providers. The majority of the financial transactions that take place in these business environments are legitimate. Some, however, may seem questionable, a cause for concern or they do not make business sense.

When a business becomes aware of suspicious or unusual activities or transactions, these must be reported to the Financial Intelligence Centre (FIC).

The Financial Intelligence Centre Act, 2001 (Act 38 of 2001) provides the regulatory architecture to protect the integrity of South Africa's financial system and to support the criminal justice system.

The reporting of suspicious or unusual transactions or activities forms a significant component of this regulatory architecture. These reports contain valuable information and form the basis for much of the analysis in the formulation of financial intelligence reports which the FIC develops.

LEGAL OBLIGATION

This regulatory aspect of the FIC Act is particularly significant since suspicious or unusual activity reporting is applicable to all business in South Africa.

This means that all business has a legal obligation and at the same time, a role to play in assisting to fight crime.

Accountable and reporting institutions – listed as Schedule 1 and 3 in the FIC Act respectively – are already obliged to register with and submit regulatory reports to the FIC.

For accountable and reporting institutions as well as other businesses to begin reporting their suspicions to the FIC and to contribute in the fight against crime, they all first need to be registered with the FIC on www.fic.gov.za.

The FIC Act requires that a suspicious or unusual transaction or activity report must be submitted when anyone who is involved in a business directly or indirectly (i.e. employed by, owns or manages the business) encounters a transaction or activity that “does not feel right”.

These reports must be submitted within 15 days of forming a suspicion concerning a transaction or activity. A report does not prevent one from continuing with the transaction, so therefore the transaction may continue.

By submitting the report, the business is simply alerting the FIC that it suspects a client may be abusing the entity for purposes of money laundering.

The information extracted from these suspicious or unusual transaction or activity reports assists the FIC in its development of financial intelligence reports which are valuable to law enforcement investigative authorities and other competent authorities in their crime detection, investigation and prosecution.

It is important to note that registration is a once-off process and that reports cannot be submitted without prior registration with the FIC.