



DRAFT GUIDANCE NOTE

GUIDANCE NOTE No. 102 (GN 102)
ON THE DRAFT SARF FATF
ELECTRONIC FUNDS TRANSFER
DIRECTIVE 1 OF 2019 REGARDING
ELECTRONIC FUNDS TRANSFERS

PREFACE

- i) The Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act) places obligations on financial institutions and other businesses deemed vulnerable to money laundering and terrorist financing. The Prevention of Organised Crime Act, 1998 (Act 121 of 1998)(the POC Act) introduced the crime of money laundering and provides for the confiscation and forfeiture of the proceeds of crime. The Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004 (Act 33 of 2004) (the POCDATARA Act) introduced measures to address the financing of acts of terrorism.
- ii) Compliance with the FIC Act, together with the effective implementation of the POC Act and the POCDATARA Act, contributes to making it more difficult for criminals to hide their illicit proceeds in the formal financial sector and thereby profiting from their criminal activities, and to cutting off the resources available to those seeking to use terrorism as a means to promote their cause.
- iii) The FIC Act also established the Financial Intelligence Centre (the Centre) which is South Africa's financial intelligence unit, a government agency created to collect, analyse and interpret information disclosed to it and obtained by it. The principle objective of the Centre is to assist in the identification of the proceeds of unlawful activities and the combatting of money laundering and the financing of terrorist and related activities.
- iv) In addition, section 4(c) of the FIC Act empowers the Centre to provide guidance in relation to a number of matters concerning compliance with the obligations of the Act. This guidance is published by the Centre in terms of section 4(c) of the FIC Act. Guidance provided by the Centre is the only form of guidance formally recognised in terms of the FIC Act and the Money Laundering and Terrorist Financing Control Regulations issued under the FIC Act (the MLTFC Regulations). Guidance provided by the Centre is authoritative in nature which means that accountable institutions must take the guidance issued by the Centre into account in respect of their compliance with the relevant provisions of the FIC Act and the MLTFC Regulations. If an accountable institution does not follow the guidance issued by the Centre, it should be able to

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demonstrate that it nonetheless achieves an equivalent level of compliance with the relevant provisions. It is important to note, therefore, that enforcement action may emanate as a result of non-compliance with the FIC Act and the MLTFC Regulations where it is found that an accountable institution has not followed the guidance issued by the Centre.

Disclaimer

- v) Guidance which the Centre provides does not relieve the user of the guidance from the responsibility to exercise their own skill and care in relation to the users' legal position. This guidance does not provide legal advice and is not intended to replace the FIC Act or the MLTFC Regulations issued under the FIC Act. The Centre accepts no liability for any loss suffered as a result of reliance on this publication.

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DEFINITIONS

“**The Centre**” means the Financial Intelligence Centre established in terms of section 2 of the FIC Act.

“**Draft SARB FATF electronic funds transfer Directive 1 of 2019**” refers to the Directive as issued by the SARB (insert link).

“**FATF**” refers to the Financial Action Task Force.

“**FIC Act**” refers to the Financial Intelligence Centre Act, 2001 (Act 38 of 2001).

“**Interpretive Notes on Recommendation 16**” refers to the additional information provided by the FATF in the interpretation of Recommendation 16. See <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

“**MLTFC Regulations**” refer to the Money Laundering and Terrorist Financing Control Regulations, 2002, made in terms of section 77 of the FIC Act and published in Government Notice 1595 in Government Gazette 24176 of 20 December 2002, as amended by Government Notice R456 in Government Gazette 27580 of 20 May 2005 and Government Notice R867 in Government Gazette 33596 of 01 October 2010 and Government Notice 1107 in Government Gazette 33781 of 26 November 2010 and Government notice 1062 in Government Gazette 41154 of 29 September 2017.

“**Recommendation 16**” refers to the recommendation regarding wire transfers as issued by the FATF. See <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

“**SARB**” refers to the South African Reserve Bank.

Where a term is not defined in this Guidance Note, the definition as construed in the Draft SARB FATF electronic funds transfer Directive 1 of 2019 applies.

