



financial intelligence centre

REPUBLIC OF SOUTH AFRICA

PUBLIC COMPLIANCE COMMUNICATION No. 32 (PCC32) ON THE SCOPE AND APPLICATION OF THE CROSS BORDER REMITTANCE EXEMPTION TO THE FINANCIAL INTELLIGENCE CENTRE ACT NO. 38 OF 2001

The Financial Intelligence Centre (the Centre) provides the guidance contained in this Public Compliance Communication (PCC) in terms of its statutory function under section 4(c) of the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) (the FIC Act) read together with Regulation 28 of the Money Laundering and Terrorist Financing Control Regulations (the Regulations) issued in terms the FIC Act.

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 FIC Act.

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PCC Summary

The cross border remittance exemption (remittance exemption) to the FIC Act reduces certain client identification, verification and record keeping requirements required by the FIC Act for specified accountable institutions. These accountable institutions may rely on the remittance exemption when concluding single cross border remittance transactions of funds not exceeding R3000 per day and R10 000 in a calendar month.

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Objective

The objective of this PCC is to provide clarity on the scope and application of the remittance exemption to specified accountable institutions when concluding single cross border remittance transactions below certain thresholds, with clients.

1. Introduction

- 1.1 Section 21 of the FIC Act prohibits accountable institutions from establishing business relationships or entering into single transactions with their clients unless they have taken the prescribed steps to establish and verify the identity of their clients, or to establish and verify the identity of persons representing their clients.
- 1.2 The aim of the remittance exemption is to reduce certain regulatory obligations for a defined list of accountable institutions that provide cross-border remittance services with a view to reducing the costs involved in remitting funds and thereby encouraging remitters to use formal channels for fund transfers.
- 1.3 The Exemption came into effect on 01 July 2015.

2. Scope of the Exemption

- 2.1 The remittance exemption is only applicable to the following accountable institutions:
 - 2.1.1 All banks;
 - 2.1.2 Mutual banks;
 - 2.1.3 The Postbank;
 - 2.1.4 Ithala Development Corporation; and
 - 2.1.5 Money remitters.
- 2.2 The remittance exemption can only be applied in respect of single transactions where funds are transferred or remitted to a destination outside South Africa. This means that the remittance exemption does not apply where the accountable institution has already established a business relationship with the client as the institution should have established and verified the client's identity at the outset of the relationship as per the normal requirements of section 21 of the FIC Act.
- 2.3 The exemption only applies if the funds transferred or remitted do not exceed R3000 per day and R10 000 in one calendar month. Any single transaction with a client to the value of R3000 or less will always fall within the scope of the remittance exemption.

2.4 In addition, the exemption is intended for remittance payments, and is therefore limited to person-to-person remittance payments. In other words, it does not include transfer of moneys by juristic persons such as companies, trusts and partnerships. As the exemption is only applicable to outward bound remittance payments, it does not affect remittance payments received into South Africa. Any remittance payments received into South Africa will be conducted in the normal manner.

3. Exemption from certain compliance obligations in terms of the FIC Act

3.1 The specified accountable institutions will not be required to obtain and verify the following details of South African citizens and residents:

3.1.1 Income tax registration number; and

3.1.2 Residential address.

3.2 The specified accountable institutions will be required to obtain the full name, date of birth and identity number for South African citizens and residents and verify this information in the normal prescribed manner.

3.3 The specified accountable institutions will also not be required to obtain and verify the following details of foreign nationals:

3.3.1 South African Income tax registration number; and

3.3.2 Residential address.

3.4 The specified accountable institutions will be required to obtain and verify the full name, date of birth, nationality and passport number of foreign nationals remitting funds outside South Africa.

3.5 In respect of both South African citizens and foreign nationals the accountable institution is not required to keep a record of the manner in which the identity was established and the name of the person who obtained the information in so far as it relates to the income tax number and residential address.

3.6 The following are examples of documents that may be used to establish and verify the identity of the client. Accountable institutions can refer to Guidance Note 3A for guidance on the use of these documents:

3.6.1 Official South African identity document;

3.6.2 South African driver's licence;

3.6.3 South African passport;

3.6.4 Foreign passport;

3.6.5 Letter of confirmation from a person in authority (for example, from the relevant embassy) which confirms authenticity of that person's identity document (passport).

3.7 In addition, accountable institutions can refer to Public Compliance Communication 03A for further information on the identification of clients who are asylum seekers and refugees.

4. The Exemption in relation to the section 29 reporting obligation

4.1 The remittance exemption is conditional upon the accountable institution having enhanced measures, over and above its normal procedures, to scrutinise the transaction activity on an on-going basis in order to identify and report suspicious and unusual transactions to the Centre.

4.2 Accountable institutions must therefore be able to demonstrate that additional measures are in place in relation to cross border remittance transactions.

4.3 Some of the more obvious triggers include the frequency of transactions and transacting just below the threshold amounts. Accountable institutions can refer to Guidance Note 4 on suspicious and unusual transaction reporting for further guidance.

5. Conclusion

- 5.1 The remittance exemption reduces certain client identification, verification and record keeping requirements required by the FIC Act by specified accountable institutions.

- 5.2 Such accountable institutions may rely on the remittance exemption when concluding single cross border remittance transactions of funds not exceeding R3000 per day and R10 000 in one calendar month.

For any further enquiries regarding this Public Compliance Communication No. 32, please contact the Centre on 0860 222 200, or by sending an email to: fic_feedback@fic.gov.za.

Issued by:

**The Director
Financial Intelligence Centre
06 July 2015**