



**AML RISK MANAGEMENT AND COMPLIANCE PROGRAMME**

IN TERMS OF SECTION 42 OF THE FINANCIAL INTELLIGENCE CENTRE ACT, NO 38 OF 2001 FOR

RYNAT CAPITAL PTY LTD

**("the "Accountable Institution" or "AI" ")**

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## 1. INTRODUCTION

The criminal activities of money laundering and terrorist financing have become a global problem as a result of several changes in world markets. The growth in international trade, the expansion of the global financial system and the global surge in organised crime have all converged to provide the source, opportunity and means for converting illegal proceeds into what appear to be legitimate funds.

Money laundering and the financing of terrorism have a devastating effect on the soundness of financial institutions and undermine the political stability of democratic nations. In order to combat these activities, the global community resolved to establish the Financial Action Task Force (“FATF”) in 1989.

FATF is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering and the financing of terrorism. South Africa became a member state of FATF in 2003 and has demonstrated a strong commitment to the body’s membership criteria through the enactment of the Protection of Constitutional Democracy Against Terrorist and Related Activities Act 33 of 2004 (“POCDATARA”), the Prevention of Organised Crime Act 121 of 1998 (“POC Act”) and the Financial Intelligence Centre Act 38 of 2001 (“FICA”).

The purpose of FICA is to introduce an Anti-Money Laundering (“AML”) and Counter Terrorist Financing (“CTF”) regulatory framework for South Africa and to establish the Financial Intelligence Centre (“FIC”) who is tasked with supervising and enforcing compliance with the Act. FICA also imposes certain duties on AIs that are more likely to be exploited for money laundering or terrorist financing purposes.

The AI recognises that it has been classified as a type of institution that is more readily targeted by criminals for money laundering or terrorist financing purposes. The governing body has therefore committed itself to comply fully with FICA’s regulatory requirements in order to make it more difficult for criminals to implicate the AI in these activities.

## 2. DEFINITIONS

The definitions provided below have been adapted to align with the AI’s specific requirements and may not necessarily have the exact same meaning as that of similar legal definition. In this RMCP, the following words and expressions bear the meanings ascribed to them –

“**Accountable Institution**” means any of the entities listed under Schedule 1 of the Act;

“**AI**” means the Accountable Institution to which this RMCP applies, as indicated on the covering page hereof;

“**AI Relationship**” means an arrangement between the AI and a Client that contemplates a series of Transactions over a period of time;

“**Beneficial Owner**” in respect of a legal person, means a natural person who, independently or together with another person, directly or indirectly:

- owns the legal person; or
- exercises effective control over the legal person.

“**Business Relationship**” means a relationship between a client and the AI for the purpose of concluding transactions on a regular basis.

“**Cash**” means paper money, coins or traveller's cheques;

“**Cash Threshold Report**” means the report that must be submitted to the FIC where a transaction is concluded with a client, and an amount of cash in excess of the prescribed amount i.e. R24 999 is paid or received by the AI in terms of

that transaction. The cash threshold also includes a series of transactions or an aggregate of smaller amounts which when combined equal the amount of R24 999. If it appears to the AI that the transactions involving those smaller amounts are linked, these transactions must be considered as fractions of one transaction.

“**CDD**” means the customer due diligence referred to in section 21 of FICA;

“**Client**” means a person who has mandated the AI, where –

- The person has entered into an AI relationship or a single transaction with an Accountable Institution; and
- and in any given situation, the determination of who the Client is must be made in accordance to the principles of CDD referred to in section 21 of FICA;

“**Client Representative**” in relation to the AI, means a natural person who has been authorised by a client to enter into a single transaction or a business relationship with the AI on behalf of that client.

“**DPIP**” means a domestic prominent influential person, being any person, or immediate family member or known close associate of a person, listed under Schedule 3A of The Act;

“**Effective Control**” in respect of a legal person, means the ability to materially influence or make key decisions in respect of, or on behalf of that legal person.

