



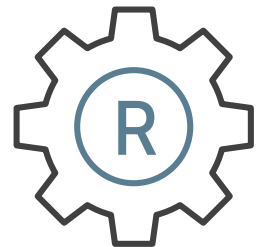
# MONEY LAUNDERING STAGES

## GENERATING MONEY

Money laundering starts after **funds** are **generated** from **crime**.

Examples of **activities** that generate **illicit proceeds** in South Africa:

- Illicit mining
- Theft and robbery
- Kidnapping
- Human trafficking
- Tax crime
- Trade in grey goods
- Illegal wildlife trade
- Fraud incl. investment fraud, Ponzi schemes, identity theft, account takeovers, AI-enabled fraud and cybercrime
- Narcotics-related crime
- Extortion e.g. construction mafia
- Theft of and/or illegal trade in non-precious metals
- Theft of and/or illegal trade in precious metals and stones

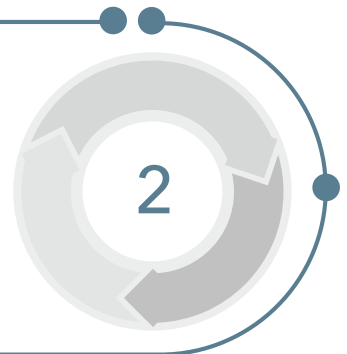


## PLACEMENT

**Dirty money** is moved or transferred into the **financial system**.

The money is transformed **lawfully** or **unlawfully** into proceeds of **legitimate assets** or **products**.

**HOW** | For example, **move** via financial instruments such as **bank accounts** and **insurance** products.



## LAYERING

**Complex** money **schemes** are split, mixed or layered.

This is intended to make it **difficult** to **trace** or to **link money** back to the original **criminal activity**.

**HOW** | • Use **company** or **trust** structure  
• Move money into **crypto** currencies  
• Use commercial and residential **property**.



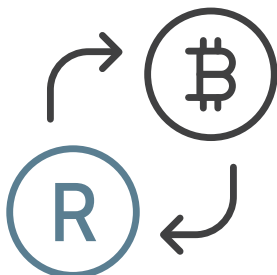
## STORING MONEY

Money can be **invested** or **re-invested**.

The **money** may not be used immediately and is often **stored** for future use.

**HOW** | Money can be **stored** in, for example:

- **Bank** accounts
- **Crypto** cold storage
- Safety **deposit boxes**
- Long-term **investments**



## INTEGRATION

Money is **re-invested** or **spent** in criminal activities.

By now the **illicit proceeds** are **indistinguishable** from legitimate money in the financial system.

**HOW** | Criminals freely **spend** and even **profit** from their **illicit monies**, while claiming that it is sourced from **legitimate business** dealings.

Examples of **how money is spent**

### GROWING CRIME

Purchasing goods or services with criminal money to **continue criminal activity**.  
For example, rent property to hide drugs or store cash; conceal modern slavery; rent boats to use in smuggling operations.

### SPLASHING MONEY

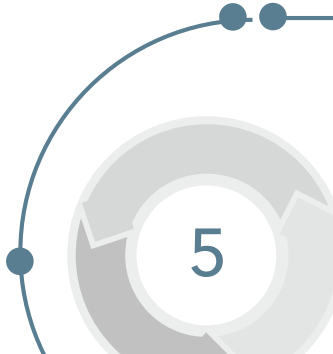
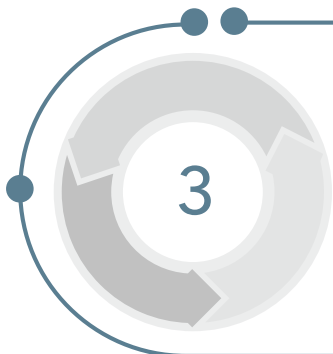
Purchase assets where value **cannot be recovered**.  
For example, extravagant parties; holidays; private school fees; hire private jets.

### BRIBERY

Donate money to gain **control**. Support local communities to **influence** co-operation with law enforcement. Donate to politicians to access elite networks.

### LIFE OF LUXURY

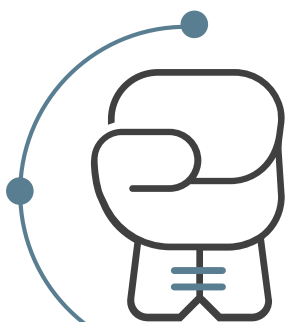
Purchase high-value goods for a **luxury lifestyle**.  
For example, houses, yachts, cars, art, jewellery.





# MONEY LAUNDERING IN SOUTH AFRICA

**Criminals** try to **hide money** sourced from their **illegal activities** – such as **crime** and **corruption** – to make it **appear** as if money came from **honest business** activity. They do this to **avoid** being **caught** and to make it easier to **spend** the proceeds without raising **suspicion**.



## WHY IS FIGHTING MONEY LAUNDERING A BIG DEAL?

- It helps **safeguard** the financial system against **criminals**.
- It makes it **harder** for **criminals** to keep, **re-invest** and use the **stolen money**.
- It assists **law enforcement** in **charging** people who **benefit** from **crime** – even if they did not commit the crime themselves.