1. Introduction

- 1.1 The Financial Action Task Force (FATF) is an inter-governmental body, whose objectives are to set standards and promotes effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
- 1.2 South Africa is a member of the FATF, and as such subscribes to the FATF Recommendations, which are the international anti-money laundering (AML) and combating the financing of terrorism (CFT) and proliferation standards.
- 1.3 Recommendation 16 of the FATF Recommendations, read with the Interpretative Notes on Recommendation 16, pertains to the traceability of wire transfers. This Guidance Note seeks to discuss this concept, and the expectation of the Financial Intelligence Centre (the Centre), in the context of the Financial Intelligence Centre Act No. 38 of 2001 (FIC Act) and the AML/CFT legislative framework.
- 1.4 For accountable intuitions which are the supervised by the South African Reserve Bank (SARB), this Guidance Note 102 is to be read with the Draft SARB FATF electronic funds transfer Directive 1 of 2019 as issued by the National Payment Systems Department (NPSD) of the SARB, for further clarity on industry specific application.

2. Recommendation 16

- 2.1 The FATF Recommendation 16 states that:

Countries should ensure that financial institutions include the required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.

Countries should ensure that financial institutions monitor wire transfers for the purpose of detecting those which lack required originator and/or beneficiary information, and take appropriate measures.

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Countries should ensure that, in the context of processing wire transfers, financial institutions take freezing action and should prohibit conducting transactions with designated persons and entities, as per the obligations set out in the relevant United Nations Security Council resolutions, such as resolution 1267 (1999) and its successor resolutions, and resolution 1373 (2001), relating to the prevention and suppression of terrorism and terrorist financing.

- 2.2 The FATF Interpretive Notes to Recommendation 16 (Interpretive Notes) provide further clarity on the expectation regarding how to achieve compliance with this recommendation and clearly outlines the responsibilities of ordering, intermediary and beneficiary financial institutions including the money or value transfer service operators.
- 2.3 This guidance note seeks to expand upon the guidance as provided in the Draft SARB FATF electronic funds transfer Directive 1 of 2019.

PART 1: Interpretation of information required by draft SARB FATF electronic funds transfer Directive 1 of 2019

The Draft SARB FATF electronic funds transfer Directive 1 of 2019 sets out the requirements that apply to the processing of electronic funds transfer payments. This does not take away from any obligations that apply to accountable institutions in terms of the FIC Act. Prior to processing and when processing an electronic funds transfer, accountable institutions must comply with the customer due diligence (CDD) requirements that apply in terms of the FIC Act.

3. The information requirements to be present in all qualifying electronic funds transfer

3.1. In respect of the originator:

- 3.1.1 name and account number (if the transaction is funded from an account);
- 3.1.2 when capturing information in the electronic funds transfer message relating to a customer that is not a South African resident, an accountable institution has discretion. Either a passport number or a unique number that identifies this client for the accountable institution must be captured; and
- 3.1.3 it is not the expectation of the Centre that an accountable institution must capture the address information where the institution has not obtained the client's address. However, should this information be held for a client, for any reason, the address information must be captured in the electronic funds transfer message.

3.2 In respect of the beneficiary:

- 3.2.1 name and account number (if an account is used to process the receipt of the transaction).

3.3 Domestic electronic funds transfer transaction exception

- 3.3.1 As a general rule, the information referred to above in paragraph 3.1 and 3.2 and clause 4.1 and 4.5 of the Draft SARB FATF electronic funds transfer Directive 1 of 2019 must accompany domestic electronic funds transfer transactions. In the event that the

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above-mentioned required information cannot be included in a domestic electronic funds transfer transaction, this information should be maintained and made available to the beneficiary financial institution and appropriate authorities by other means, when requested. In this event, the ordering financial institution must include the account number of the account from which the transaction is funded or a unique transaction reference number in the message, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary.

3.3.1 The required information should be made available by the ordering financial institution, within three (3) business days (72 hours) (excluding weekends and public holidays) of receiving a request for this information, either from the beneficiary financial institution or from appropriate competent authorities. Law enforcement authorities should be able to compel the immediate production of such information.

3.4 Cross-border electronic funds transfer transaction exception

3.4.1 FATF Recommendation 16 makes a provision for countries to impose a threshold (not exceeding US\$1 000 or €1 000) for cross-border electronic funds transfer. When imposing the threshold, the following should apply:

- a) Transactions below the threshold must contain the following in the payment message (i) the name of the originator; (ii) the name of the beneficiary; and (iii) an account number for each, or a unique transaction reference number. Such information need not be verified for accuracy unless there is a suspicion of money laundering or terrorist financing, in which case, the financial institution should verify the information pertaining to its customer.
- b) Countries may, nevertheless, require that incoming cross-border wire transfers below the threshold contain the required and accurate originator information.