“**Employee**” means any staff member within the AI (whether as a director, shareholder, member, manager, employee, or contractor), or any other Client-facing staff member of the AI, even if said staff member is not a FAIS Representative;

“**Enhanced Client Due Diligence Procedure**” Means the reasonable steps taken by the AI to establish and verify the identity of a client that is party to a High-Risk ML/TF transaction, which steps are more stringent than a Quick Due Diligence and a Standard Due Diligence.

“**FAIS**” means the Financial Advisory and Intermediary Services Act, Act 37 of 2002

“**FATF**” means the Financial Action Task Force (of which South Africa is a member), an international standardsetting body dedicated to combatting MLFT, and headquartered in Paris, France;

“**FATF Member State**” means any country listed under paragraph 14;

“**FIC**” means the Financial Intelligence Centre, a juristic person created under chapter 2 of FICA;

“**FICA**” means the Financial Intelligence Centre Act, No 38 of 2001, as amended by the Financial Intelligence Centre Amendment Act, Act 1 of 2017, also referred to herein as “The Act”

“**FPPO**” means a foreign prominent public official, being a person, or immediate family member or known close associate of a person, who occupies, or within the past 12 (twelve) months occupied, any of the positions listed under paragraph 15, in a country other than South Africa;

“**Governmental Authority**” means any public authority, and includes (without limitation) –

- the South African Revenue Service; and
- The Financial Services Conduct Authority; and
- The South African Reserve Bank; and
- the Commission for Intellectual Property and Companies; and
- any organ of state;

“**ID**” means any document issued by a Governmental Authority that describes and identifies a natural person by his or her personal attributes, and which attributes must at least include his or her (i) forename and middle name (or initials), (ii) surname, (iii) unique identifying number, (iv) date of birth, and (vi) facial image. ID includes any of the following –

- green, bar-coded South African identity document; or

- South African identity card; or
- South African passport; or
- South African driver's licence; or
- A foreign passport;

“**Implementation Date**” means 2 April 2019.

“**Legacy Client**” is any person who had a AI relationship with the AI before the Implementation Date, and in respect of whom the AI already has customer due diligence information as at the Implementation Date, albeit in terms of the FICA dispensation that applied prior to this RMCP becoming effective;

“**Legal Person**” any person, other than a natural person, that enters into a single transaction or establishes a business relationship, with the AI, and includes a person incorporated as a company, close corporation, foreign company or any other form of corporate arrangement or association, but excludes a trust, partnership or sole proprietor.

“**List 1267**” means a list published the website of the United Nations, on which list appear persons and entities that are under financial sanctions pursuant to resolution 1267 of the United Nations Security Council, and which list is amended from time to time;

“**MLFT**” means Money Laundering and the Financing of Terrorism, where "money laundering" refers to any practice through which the proceeds of crime are dealt with so as to obscure their illegal origins.

“**Money Laundering**” Means an activity which has, or is likely to have, the effect of concealing or disguising the nature, source, location, disposition or movement of the proceeds of unlawful activities or any interest which anyone has in such proceeds.

“**Non-Compliance**” any act or omission that constitutes a failure to comply with any of FICA’s provisions, regulations, and the AI’s AML & CTF RMCP, or any order or directive made in terms of FICA.

“**POCDATARA**” means the Protection of Constitutional Democracy Against Terrorism and Related Activities Act, No 33 of 2004, as amended from time to time;

“**Principal**” means, for purposes of the Questionnaire, the party on behalf of whom a client is authorised to complete the Questionnaire and deal with the AI;

“**Property Associated with Terrorist and Related Activities**” Has the meaning assigned to it in Section 1 of the Prevention of Organised Crime Act 121 of 1998 (“POC Act”): Property in this context means:

- money, or any
- movable, immovable, corporeal or incorporeal thing, or any
- rights, privileges, claims and securities and any interest therein and all proceeds thereof, which were acquired, collected, used, possessed, owned or provided for the benefit of, or on behalf of, or at the direction of, or under the control of an entity (or another entity that has provided financial or economic support to such an entity) which commits or attempts to commit, or facilitates the commission of a specified offence as defined in **POCDATARA**.

