

## MEDIA RELEASE

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### **THE FINANCIAL INTELLIGENCE CENTRE HOSTS COMPLIANCE WORKSHOP AIMED AT CRYPTO ASSET SERVICE PROVIDERS**

**27 September 2024:** The Financial Intelligence Centre (FIC) recently hosted crypto asset service providers (CASPs) for a workshop on the sector's money laundering and terrorist financing (ML and TF) risks and mitigation measures provided through Financial Intelligence Centre Act, 2001 (FIC Act) compliance.

CASPs were brought into the South African regulatory fold as accountable institutions in terms of item 22 of Schedule 1 to the FIC Act when amendments came into effect on 19 December 2022. All CASPs who meet any of the activities designated in item 22, are required to first register with the FIC, before seeking any other financial sector license or authorisation from a financial sector supervisor.

The two workshops held on 12 and 13 September 2024 forms part of the FIC's efforts to bring new designated sectors in terms of Schedule 1 of the FIC Act, up to speed on their FIC Act compliance obligations, inform them of their ML and TF risks, and to consult on the challenges and developments within their business environment.

The inclusion of CASPs as accountable institutions under the FIC Act is line with global requirements that the ML and TF risks of the sector's products and services be recognised and addressed.

Executive Manager for Compliance and Prevention at the FIC, Christopher Malan, said the workshop provided a platform for open and honest discussions between the FIC Act regulators, supervisors and CASPs with a shared objective of closing gaps for criminals to exploit.

“Although some CASPs have been slow to register with the FIC as accountable institutions, we are encouraged by the sector’s willingness to meet their FIC Act obligations and assist in the fight against financial crime,” Malan said.

“These engagements are important in fostering understanding of what the FIC as the supervisor expects from accountable institutions. The workshop was also an opportunity for the FIC to grasp the challenges the sector faced from a compliance and ML and TF risk perspective.”

The FIC and the Financial Sector Conduct Authority (FSCA) jointly supervise and enforce compliance with the FIC Act obligations for CASPs, who are licensed financial services providers in terms of the Financial Advisory and Intermediary Services Act (FAIS Act).

Since November 2022, crypto assets were included as a financial product in terms of the FAIS Act for which FSCA is the regulator. To that end, all providers of advisory and intermediary services in respect of crypto assets are required to register with FSCA under the FAIS Act and with the FIC as financial services providers under item 12 of Schedule 1 of the FIC Act.

The dual registration requirement was one of the compliance obligations that were explained in detail during the two-day workshop. During the sessions representatives from FSCA illustrated the registration process under the FAIS Act and the subsequent compliance obligations.

In addition to taking CASPs through their FIC Act compliance obligations, the workshop included a presentation on crime trends and typologies relating to the sector, as identified by the FIC’s monitoring and analysis division.

The FIC also engaged the CASPs on the inspection, remediation and enforcement processes. Emphasis was placed on engagement with the FIC during these processes. The inspection outcomes and common areas of non-compliance found during the 2023/2024 financial year and subsequently, was discussed to ensure that CASPs avoid these typical pitfalls. The obligations to comply with the FIC Act, Regulations and FIC guidance was raised with the audience. In addition, they were advised on the potential administrative and criminal sanctions that may result from non-compliance.

Attendees indicated that the interactive sessions supplemented their understanding and application of the compliance obligations in terms of the FIC Act and the FAIS Act.

## Issued by the Financial Intelligence Centre

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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](http://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