## APPLICABLE LAWS IN SOUTH AFRICA

The **FIC Act** works in concert with the **POC Act** and **POCDATARA Act** to combat and criminalise money laundering, the financing of acts of terrorism, thereby making the country safer for all citizens.

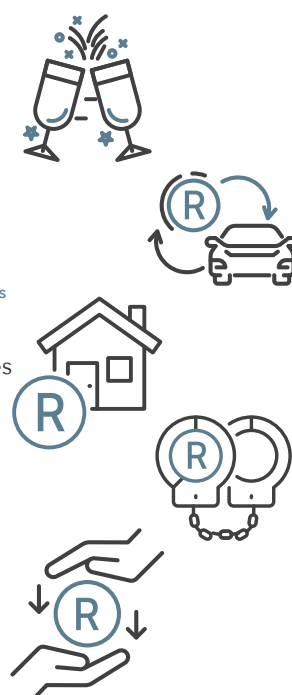
- **POC Act:** Focus on criminalisation of money laundering, combating organised crime and prohibiting activities relating to racketeering and money laundering.
- **POCDATARA Act:** Focus on criminalisation of terrorist financing activities and the freezing of assets that may be used to support the execution of terrorist activities.



## IN SOUTH AFRICA HOW CRIMINALS USE LAUNDERED MONEY



- Pay for extravagant lifestyles Like expensive cars, houses, parties
- Insert illegal cash into the financial system
- Conceal the destination or beneficiaries in bank accounts in ways that legitimise the use of illicit funds
- Send illicit proceeds to other countries in funds, but which may also involve new crimes Fraud, violations by former convicts
- Fund extravagant lifestyles and to pay kickbacks or bribes State capture / PEPs
- Use crypto transactions to export illicit proceeds
- Serious investment fraud or Ponzi schemes, including use of money mules
- Misuse of online gambling and digital marketplaces
- Misuse of cash-intensive businesses
- Informal money or value transfer services
- Insert illicit proceeds and/or illicitly acquired gold, diamonds, illegal cigarettes, metals, etc. into licit commodity flows
- Misuse of legal persons and arrangements to acquire or disguise ownership of assets acquired with illicit proceeds
- Use of professional enablers to disguise ownership of high-value and luxury goods, especially property and vehicles
- Misuse of TPPPs, ADLAs etc.





# MONEY LAUNDERING **THREATS** IN SOUTH AFRICA

ML **THREATS** ARE POTENTIAL OR ACTUAL ACTIVITIES THAT GENERATE ILLICIT PROCEEDS. ILLICIT MONEY IS LAUNDERED TO **DISGUISE** ITS ORIGIN.

## ML **THREATS** INVOLVE

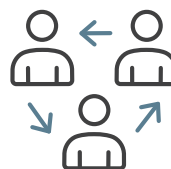
### **SOURCING** Illicit funds

such as predicate offences.



### **ACTORS**

or entities involved in laundering proceeds.



## ML **THREATS** include DOMESTIC AND INTERNATIONAL CRIMINAL FLOWS



### **DOMESTIC CRIME AND CORRUPTION**

- Corruption
- Fraud, including investment fraud, Ponzi and pyramid schemes, identity theft, account takeovers, AI-enabled fraud and cybercrime
- Narcotics
- Extortion, such as in construction business, etc.
- Theft of, and illegal trade in, non-precious metals
- Theft of, and illegal trade in, precious metals and stones
- Illicit mining
- Theft and robbery
- Kidnapping
- Human trafficking
- Tax crime
- Trade in grey goods
- Illegal wildlife trade



### **INTERNATIONAL PREDICATE CRIME**

- Foreign PEPs exporting proceeds of corruption
- Foreign criminals purchasing assets in South Africa
- Foreign organised crime especially involved in narcotics trade or trans-shipment through South Africa



ML **THREATS** EXPLOIT VULNERABILITIES in financial systems, sectors, or jurisdictions to facilitate the movement and integration of illicit funds.



# MONEY LAUNDERING VULNERABILITIES

**WEAKNESSES OR GAPS IN SYSTEMS, SECTORS, OR CONTROLS** THAT MAY BE **USED** BY CRIMINALS FOR LAUNDERED MONEY.



## VULNERABILITIES MAY EXIST AT NATIONAL OR SECTOR LEVEL

Vulnerabilities may be due to:

- Inadequate regulation
- Lack of oversight
- Ineffective enforcement of AML measures
- Insufficient transparency in financial transactions.

## VULNERABILITIES MAKE IT EASIER FOR CRIMINALS TO EXPLOIT

- Financial systems
- Legal persons
- Arrangements
- Informal economies to disguise the origin, movement, or ownership of illicit funds.



## SOUTH AFRICA'S MAIN MONEY LAUNDERING VULNERABILITIES

- Cash intensive economy
- Size and complexity of financial system
- Size and complexity of DNFBPs
- Crypto penetration
- Weaknesses in identification and BO systems
- Corruption in LEAs and other authorities
- Corruption in financial and/or non-financial institutions
- Weak capacity in the law enforcement and other authorities
- Attacks on investigators, asset recovery specialists, forensic accountants
- Cross-border flows of people, goods and funds
- Digital platforms and social media marketplaces
- Misuse of ADLAs and TPPPs
- Illegal MVTS providers.