An abbreviated list of the **POCDATARA** offences are:

- The intentional delivery, placing, discharging, detonating (or making a hoax associated with these activities), of an explosive or other lethal device in, into or against a place of public use, a state or government facility, a public transport facility, a public transportation system, or an infrastructure facility.
- The intentional seizure, high-jacking, taking control, destroying or endangering the safety of a fixed platform.
- The intentional seizure, detaining or taking of a hostage in order to compel any third party, including a state, intergovernmental AI or a group of persons, to do or abstain from doing any act as an explicit or implicit condition for the release of the hostage.
- The intentional murder, kidnap violent attack or other offence related to causing harm to an internationally protected person.
- The intentional seizure or taking of control of an aircraft by force or threat.
- The intentional seizure or taking of control of a ship by force or threat.
- The harboring, concealing, of a person or group of persons who intend to commit, or who has committed any of the offences listed above.
- The financing of a person or group of persons to commit, or to facilitate the commission of any of the offences listed above.
- The threatening, attempting to threaten, the conspiring with any other person or the inciting of another person to commit any of the offences listed above.

**“Prospective Client”** means a person who approaches the AI to enlist the AI's services, but that person or its Counter-Party –

- is not yet likely, in the discretion of the Risk Officer, to transfer any Value to the AI; or
- has not yet firmly indicated that it would like or is ready to transfer Value to the AI;

**“Quick Client Due Diligence Procedure”** Means the reasonable steps taken by the AI to establish and verify the identity of a client that is party to a Low-Risk ML/TF transaction, which steps are fewer and less onerous than a Standard Due Diligence and that of an Enhanced Due Diligence.

**“Representative”** means, the person who is authorised to deal with the AI on behalf of the Client;

**“Risk Officer”** means –

- the person within the AI charged with overseeing compliance with FICA and this RMCP; or
- if no specific person has been so charged, then the AI's highest decision-making organ, all of the members of which shall be jointly responsible for the AI's FICA and RMCP compliance; or
- if the AI does not have any decision-making organs, then a senior manager of the AI;
- the FICA Compliance Officer

**“RMCP”** means the Risk Management and Compliance Programme contained in this document, which has been designed in response to the AI's obligations under section 42 of FICA;

**“Secondary Accountable Institution”** means another Accountable Institution that shares the client with the AI;

**“Single Transaction”** A single transaction, means a transaction:

- other than a transaction concluded in the course of a business relationship; and
- where the value of the transaction is not less than the prescribed amount. i.e. R5000.

**“Source of Funds”** Means the origin of the funds that will be used by the client in concluding a single transaction or which a prospective client is expected to use in concluding transactions in the course of a business relationship.

**“Standard Client Due Diligence Procedure”** means the reasonable steps taken by the AI to establish and verify the identity of a client that is party to a Moderate-Risk ML/TF transaction, which steps are fewer and less onerous than an Enhanced Due Diligence but more stringent than a Quick Due Diligence.

**“Suspicious or Unusual Activity Report”** means the report that must be submitted to the FIC where there is reasonable knowledge in respect of the proceeds of unlawful activities or money laundering, and where the report relates to an activity which does not involve a transaction between two or more parties, or in respect of a transaction or a series of transactions about which enquires are made, but which has not been concluded, respectively.

**“Suspicious or Unusual Transaction Report”** means the report that must be submitted to the FIC where there is reasonable knowledge in respect of the proceeds of unlawful activities or money laundering, and where the report relates to a transaction or a series of transactions between two or more parties.

**“Terrorist and Related Activities”** means any of the offences specified in POCDATARA, all of which relate to terrorism;

**“Terrorist Financing Activity Report”** means the report that must be submitted to the FIC where there is reasonable knowledge in respect of the proceeds of unlawful activities or money laundering, and where the report relates to a transaction or a series of transactions between two or more parties.