3.4.2 Section 31 of the FIC Act applies to the movement of funds into and out of South Africa via electronic transfers. The proposed threshold for the reporting of cross-border electronic funds transfers is R5 000, 00. All electronic cross-border transactions from a value of R5 000, 00 and above will have to be reported to the FIC.

3.4.3 In respect of cross-border electronic funds transfer not exceeding R5 000, 00 per day, an ordering financial institution must include the following information, at a minimum, in the electronic funds transfer and related message:

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- a) the name of the originator;
- b) the account number or unique transaction reference number; and
- c) the name of the beneficiary and account number.

3.4.4 The required information mentioned in paragraph 3.4.3 for cross-border electronic funds transfer not exceeding R5 000, 00 per day need not to be verified for accuracy unless there is a suspicion of money laundering or terrorist financing, in which case, the financial institution should verify the information pertaining to its customer.

3.5 Cross-border electronic funds transfer transaction

3.5.1 In respect of a cross-border electronic funds transfer exceeding R5 000,00 per day, accountable institutions must ensure the following:

- a) the ordering financial institution should ensure that the electronic funds transfer contains the required and accurate originator information and required beneficiary information;
- b) the intermediary financial institutions should ensure that all originator and beneficiary information that accompanies the electronic funds transfer is retained within the payments message; and
- c) the beneficiary financial institution should verify the identity of the beneficiary if the identity has not been previously verified.

PART 2: The application of the general FIC Act compliance obligations in the context of electronic funds transfer transactions

4. Customer due diligence relating to the Risk Management and Compliance Programme

- 4.1 An electronic funds transfer can be either a single transaction or a transaction within a business relationship between the client and the accountable institution, as contemplated in section 21 of the FIC Act.
- 4.2 The originator is the client of the originating financial institution. The recipient (beneficiary) is the client of the receiving (beneficiary) financial institution.
- 4.3 Accountable institutions are reminded of their compliance obligations in relation to both the client relationship and at a transaction level.
- 4.4 Prior to effecting an electronic funds transfer transaction, the originating accountable institution must have taken the client through a client acceptance process, including completing the customer due diligence (CDD) in line with their Risk Management and Compliance Programme (RMCP) (see Guidance Note 7 for a detailed discussion). Section 21E of the FIC Act provides that where an accountable institution is unable to conduct CDD, the accountable institution may not establish a business relationship, or conclude a transaction in the course of a business relationship, or perform any act to give effect to a single transaction.
- 4.5 It is not the expectation of the Centre that client information be re-verified at each transaction, where the customer has been identified and verified previously by the accountable institution, in accordance with their RMCP.
- 4.6 The acceptance of instructions by an accountable institution is an indication that the accountable institution has accepted that this instructor (originator) is their client. Information required in terms of section 21 of the FIC Act must be obtained prior to effecting the electronic funds transfer transaction, this cannot be deferred to any other time. (see Guidance Note 7 for a detailed discussion on the timing of verification).

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4.7 Accountable institutions should take measures to ensure information processed in an electronic funds transfer payment message is accurate. Section 21D of the FIC Act provides that where an accountable institution doubts the veracity of previously obtained information the accountable institution must repeat the steps contemplated in section 21 and section 21B of the FIC Act to the extent that is necessary to confirm the information in question.

5. Reporting

5.1 An electronic funds transfer transaction may be conducted as either a single transaction or within the course of a business relationship. The prescribed value of a transaction is an amount of not less than R5 000, 00 for a single transaction. The prescribed threshold for reporting an electronic transfer of money to, or, from South Africa is set at R5 000, 00 as set out in Draft SARB FATF electronic funds transfer Directive 1 of 2019.

5.2 Section 31 of the FIC Act sets out the requirements for reporting electronic transfers of money to, or, from South Africa (cross-border electronic funds transfer). Cross-border and domestic electronic funds transfer which exceed the minimum threshold must be reported to the Centre in the prescribed manner.

5.3 The electronic funds transfer transaction information, as required in terms of the Draft SARB FATF electronic funds transfer Directive 1 of 2019 read together with this Guidance Note must always accompany the message.

Example 1:

Electronic funds transfer transaction below the single transaction threshold, no business relationship

Mr X requests that Bank S in South Africa, transfers an amount of R4 900, 00 via an electronic funds transfer to Mr K's account, at Bank L in Zimbabwe.

Mr X does not have an arrangement with Bank S for the purpose of concluding transactions on a regular basis. The transaction does not exceed the threshold

amount for a single transaction, and Bank S would not be obligated to conduct customer due diligence on Mr X.

