



## KNOW WHERE YOUR CLIENT'S MONEY COMES FROM

Criminals may use your business for money laundering and terrorist financing.

BE aware where the money comes from

ACT on your instinct

DISRUPT crime



Financial  
Intelligence Centre

#Be.Aware

# FIC ACT PUTTING A SPOKE IN THE WHEEL OF FINANCIAL CRIME

**D**ave\* cannot believe his luck. Over the last few months he has been missing sales targets

and has been worried about being laid off. But all of that changed today when the smartly dressed man walked into the car dealership.

The customer told Dave he wanted a vehicle for himself and one for his wife, and two smaller but top of the range models for their two adult children. All the cars were to be fully accessorised and fitted with gadgets as they specified. These sales alone would exceed Dave's target for the year and launch him to the top of the leader board, not to mention the generous commission he would earn.

To put in motion the vehicle sale, Dave begins the process of establishing and verifying the client's identity, including asking him for proof of earnings that provides a view of the client's source of funds for the purchase. The client is reluctant to provide the proof of earnings and suggests that he prefers to pay a substantial portion for the vehicles with cash and requests 'extra' confidentiality because he was a high-profile person. Then alarm bells start to go off for Dave with the client's behaviour raising suspicions of possible money laundering.

The client says he needs a few days to make the cash payments but this never realises despite Dave sending him reminders and follow-up requests for more client information. The client, it seems, has lost interest in the sale, and in the end, money never exchanges hands.

Acting on his suspicion, however, Dave files a suspicious activity report (SAR) to the Financial Intelligence Centre (FIC). As a salesman working at a motor vehicle dealership, Dave is obligated to file reports in terms of section 29 of the Financial Intelligence Centre Act (FIC Act) such as SARs, suspicious and unusual transaction reports (STRs) and section 28 cash threshold reports (CTR) when necessary. These reports are confidential. When filing an SAR and CTR, a reporter may not disclose that they have filed such a report to the client or any other person, other than as provided for in the FIC Act.

Dave does the right thing by filing a report to the FIC. He used his knowledge and understanding of typical client behaviour in his industry and could realise that the client's actions were suspicious and unusual. He acted on his suspicions and sent an alert to the FIC. Who knows, Dave may have helped combat money laundering through filing the report.

The FIC Act identifies various sectors – including motor vehicle dealers – as vulnerable to being abused for purposes of money laundering and terrorist financing. Motor vehicle dealers may be susceptible to criminal abuse due to the large cash value of transactions they process and the

lure of high-value goods as status symbols. Criminals often buy vehicles with the proceeds of crime and/or for the use in perpetrating criminal activities.

Due to their intimate knowledge of the sector, client behaviour and the nature of transactions, motor vehicle dealers play an integral part in providing transaction and other information in regulatory reports to the FIC. The FIC uses these reports in its analysis and development of financial intelligence. Comparing business behaviour against what is considered to be normal or usual business practices assists in assessing whether a particular situation is suspicious or not.

Listed as reporting institutions in terms of the FIC Act, motor vehicle dealers must fulfil certain regulatory obligations. These include:

- Registration with the FIC
- Reporting any cash transactions exceeding R24 999.99
- Reporting any suspicious and unusual transactions.

### **Registering with the FIC**

Motor vehicle dealers must first register with the FIC before they can submit regulatory reports. More than 4 000 motor vehicle dealers were registered with the FIC in the 2019/20 financial year.

### **Suspicious and unusual transaction reports (STRs)**

Section 29 of the FIC Act outlines instances when a motor vehicle dealer must submit a report, which include:

- When they become aware that it has or may be receiving money that was sourced through criminal activity
- When there is a suspicion that they may be used to commit money laundering or terrorist financing
- When they are being used to exploit the financial system – whether it is to evade tax payment, facilitating the transfer of illicit monies or any other misuse.

The obligation to report is triggered when a motor vehicle dealer becomes aware of a transaction and or activity which is suspicious or unusual.

A report under section 29 of the FIC Act must be submitted to the FIC as soon as possible but not later than 15 days of a person forming a suspicion concerning a transaction and/or activity. The motor vehicle dealer sector submitted a total of 10 376 suspicious and unusual transaction reports in the 2019/20 financial year.

### **Cash threshold reports (CTRs)**

The use of cash increases the threat of money laundering. Motor vehicle dealers must file a CTR where a cash transaction exceeds R24 999.99 as soon as possible but within two days of becoming aware of such cash transaction above the threshold. The sector filed a total of 34 701 CTRs in the 2019/20 financial year indicating that cash is still, to a large extent, used to buy motor vehicles.

Motor vehicle dealers can refer to the FIC website ([www.fic.gov.za](http://www.fic.gov.za)) for the various FIC public compliance communications, guidance notes, reporting and registration user guides.

*\* Fictitious name and scenario used for illustrative purposes*