**“Terrorist Financing Transaction Report”** means the report that must be submitted to the FIC where there is reasonable knowledge in respect of the financing of terrorism and related activities, and where the report relates to an activity which does not involve a transaction between two or more parties, or in respect of a transaction or a series of transactions about which enquires are made, but which has not been concluded, respectively.

**“Terrorist Property Report”** means the report that must be submitted to the FIC where the AI has in its possession, or under its control property, associated with terrorist and related activities.

**“Transaction”** means a transaction between the AI and the Client under which Value will be transferred between the AI on one hand, and the Client, its Principal or its Representative, its Counter-Party or any other person for the Client's account on the other hand;

**“Trust”** Means a trust as defined in Section 1 of the Trust Property Control Act 57 of 1988, but does not include a trust established:

- by virtue of a testamentary disposition,
- by virtue of a court order,
- in respect of persons under curatorship, or
- by the trustees of a retirement fund in respect of benefits payable to the beneficiaries of that retirement fund, and includes a similar arrangement established outside of South Africa.

**“Value”** means any form of economic benefit worth R5 000.00 (five thousand rand) or more. [Note: this R5 000.00 threshold is completely distinct from and is not to be confused with the R25 000.00 Cash Transaction reporting threshold. These two thresholds fulfil entirely different purposes: the R5 000.00 threshold is decisive of whether a particular arrangement amounts to a Transaction or not, and whether the person involved in that arrangement with the AI is a Client who must be subjected to the CDD procedures; the R25 000.00 threshold is dependent on whether a particular Cash Transaction is reportable to the FIC or not.]

In this RMCP –

- whenever a duty is imposed on the AI in the context of a given single Transaction or an AI Relationship, then that same duty must be read as applying in equal measure to the Employee responsible for that single Transaction or AI Relationship, and vice versa;
- whenever a document is required to be certified, it must have been certified–



- no longer than 3 (months) before its initial presentation to the AI; and
- by a Commissioner of Oaths in South Africa, where "Commissioner of Oaths" includes (without limitation) an attorney or any other person who is legally entitled to certify copies as true copies of an original document; and
- any reference to a "**person**" denotes, depending on the context, a natural person, legal person or Trust.

### 3. PURPOSE OF AN AML & CTF RISK MANAGEMENT AND COMPLIANCE PROGRAMME

The purpose of an AML & CTF RMCP is to:

- enable the AI to identify, assess, mitigate, manage and monitor the risk that the provision by the AI of its products or services may involve or facilitate money laundering activities or the financing of terrorist and related activities.
- provide for the manner in which the AI determines if a person is:
  - A prospective client in the process of establishing a business relationship or entering into a single transaction with the AI, or
  - A client who has established a business relationship or entered into a single transaction, is a client of the AI.
- provide for the manner in which the AI complies with the compliance obligations of not establishing a business relationship or concluding a single transaction with an anonymous client or a client with an apparent false or fictitious name.
- provide for the manner in which, and the processes by which, the AI:
  - Establishes and verifies the identity of a client; and
  - Establishes a client representative's authority to establish a business relationship or to conclude a single transaction on behalf of a client.
- provide for the manner in which, and the processes by which, the AI determines whether future transactions that will be performed in the course of the business relationship, are consistent with the AI's knowledge of a prospective client.
- provide for the manner in which, and the processes by which, the AI conducts additional due diligence measures in respect of legal persons, trusts and partnerships.
- provide for the manner in which, and the processes by which, ongoing due diligence and account monitoring in respect of business relationships are conducted by the AI.
- provide for the manner in which the examining of:
  - Complex or unusually large transactions, and
  - Unusual patterns of transactions which have no apparent business or lawful purpose takes place.
- provide for the manner in which, and the processes by which, the AI will confirm information relating to a client when the AI has doubts about the veracity of previously obtained information.
- provide for the manner in which, and the processes by which the AI will perform the client due diligence requirements in accordance with the following compliance obligations:
  - The identification of clients and other relevant persons;
  - Understanding and obtaining information on business relationships;
  - Additional due diligence measures relating to legal persons, trusts and partnerships;
  - Ongoing due diligence when, during the course of a business relationship, the AI suspects or knows that a transaction or activity is suspicious or unusual.
- provide for the manner in which the AI will terminate an existing business relationship where the AI is unable to:
  - Establish and verify the identity of a client or other relevant person,
  - Obtain information describing the nature of the business relationship, the intended purpose of the business relationship concerned and the source of funds which a prospective client expects to use in concluding transactions in the course of the business relationship concerned,
  - Conduct ongoing due diligence.

