



Financial
Intelligence Centre

MEDIA RELEASE

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ACCOUNTABLE INSTITUTIONS FACE CONSEQUENCES FOR NOT FILING RISK AND COMPLIANCE RETURNS

5 December 2024: A host of businesses that have not complied with the Financial Intelligence Centre requirements in terms of Directives 6 and 7, to submit risk and compliance returns (RCRs), are facing financial penalties ranging from R10 000 to R50 000.

On 31 March 2023, the Financial Intelligence Centre (FIC) gazetted two directives in terms of section 43A(3)(a) of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001), calling upon businesses in identified sectors to file RCRs. [Directive 6](#) referred to legal practitioners, trust and company service providers, estate agents and gambling institutions. [Directive 7](#) referred to credit providers, the South African Post Bank, high-value goods dealers, the South African Mint Company and crypto asset service providers. Directive 6 sectors had the deadline of 31 May 2023 for submission of RCRs, while those included in Directive 7 had until 31 July 2023.

In December 2022, the Financial Intelligence Centre was legally mandated as the sole supervisor of non-financial sectors – including legal practitioners, trust and company service providers, estate agents, casinos, credit providers, the South African Post Bank, high-value goods dealers and crypto asset service providers – as listed in Schedule 1 of the FIC Act.

Two months later, in February 2023, the global watchdog for combating money laundering and terrorist financing, the Financial Action Task Force (FATF) placed South Africa on the grey list. One of FATF's key findings after their 2019 mutual evaluation of the country was that the non-financial businesses and professions did

not understand the risks they faced of money laundering and terrorist financing. This made these sectors and the country vulnerable to exploitation by criminals.

The RCR was developed to address this gap. The FIC analyses the information that is submitted by the respondents to develop a risk rating for each institution. In doing so, the FIC is able to identify institutions that are at higher-risk, and therefore most vulnerable to money laundering abuse.

The business types that are mentioned in Directives 6 and 7 are gatekeepers to the financial system. By exploiting these businesses, criminals can do lasting damage to the financial system and the economy, let alone the businesses themselves. The information provided in the RCRs is geared to provide the FIC and the businesses themselves with an informed view of the money laundering and terrorist financing risks individual businesses face.

While the majority of businesses that were registered with the FIC at 31 March 2023, have submitted their RCRs there are others, especially legal practitioners, estate agents, Krugerrand dealers and crypto asset service providers, that have remained non-compliant.

The FIC Compliance and Prevention's supervision team has used several platforms and opportunities to assist accountable institutions turn around non-compliant behaviour. Scores of awareness webinars and meetings have been held and several outreaches have been conveyed via different media channels. Industry associations have been brought on board to communicate to businesses under their supervision and numerous notices and correspondences have been sent directly by the FIC to individual businesses and relevant regulators.

Resulting from the lack of submission of RCRs, the FIC has imposed admission of non-compliant sanctions on 286 institutions for the year from November 2023 to November 2024 as below:

Business sectors	Number of companies penalised	Value of financial penalties
Directive 6		
Legal practitioners	104	R1 040 000
Trust and company service providers	23	R230 000
Estate agents	152	R1 520 000
Directive 7		
Diamonds and precious metals dealers	7	R70 000
Total	286	

Jan Augustyn, manager for inspections and enforcement at the FIC, explained how the fines were determined for individual businesses: “The fines are couched as admission of non-compliance sanctions, providing the institution with an opportunity to immediately correct its non-compliance and to submit a RCR and pay a small financial penalty of R10 000.

“A total of 64 institutions submitted their RCR and paid the financial penalty. Another 77 submitted their RCR but did not pay the penalty, while 145 institutions neither remediated nor paid.

“The FIC is now determining the appropriate sanction for each institution that did not pay or remediate its non-compliance. These institutions also lose the benefit of having paid a smaller fine and immediately correct their non-compliance and now face more severe penalties.”

Reflecting on the 2023 closing date for submission of RCRs, Augustyn added that while the closing dates for Directives 6 and 7 have expired on 31 May 2023 and 31 July 2023 respectively, portals remained open for submissions of RCRs.

“Institutions are advised to urgently submit it or face the consequences. It is inevitable that the longer the non-compliance persists, the harsher the financial penalties will become.”

The requirement for filing RCRs is integral to ensuring that the country’s businesses are aware of how they can be used for laundering proceeds acquired through criminal activities. Filing a RCR is thus central to ensuring that businesses survive and are robust in the fight against financial crime. This is particularly significant as,

in the last mutual evaluation of South Africa, FATF found South African businesses to be lacking awareness of the money laundering and terrorist financing risks they faced which in part has led to the country being grey listed.

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.

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

ITEM	2023/24
Total institutions registered as at year end	51 020
Compliance events and attendees	48 events and 32 914 attendees
Compliance inspections	558
Regulatory reports received	>7.4 million
Cash threshold reports received	>3.1 million
Suspicious and unusual transaction reports received	414 984
Financial intelligence reports disseminated	2 654 reactive, 1 159 proactive, 111 on illicit financial flows
Value of suspected criminal proceeds frozen	R295.8 million
Value of proceeds of crime recovered, in which the FIC’s financial intelligence was used	>R98.5 million