Bank S must include the required information in the electronic funds transfer message for Mr X, even though this information would not have been verified by Bank S. In doing so, Bank S has complied with Draft SARB FATF Directive 1 of 2019.

Example 2:

Electronic funds transfer transaction above the single transaction threshold, no business relationship

Client Z requests that Bank X in South Africa sends an amount of R5 001,00 via an electronic funds transfer to Mr J's account, at Bank R in Angola.

Client Z does not have an arrangement with Bank X for the purpose of concluding transactions on a regular basis. However, the transaction value exceeds the threshold amount for a single transaction. Therefore, Bank X must conduct CDD in compliance with the requirements as set out in the FIC Act.

Bank X must include the required information in the electronic funds transfer message for Client Z and, this information would have been verified by Bank X. In doing so, Bank X has complied with Draft SARB FATF electronic funds transfer Directive 1 of 2019.

Example 3:

Electronic funds transfer transaction above the single transaction threshold, in a business relationship

Client B sends an electronic funds transfer credit amounting to R4 900, 00 from his bank account at Bank H, to Mr T in Eswatini on a regular basis.

Given the regularity of the transactions Bank H is deemed to have established a business relationship with Client B, and must CDD in compliance with the requirements as set out in the FIC Act.

In line with the CDD requirements, the customer must be identified and verified before the initial electronic funds transfer transaction can be processed. Thereafter it is not required that Bank H re-verifies Client B for each subsequent electronic funds transfer transaction processed.

Bank H must include the required information in the electronic funds transfer message for Client B and this information would have been verified by Bank H during the initial CDD process, and would not be required to re-verified at each transaction. In doing so, Bank H has complied with the Draft SARB FATF Electronic funds transfer Directive 1 of 2019.

Example 4:

Summary of compliance obligations in relation to electronic funds transfer being processed by an accountable institution

Bank N conducts electronic funds transfer transactions for its clients on a daily basis, which transactions values vary from R5 to R5 million. Bank N conducts both domestic and cross border electronic funds transfer.

For all Bank N's electronic funds transfers, Bank N must comply with its obligation of CDD in terms of section 21 of the FIC Act and to keep transaction records as set out in section 22A of the FIC Act.

In addition, for every electronic funds transfer conducted, Bank N must include the required information for processing of the electronic funds transfer transactions, in compliance with the requirements as set out in the Draft SARB FATF electronic funds transfer Directive 1 of 2019 read together with this Guidance Note.

Where an electronic funds transfer transaction is cross border (into or from South Africa) and the transaction value exceeds R5 000,00 Bank N must file an IFTR to the Centre on that electronic funds transfer transaction.

PART 3: Practical application of the Draft SARB FATF electronic funds transfer Directive 1 of 2019 by accountable institutions

6. Cross border and domestic transactions

- 6.1 The inclusion of information in an electronic funds transfer message is applicable to cross-border and domestic transactions subject to the exemption applicable to domestic electronic funds transfer transaction mentioned in paragraph 3.4 above.
- 6.2 Electronic funds transfer transactions effected within the Common Monetary Area (CMA) are regarded as cross-border transactions for purposes of the Draft SARB FATF electronic funds transfer Directive 1 of 2019.
- 6.3 The Centre is cognisant of the limitations in the domestic payments infrastructure to carry the required information throughout the payments value chain for domestic electronic funds transfer and CMA electronic funds transfers. The Centre acknowledges and supports the industry initiatives such as the CMA low-value electronic funds transfer project and the modernisation project. These projects should seek to enhance the efficiency and integrity of the NPS. This should be achieved through the inclusion of the required information in the payment messages relating to electronic funds transfer transactions (both domestic and cross-border including the CMA) to ensure full and effective compliance with the Draft SARB FATF electronic funds transfer Directive 1 of 2019 and the reporting requirements as required by the FIC.
- 6.4 In the event of a domestic electronic funds transfer transaction, clause 4.4 of the Draft SARB FATF electronic funds transfer Directive 1 of 2019 allows for discretion of the accountable institution to either capture the originators information in full (i.e. name, identification information and address), or to capture only a unique reference number or identifier of the originator (i.e. their client).
- 6.5 It is the view of the Centre, that the accountable institution will determine its approach, of capturing the required information for domestic electronic funds transfer transactions and clearly document this in their RMCP, i.e. will the accountable institution be

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capturing full information in domestic electronic funds transfer transaction messages, or only providing the unique identifier/reference number of the client.