- provide for the manner in which, and the processes by which, the AI will determine whether a prospective client is a foreign prominent public official or a domestic prominent influential person.
- provide for the manner in which, and the processes by which, enhanced due diligence is conducted for higher-risk business relationships and when simplified client due diligence might be permitted in the AI.
- provide for the manner, place in which and the period for which client due diligence and transaction records are kept.
- enable the AI to determine when a transaction or activity is reportable to the FIC.
- provide for the processes for reporting information to the FIC.
- provide for the manner in which:
  - The AML & CTF RMCP is implemented in branches, subsidiaries or other operations of the AI in foreign countries so as to enable the AI to comply with its compliance obligations under FICA;
  - The AI will determine if the host country of a foreign branch or subsidiary permits the implementation of measures required under FICA;
  - The AI will inform the FIC and supervisory body concerned, if the host country does not permit the implementation of measures required under FICA.
- provide for the processes for the AI to implement its AML & CTF RMCP.
- indicate if any of the processes are not applicable to the AI, and if so, the reasons why it is not applicable.

#### **4. AML & CTF RMCP APPLICATION**

This AML & CTF RMCP applies to:

- The AI's governing body;
- Where applicable, all branches, business units and divisions of the AI; ▪ All employees.

The AI's governing body requires all employees to fully comply with the processes and procedures outlined herein. Any gross negligence or willful non-compliance with the provisions of FICA and/or the processes and procedures outlined within the AI's AML & CTF RMCP, will be considered a serious form of misconduct which may result in a summary dismissal.

#### **5. RESPONSIBILITY FOR RMCP (FICA Compliance Officer)**

It is the responsibility of the Risk Officer –

- to see to it that all Employees are properly sensitized, through appropriate training and instructional material,
- to their FICA duties in general, and to their duties under this RMCP in particular; and
- to publish this RMCP in such a manner that all Employees are alerted as to its existence, and can access it freely and with ease; and
- to ensure that all Employees sign an acknowledgement; and
- to use List 1267 (as updated from time to time) to screen all Prospective Clients before they are onboarded,
- and to check the names of all existing Clients against List 1267 from time to time.
- to oversee to the AI's effective implementation of this RMCP.

The Risk Officer's responsibilities regarding the RMCP and FICA extend to all branches, subsidiaries and franchise outlets of the AI. The Risk Officer may delegate its responsibilities to a suitable person or persons located in a –

- branch of the AI, in accordance with the AI' internal protocols; or
- subsidiary of the AI, in accordance with whatever instrument governs the AI' influence or control over the subsidiary; or
- a franchise outlet of the AI, in accordance with the franchise agreement between the AI and its franchisee, but
- remains ultimately responsible for the branches', subsidiaries' and franchise outlets' RMCP and FICA compliance.

#### **6. LEGAL STATUS AND REVIEW OF RMCP**

This RMCP is legally binding on all Employees, and any non-compliance therewith is to be regarded by the AI as serious misconduct.

The AI must review this RMCP every 5 (five) years.

Notwithstanding the 5-year (five-year) interval if, in the Risk Officer's discretion, there is a change in the circumstances of the AI that warrants a review of the RMCP in-between 5-year (five year) intervals –

- the Risk Officer may effect such amendments to the RMCP as are appropriate in light of the changed circumstances; and
- the 5-year (five-year) period shall begin to run anew from the date on which the amendments were effected by the Risk Officer.

