

MEDIA RELEASE

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DESIGNATED SECTORS URGED TO CONTINUE TO SUBMIT OUTSTANDING RISK AND COMPLIANCE RETURNS WITH THE FINANCIAL INTELLIGENCE CENTRE FORTHWITH

15 March 2024: It has been a month since the Financial Intelligence Centre's (FIC's) public drive to garner the support and commitment of high-risk business sectors, subject to the FIC Act.

The focus was particularly on the high-risk legal and estate agency professions, as well as all other affected designated non-financial business and professions (DNFBPs) and accountable institutions, to complete all outstanding risk and compliance return (RCRs) required to be submitted to the FIC in terms of Directives 6 and 7. These RCRs were outstanding since the middle of 2023. The public drive was to call upon affected DNFBPs to immediately submit these RCRs to the FIC.

Following the public appeal, there has been a marginal increase in the RCR submissions across the board of DNFBP sectors. However, of the total number of estate agents and legal practitioners registered with the FIC, their RCR submission rate is still at 55 percent and 60 percent, respectively. This is not good enough.

“Practitioners in the legal profession and estate agent practitioners, are considered high-risk for money laundering and terrorist financing abuse. The call made in February 2024, and which call we reaffirm today, is that these sectors must urgently ramp up their submission of RCRs to the FIC, which will be seen as their contribution to help exit South Africa from the Financial Action Task Force (FATF) grey list,” says Christopher Malan, executive manager for compliance and prevention at the FIC.

Malan explained that: “Through the completion and submission of RCRs the identified sectors can show that they are aware of the risks their businesses face of being abused for money laundering and terrorist financing purposes. More importantly, the submission of the outstanding RCRs enables the FIC to risk profile each submitting individual DNFBP accountable institution, to determine the higher risk entities for risk sensitive supervisory inspection purposes.

“The information obtained through the RCR is critical in enhancing the FIC’s risk-based supervision capability. By not completing and submitting these returns, we cannot develop a credible response when we present our next FATF update report on 22 March 2024. We would like South Africa to position to the FATF, the state of RCR submission adherence with the best possible RCR submission figures.”

The action plan for South Africa following grey listing was developed to assist the country exit the list. A critical part of the action plan requires that South Africa, and more specifically, the FIC, must identify entities that are at high risk of being abused for money laundering, terrorist financing and proliferation financing purposes. The FATF greylisting timeline for South Africa to meet this particular action item is May 2024. Hence the urgent need for the submission of all outstanding RCRs.

The RCR is key to this identification of high-risk entities. It is also an important tool for entities to improve understanding the risks they face of money laundering, terrorist financing and proliferation financing abuse.

As the designated supervisor of these sectors and professions, the FIC needs to implement and keep up-to-date supervisory risk-assessment tools to identify higher risk non-financial businesses and professions such as estate agents and legal practitioners, as a basis for risk-based supervision. The information obtained through the RCR is critical in enhancing the FIC’s risk-based supervision capability.

Failure to submit a risk and compliance return can lead to administrative action in respect of section 62E of the FIC Act. The FIC has already issued 264 notices of intention to sanction, with particular emphasis on legal practitioners and estate agents, on delinquent institutions, for non-compliance with the Directive 6 to submit

RCRs. We will be issuing notices of intention to sanction on delinquent institutions subject to Directive 7, later in March 2024.

"While the FIC thanks all accountable institutions that have responded to the call for submission of their RCRs, there is still an urgent need for those that have not yet done so to submit their RCRs before 20 March 2024. This will give us the opportunity to finalise our next report the FATF, which is due on Friday, 22 March 2024.

"We would like South Africa to position to the FATF the RCR submission adherence with the best possible figures, before we submit our next country report to the FATF Joint Group that reviews our grey listing progress, on Friday, 22 March 2024."

Note:

Directive 6: Applies to the following accountable institutions as listed in Schedule 1 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001): Item 1 – legal practitioners; item 2 – trust service providers and company service providers; item 3 – estate agents and item 9 – casinos and gambling institutions that were registered with the FIC, or which ought to have registered with the FIC on 31 March 2023, being the date of issue of Directive 6.

Directive 7: Places the obligation to submit RCRs to the FIC by 31 July 2023, on the following new accountable institution sectors (they became accountable institution on 19 December 2023) as listed in Schedule 1 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act): Item 11 – credit providers; item 20 – high-value goods dealers (dealers in precious metals and stones); item 21 – South African Mint Company and item 22 – crypto asset service providers. Directive 7 also covers an old designation of item 14 the Post Office.

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Note to editors: As South Africa's national centre for the gathering and analysis of financial data, the role of the Financial Intelligence Centre (FIC) is to safeguard the integrity of the country's financial system and its institutions. In pursuit of this, the Financial Intelligence Centre Act, 2001 (Act 38 of 2001), mandates the FIC to assist in the identification of the proceeds of crime and assist in combating money laundering, terrorist financing and proliferation financing, to facilitate effective supervision and enforcement of the Act.

Under this legislation, financial and non-financial institutions are required to fulfil certain compliance obligations, including registering with, and filing various regulatory reports to the FIC. The information provided in these reports forms the basis for the FIC's analysis to develop financial intelligence reports for use by a wide range of law enforcement and other competent authorities, and other institutions to facilitate the administration and enforcement of the laws of the Republic. The FIC Act also sets out the enforcement and penalty regime for non-compliance with the FIC Act.

In February 2023, the country was placed under increased monitoring listed by the Financial Action Task Force, the global anti-money laundering and combating of terrorist financing watchdog organisation. Work to address South Africa's grey listing was under way in earnest in 2022/23 and will continue in the coming period. The FIC will continue its contribution in work towards exiting South Africa from the grey list as soon as possible. In the FIC environment, the 2022/23 financial year saw several legislative and regulatory changes being implemented, which speak to some of the concerns raised by FATF. Among them were changes to the FIC Act, and an increase in the types of financial and non-financial institutions required to comply with obligations of the FIC Act. Altogether, these amendments and other measures enable the FIC to source, for interpretation and analysis, transactional and other information from a broader playlist. In this way, the FIC will continue to improve its support in the justice and crime prevention arena domestically and internationally.

For more about the FIC visit www.fic.gov.za

ITEM	2022/23
Total institutions registered as at year end	45 392
Compliance events and attendees	33 events and 16 801 attendees
Compliance inspections	402 FIC and 544 supervisory bodies
Regulatory reports received	>5.3 million
Cash threshold reports received	>4.2million
Suspicious and unusual transaction reports received	558 348
Financial intelligence reports disseminated	2 393 reactive, 976 proactive, 55 on illicit financial flows
Proactive financial intelligence reports disseminated	976, of which 144 related to high priority matters
Value of suspected criminal proceeds frozen	R92.2 million
Value of proceeds of crime recovered, in which the FIC's financial intelligence was used	>R5.82 billion