7. Individual and batched transactions

7.1 Individual and batched transactions (i.e. payments cleared through a Payment Clearing House which receives, processes and clears payments in batches) are included in the definition of an electronic funds transfer.

7.2 If the required information cannot be included in the payment message for domestic batched electronic funds transfer, then a reference number must be included in the electronic funds transfer and must be traceable. The ordering financial institution is required to maintain the required information and make it available to the beneficiary financial institution and appropriate authorities by other means, when requested and within three (3) business days of receiving a request.

7.3 For cross border batched electronic funds transfers from a single originator for transmission to multiple beneficiaries, the ordering financial institution in respect of the originator's information is permitted to include only the account number or a unique transaction reference number and the required beneficiary information for each beneficiary in the electronic funds transfers, and related message. Provided the batch file containing all the required and accurate originator information and full beneficiary information is fully traceable within the beneficiary country.

8. Processing of incomplete information in an electronic funds transfer message

8.1 It is the responsibility of both the intermediary financial institution and the beneficiary financial institution to ensure that the required information is received in the electronic funds transfer message.

8.2 The accountable institution must endeavour to put the relevant processes and controls in place to ensure that the required information is received in the electronic funds transfer message.

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- 8.3 In the event that the required information does not flow in the electronic funds transfer message, the intermediary institution and the beneficiary institution must consider the appropriate course of action, and detail this sufficiently within their Risk Management and Compliance Programme (RMCP). Such considerations include when to;
- a) execute an electronic funds transfer;
 - b) reject an electronic funds transfer; or
 - c) suspend an electronic funds transfer.
- 8.4 In all instances noted in paragraph 8.3 above, the intermediary and beneficiary institution must institute and document a follow-up action plan.
- 8.5 In line with paragraph 8.3 above accountable institutions as part of their RCMPs must have clearly documented policies, processes and system controls in place to identify and either execute, reject or suspend electronic funds transfer payments which do not include the minimum information in the electronic funds transfer message.
- 8.6 In addition, accountable institutions should develop system functionality which allows the identification and review of electronic funds transfer payment messages which do not contain the required information.
- 8.7 In all instances where an intermediary and/or beneficiary institution has made a determination of how to proceed with an electronic funds transfer transaction that does not contain the required information, the accountable institution must clearly document the decision taken, supported by the rationale for the decision. The Centre recommends that this process be included in the accountable institution's RMCP.
- 8.8 It is good business practice to keep records of the information discussed in paragraph 8.7 above. Further, this information should be noted and considered in the process of ongoing due diligence and assessment of a client's risk profile with the accountable institution.

PART 4: Consultation feedback required from intermediary and beneficiary institutions

Consultation feedback required from intermediary and beneficiary institutions

Risk indicators to consider when deciding on the appropriate course of action (i.e. execute, reject or suspend) when the required information in an electronic funds transfer message has not been met by an originating institution

1. What indicators can be considered where a transaction is a low/medium/high risk transaction and will the intermediary/beneficiary institution allow the transaction to be processed without the required electronic funds transfer information being captured?
2. What indicators can be considered where a transaction is a low/medium/high risk transaction and will the intermediary/beneficiary institution not allow the transaction to be processed without the required electronic funds transfer information being captured?
3. Are the current internal electronic funds transfer payment processing systems configured to identify and notify that an electronic funds transfer message does not contain the required information?
4. Further to point 2 above, in an instance of batched electronic funds transfer transaction files are the electronic funds transfer payment processing systems configured to identify if underlying electronic funds transfer transaction messages are incomplete?
5. At what stage in the processing of an electronic funds transfer transaction would the intermediary or beneficiary institution identify that an electronic funds transfer message did not contain the required information?