#### **7. THE PURPOSE OF FICA AND THIS RMCP**

The purpose of FICA is to root out MLFT, which places in jeopardy the economy and constitutional order of any country. FICA seeks to fulfil this purpose by imposing certain obligations on Accountable Institutions, which are recognised as potential vehicles for financial malfeasance. These obligations regulate the manner in which Accountable Institutions handle money and property in the course of their AI dealings with Clients and Prospective Clients. Financial Services Providers (and thus, the AI) are one of 16 (sixteen) categories of Accountable Institution falling within the ambit of FICA.

Arguably, the AI's chief obligation under FICA is to design and implement this RMCP, which is a document setting out how the AI will:

- a. collect information about Clients,
- b. keep records of its Clients' Transactions, and
- c. report information to the relevant authorities in certain circumstances,
- d. (a) to (c) being crucial to FICA's efficacy. The RMCP is the successor to what were known as the "internal rules" before FICA was amended by the Financial Intelligence Centre Amendment Act, No 1 of 2017.

Underpinning the RMCP is the "risk-based approach", in terms of which an Accountable Institution is afforded the discretion to evaluate whether, and the extent to which, each of its clients introduces MLFT risk to the AI. The CDD procedures followed in respect of a given Client must be tailored to and commensurate with that Client's MLFT risk as assessed by the Accountable Institution in terms of its own RMCP.

## **8. FICA COMPLIANCE OBJECTIVES**

The AI's FICA Compliance Objectives are:

- To protect the integrity of the AI through the continued management of money laundering and terrorist financing risk.
- To apply a risk-based approach to client transactions and to understand the purpose of all business relationships entered into with clients.
- To educate employees how to identify business relationships and transactions that pose a higher risk to money laundering and terrorist financing.
- To implement robust Client Due Diligence procedures that will make it more difficult for criminals to hide the proceeds of unlawful activities.
- To submit to the FIC relevant reports concerning all transactions that are identified as being suspicious, unusual or above the prescribed cash threshold.
- To keep accurate records of all FICA related transactions and Client Due Diligence procedures.
- To prevent any reputational fallout or brand damage due to noncompliance with FICA and/or the AI's AML & CTF RMCP.
- To prevent any civil or criminal fines or penalties due to noncompliance with FICA and/or the AI's AML & CTF RMCP.
- To prevent loss of sales and client confidence due to noncompliance with FICA and/or the AI's AML & CTF RMCP.

## **9. FICA COMPLIANCE OBLIGATIONS**

The AI has identified the following twenty-three FICA related compliance obligations:

<b>Nr.</b>	<b>Domain</b>	<b>Compliance Obligation</b>	<b>Reference</b>	<b>Regulatory Designation</b>
<b>9.1</b>	FICA GRC Standards	The AI must Develop, Document, Maintain and Implement an AML & CTF RMCP	FICA Sec 42	Accountable Institutions
<b>9.2</b>	FICA GRC Standards	The AI must Govern Compliance with its AML & CTF RMCP	FICA Sec 42A	Accountable Institutions
<b>9.3</b>	FICA Licensing and Maintenance	The AI must Register itself with the FIC	FICA Sec 43B(1)	Accountable & Reporting Institutions
<b>9.4</b>	FICA Licensing and Maintenance	The AI must inform the FIC of any changes to its Registration Particulars	FICA Sec 43B(4)	Accountable & Reporting Institutions
<b>9.5</b>	FICA CDD Procedure	The AI must perform Enhanced Client Due Diligence Procedures where a High-risk Client, Product or Service is	FICA Sec 42(2)	Accountable Institutions
<b>9.6</b>	FICA CDD Procedure	The AI must Understand and Obtain Information where a new Business Relationship is established	FICA Sec 21A	Accountable Institutions
<b>9.7</b>	FICA CDD Procedure	The AI must Establish and Verify the Identity of all prospective Clients	FICA Sec 21	Accountable Institutions
<b>9.8</b>	FICA CDD Procedure	The AI must Avoid Clients with apparent False or Fictitious Names	FICA Sec 20A	Accountable Institutions
<b>9.9</b>	FICA CDD Procedure	The AI must Avoid and Terminate any Business Relationships or Single Transactions where it is unable to conduct	FICA Sec 21E	Accountable Institutions
<b>9.10</b>	FICA CDD Procedure	a Client Due Diligence. The AI must Avoid Transactions and Business Relationships with Persons and Entities identified by the United Nations	FICA Sec 26B & 26C	Universal
<b>9.11</b>	FICA CDD Procedure	Security Council The AI must perform Additional Client Due Diligence Procedures where a client is a Domestic Prominent Influential Person	FICA Sec 21G	Accountable Institutions
<b>9.12</b>	FICA CDD Procedure	The AI must perform Additional Client Due Diligence Procedures where a client is a Foreign Prominent Public Official	FICA Sec 21F	Accountable Institutions
<b>9.13</b>	FICA CDD Procedure	The AI must perform Additional Client Due Diligence Procedures where a client is a Family Member or a Close Associate of a	FICA Sec 21H	Accountable Institutions
DPIP or a FPPO				
<b>9.14</b>	FICA CDD Procedure	The AI must perform Additional Client Due Diligence Procedures where a client is a Legal Person, Trust or Partnership	FICA Sec 21B	Accountable Institutions
<b>9.15</b>	FICA CDD Procedure	The AI must when in Doubt, confirm the Veracity of previously obtained Client Information	FICA Sec 21D	Accountable Institutions
<b>9.16</b>	FICA CDD Procedure	The AI must perform Ongoing Client Due Diligence Procedures and the Monitoring of Transactions of existing Business	FICA Sec 21C	Accountable Institutions

9.17	FICA Reporting Duty	Relationships The AI must submit Cash Threshold Reports within the prescribed time limit	FICA Sec 28	Accountable & Reporting Institutions
9.18	FICA Reporting Duty	The AI must submit Suspicious or Unusual Transaction Reports within the prescribed time limit	FICA Sec 29	Universal
9.19	FICA Reporting Duty	The AI must submit Terrorist Property Reports within the prescribed time limit	FICA Sec 28A	Accountable Institutions
9.20	FICA Recordkeeping	The AI must keep and maintain Transaction Records for the required period	FICA Sec 22A & 23	Accountable Institutions
9.21	FICA Recordkeeping	The AI must keep and maintain Client Due Diligence Records for the required period	FICA Sec 22 & 23	Accountable Institutions
9.22	FICA Recordkeeping	The AI must ensure Compliance where Transaction Records or Client Due Diligence Records are kept and	FICA Sec 24	Accountable Institutions
9.23	FICA Awareness Training	maintained by a third party. The AI must provide Training to ensure compliance with FICA and the AI's AML & CTF RMCP	FICA Sec 43	Accountable Institutions

## **FICA GOVERNANCE RISK AND COMPLIANCE (GRC) STANDARDS**

### **9.1 MAINTAIN AML & CTF RMCP**

For the purposes of risk management and crime prevention, the AI has developed and implemented this AML & CTF RMCP to detect and prevent instances of money laundering and terrorist financing from occurring or being associated with the AI in any way.

The AML & CTF RMCP has been approved by the AI's governing body and will be reviewed on an annual basis to ensure that the AML & CTF RMCP remains relevant to the AI's operations and the achievement of the AI's FICA compliance objectives. The FICA Compliance Officer will conduct regular reviews to establish compliance levels.

### **9.2 GOVERN COMPLIANCE WITH THE AML & CTF RMCP**

The AI's governing body recognises its responsibility of ensuring that all employees comply with the provisions of FICA and the processes outlined in the AML & CTF RMCP.

The AI has therefore established a compliance function as part of its risk management framework which is supervised by a FICA Compliance or Risk Officer and where necessary, a Deputy FICA Compliance Officer.

