

## **CONSULTATION FEEDBACK**

Relating to the draft public compliance communication No. 110 and the issuance thereof in public compliance communication 49 on guidance on money laundering, terrorist financing and proliferation financing risk considerations relating to geographic areas

**29 March 2021**

## INTRODUCTION

1. The Financial Intelligence Centre (FIC) issued draft public compliance communication 110 (draft PCC 110) for consideration by all accountable institutions in terms of section 42B of the Financial Intelligence Centre Act, 2001 (Act 38 of 200) (FIC Act) on 23 October 2020, with the consultation period ending 13 November 2020.
2. There were three commentators from the banking sector and supervisory bodies that provided input to this consultation process.
3. This document highlights the feedback received, and the FIC's response thereto, from a high-level thematic perspective. The detailed feedback and responses are attached to this document as [Annexure A](#).

## THEMATIC FEEDBACK

### *Domestic application of ML/TF/PF risk associated to geographic risk*

4. Several questions were raised around the applicability of understanding ML/TF/PF risk in relation to domestic geographic areas. Although this PCC focuses predominantly on ML/TF/PF risks in relation to international geographic areas, the principles should be applied domestically (i.e. within South Africa) where applicable.
5. The exclusion of assessing geographic areas, both internationally and domestically, when determining ML/TF/PF risks may result in an incomplete and inadequate risk management process.

### *Holistic application of risk features*

6. An effective risk-based approach requires a holistic view of all risk indicators. Guidance Note 7 explains in detail how weighting of these risk indicators can be done and suggests the use of a risk matrix.
7. This PCC seeks to provide further clarity on the ML/TF/PF risks relating to geographic areas, which is one of the risk indicators.

### *Information required to adequately understand ML/TF/PF risks in relation to geographic areas*

8. Accountable institutions must ensure that it obtains sufficient information and/or documentation through their customer due diligence (CDD) processes to facilitate in adequately assessing and determining the ML/TF/PF risks associated with geographic areas, and other risk factors.
9. The information and/or documentation that could be required by an accountable institution to perform such an adequate assessment must be detailed in their risk management and compliance programme (RMCP).

### *Draft/pending South African Reserve Bank directive relating to electronic funds transfer*

10. The intention of this PCC is to assist accountable institutions in determining ML/TF/PF risks relating to geographic areas which in turn can assist them in identifying which geographic areas (countries) may present a higher risk for purposes of the FIC Act.

### **CONCLUSION**

11. The FIC thanks all commentators and notes that all comments received have been considered and incorporated in the PCC 49 where appropriate.
12. The final PCC 49 has been issued on 29 March 2021.

### **COMMUNICATION WITH THE FIC**

13. Queries can be directed to the compliance contact centre on 012 641 6000 and select option 1. Queries can also be submitted online by clicking on <http://www.fic.gov.za/ContactUs/Pages/ComplianceQueries.aspx> or visiting the FIC's website and submitting an online compliance query.

### **Issued By:**

The Director Financial Intelligence Centre  
Private Bag X177  
CENTURION  
0046

**29 March 2021**