PART 5: Impact of Draft SARB FATF electronic funds transfer Directive 1 of 2019 on accountable institutions' compliance obligations with the FIC Act

9. Monitoring of transactions and screening of clients

- 9.1 The RMCP, as detailed in section 42 of the FIC Act, discusses the issues relating to the monitoring of accounts, and/or transactions and the screening of clients for the purposes of understanding the risk that is presented to the accountable institutions in dealing with their clients.
- 9.2 A distinction is drawn between the screening of clients, and the monitoring of transactions.
- 9.3 Screening of clients, as detailed in Guidance Note 7, relates to the process of ensuring that the accountable institution does not have a client that is listed as a sanctioned person in terms of sections 28A of the FIC Act. (see chapter 5 of Guidance Note 7). In the instance that an accountable institution has such a sanctioned client, the accountable institution will be required to freeze the assets and report accordingly (see Guidance Note 6A).
- 9.4 Where a person who is designated in terms of section 26A of the FIC Act, and/or in terms of section 25 of POCDATARA is identified in a payment message, the accountable institution must not process the payment by neither completing the transfer of the electronic funds transfer transaction, nor by giving value to the electronic funds transfer transaction. It is the Centre's expectation that these funds will be suspended, and reported accordingly to the Centre.
- 9.4.1 In the instance that the designated person identified is the client of the **originating institution** (i.e. client who is sending the funds), the electronic funds transfer transaction and relating funds would be required to be 'frozen'. The originator would not be permitted to continue with the transaction in terms of section 28A of the FIC Act (see Guidance Note 6A on Terrorist Property Reporting).

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- 9.4.2 In the instance that the designated person identified is the beneficiary (i.e. recipient of the funds), the **beneficiary financial institution** would be required to suspend the allocation of these funds, and if deemed a suspicious or unusual transaction, would be required to report in terms of section 29 of the FIC Act (see Guidance Note 4B on Suspicious Transaction Reporting).
- 9.4.3 In the instance that a **South African intermediary institution** becomes aware that either the originator, or the beneficiary to the electronic funds transfer transaction is a designated person, they would be required to suspend this transaction and determine the relevant course of action. The intermediary institution should take the necessary steps to obtain enough information to make an informed decision.

Example 5

Mr X is transferring funds, R50 000, 00 via electronic funds transfer from South African Bank A to his friend Mr Y in DPRK. Mr X is a listed person in terms of section 26A of the FIC Act (South African Targeted Financial Sanctions Consolidated List).

Originating financial institution: sections 26A requires the accountable institution to screen their clients against the required sanctions lists. Bank A would have identified that Mr X is a listed person and would not be able to proceed with the transaction.

Example 6

Mr X is transferring funds, R50 000, 00 via electronic funds transfer from South African Bank A to his friend Mr Y in DPRK. Mr Y is a listed person in terms of section 26A of the FIC Act (South African Targeted Financial Sanctions Consolidated List).

Originating financial institution: Bank A is aware that Mr Y is a listed person according to the sanctions regime. Bank A would need to consider if it were to proceed with this transaction based on their risk tolerance. Should Bank A consider proceeding, it would have a reporting obligation in terms of section 29 of the FIC Act to submit a suspicious and unusual transaction report to the Centre.

Example 7

DPRK resident, Mr Y is transferring R50 000, 00 via electronic funds transfer from DPRK Bank B to his friend Mr Y at South African Bank A. Mr Y is a listed person on a sanctions screening list that is covered in terms of section 26A of the FIC Act (South African Targeted Financial Sanctions Consolidated List) or in terms of section 25 of POCDATARA.

South African beneficiary financial institution: Bank A cannot receive these funds as this would be in contravention of sections 26A and 28A of the FIC Act. Bank A would have a reporting obligation in terms of section 29 of the FIC Act to submit a suspicious and unusual transaction report to the Centre.

South African intermediary financial institution: Should the electronic funds transfer be required to first go through Bank C before going to Bank A, the same comments would apply.

Example 8

Electronic funds transfer transaction below the single transaction threshold, no business relationship

South African resident, Ms S, is receiving funds, R3 000, 00 at South African Bank A via electronic funds transfer from her cousin Mr Y from Botswana at Bank B. Botswana is a listed jurisdiction in terms of FATF's high risk and other monitored jurisdictions. Ms S does not have an arrangement with Bank A for the purpose of concluding transactions on a regular basis

South African beneficiary financial institution: Bank A must verify the accuracy of the beneficiary (Ms S) information before processing the transaction.

South African intermediary financial institution: Bank A must verify the accuracy of the beneficiary (Ms S) information before processing the transaction.

- 9.5 Monitoring of client transactions and accounts, in terms of sections 21C and 42(2)(o) of the FIC Act, refers to the process whereby the accountable institution has oversight of their client's money movements for the purposes of understanding the risk associated with the client, and to equip the accountable institution with sufficient information to determine if such transactions or behaviour would be reportable to the Centre.

Queries on this and other compliance matters can be logged via the web portal on the Centre's website ([click here](#)) or visit www.fic.gov.za for alternative contact details.

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