

MEDIA RELEASE

9/5/1/3

IDENTIFIED BUSINESS SECTORS WILLFULLY STANDING IN THE WAY OF SOUTH AFRICA EXITING THE GREY LIST

23 July 2024: Certain designated non-financial businesses and professions (DNFBPs) are continuing to ignore Financial Intelligence Centre (FIC) directives aimed at helping South Africa exit the grey list of the Financial Action Task Force (FATF).

At the FATF plenary in June, South Africa reported on how it has been addressing the deficiencies found in its measures for combating money laundering (ML) and terrorist financing (TF). FATF acknowledged that the FIC had made progress in understanding the risk levels of DNFBPs, following the introduction of the risk and compliance return (RCR) questionnaire. However, FATF remained concerned about the low rates of RCR submission to the FIC by DNFBPs, and emphasised that these accountable institutions needed to increase their response rates.

The RCR is a questionnaire which assists business in identifying the risks they face of ML and TF abuse. Once received, the FIC uses its Risk and Compliance Assessment Analysis tool to evaluate the RCRs, identifying higher risk DNFBPs. This informs the FIC's supervisory approach, which includes inspections on high-risk entities.

In March 2023, the FIC issued Directive 6 calling upon legal practitioners, estate agents, trust service providers, company service providers and casinos to complete and submit their RCRs online, via the FIC website. The due date for these RCRs submissions was 31 May 2023, which is over a year ago.

The average RCR submission rate to date of this release across affected Directive 6 sectors is 63 percent, and individual sector submission rates are:

- Legal practitioners – 60 percent
- Estate agents – 66 percent
- Trust service providers – 74 percent

- Company service providers – 76 percent
- Casinos – 100 percent.

The FIC once more notifies these sectors, other than the casinos, that by not submitting their RCRs they are in a state of non-compliance. They are therefore positioning themselves to having administrative sanctions being imposed on their businesses.

The current low response levels mean that the country is unable to show sufficient progress in fully addressing the FATF-identified deficiency that DNFBPs are unable to identify their risks ML and TF abuse risks. With these levels of non-compliance, the FIC has already embarked upon issuing of notices of intention to sanction, sanctions and fines.

Also in March 2023, the FIC issued Directive 7 instructing dealers in precious stones, dealers in precious metals (including Krugerrand dealers), credit providers and crypto asset service providers to submit RCRs by 31 July 2023. RCR submissions are still outstanding from these sectors.

The continued disregard of compliance with requirements of Directives 6 and 7, remains a major stumbling block to South Africa making any meaningful headway toward exiting the grey list. This is despite these business sectors being identified as being the most vulnerable to ML and TF abuse.

“There appears to be willful non-compliance by businesses in these sectors, despite repeated calls and appeals for them to complete and submit their long outstanding RCRs to the FIC,” said Christopher Malan, executive manager for compliance and prevention at the FIC.

“Institutions that have still not submitted their RCRs, are considered delinquent institutions and are automatically deemed to be at high risk of being used for money laundering and terrorist financing purposes. These institutions now face targeted inspections or targeted sanctions their non-compliance.

“Over and above this, these businesses are dismantling and disrupting South Africa’s efforts to exit the grey list and improve the country’s standing in the world economy. Remaining on the grey list can impact the lives of ordinary citizens, let alone a broad range of business and the economic future of the country as a whole.”

The FIC has already embarked upon issuing notices of intention to sanction, aimed at remediation and payment of fines as admission of non-compliance. Institutions that elect not to comply and pay the financial penalty, are processed through a formal adjudication process. In such instances the resulting financial penalty may be increased due to the willful non-compliance by such these institutions.

The platform for the completion and submission of outstanding RCRs remains active and accessible on the FIC website www.fic.gov.za.

Issued by:

The Financial Intelligence Centre

For more information, please contact communications@fic.gov.za or visit www.fic.gov.za.

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