The compliance function will at all times be exercised with such due diligence, care and degree of competency as may reasonably be expected from the FICA Compliance or Risk Officer.

In performing his or her duties, the FICA Compliance or Risk Officer will provide written reports on the course of, and the progress achieved with, compliance monitoring duties and make recommendations to the AI's governing body with regards to any AML & CTF compliance requirements.

The AI's FICA Compliance Officer is responsible for ensuring compliance with FICA and the AI's AML & CTF RMCP. Consideration will be given on an annual basis to the re-appointment or replacement of the FICA Compliance Officer and the re-appointment or replacement of any Deputy FICA Compliance Officers.

An example of a "FICA Compliance Officer Appointment Letter" can be found under Annexure A.

### **9.3 FIC REGISTRATION**

The FICA Compliance Officer will ensure that the AI is registered as an "accountable institution" and/or "reporting institution", whichever the case may be, with the FIC within 90 days from the date of commencing its business.

The FICA Compliance Officer will retain the following records pertaining to the registration process:

The AI's "Org ID";

- The AI's particulars provided during the registration process;
- The log-in particulars required to access the FIC's reporting portal ("goAML");
- The "Confirmation of Entity Registration" notification received from the FIC.

The FICA Compliance Officer will ensure that the AI remains registered whilst operating as one of the businesses listed under Schedule 1 and/or Schedule 3 of FICA.

*FIC Registration guidelines can be found under Annexure B.*

### **9.4 CHANGES TO FICA REGISTRATION PARTICULARS**

The FICA Compliance Officer will monitor any changes to the AI's business particulars and/or contact details which must be communicated to the FIC.

Where any of the AI's particulars are updated subsequent to the registration process, the FICA Compliance Officer will communicate these changes to the FIC within 15 business days after such change, but no later than 90 days after such change.

The FICA Compliance Officer will update the AI's details via the FIC's website portal and will ensure that the updated information is validated within 5 business days of communicating any changes.

The FICA Compliance Officer will keep a record of his or her instructions to the FIC as well as any confirmation notifications received from the FIC.

### **9.5 FICA CLIENT DUE DILIGENCE PROCEDURES**

The AI has adopted a risk-based approach with regards to performing Client Due Diligence procedures. The risk-based approach allows the AI's employees to conduct proportionate levels of identification and verification activities depending on the ML/TF risks that have been identified for each individual transaction.

All employees responsible for interacting with clients and/or maintaining client and transaction records will at all times observe the AI's implemented control measures and conduct the appropriate Client Due Diligence procedures as outlined in the Client Due Diligence Activity Sheet.

*The Client Due Diligence Activity Sheet can be found under Annexure J.*

The FICA Compliance Officer will monitor employee's continued compliance with the Client Due Diligence procedures as outlined below.

### **Enhanced Due Diligence Procedures where a ML/TF High-Risk Transaction is Identified:**

As part of its client onboarding process, the AI will determine whether a single transaction, or a transaction to be concluded pursuant to a new or an existing business relationship, must be classified as a ML/TF High-Risk transaction. ML/TF High-Risk transactions are those transactions that have been identified by the AI as more likely to be exploited for money laundering or the financing of terrorism purposes.

A ML/TF High-Risk transaction, is any transaction where:

- A product or service that has been previously identified by the AI as a ML/TF High-Risk, product or service, forms part of that transaction, or
- A client or client representative who is party to that transaction, has been identified by the AI as a ML/TF High-Risk person

The AI will perform Enhanced Client Due Diligence procedures on all prospective and existing clients that are party to a ML/TF High-Risk transaction.

Where the ML/TF Risks are assessed as being lower, the AI will perform less onerous Client Due Diligence procedures as outlined below:

Identified ML/TF Risk	Client Due Diligence Procedure
No ML/TF Risk	Quick CDD procedure
Low ML / TF Risk	Quick CDD Procedure
Moderate ML / TF	Standard CDD Procedure
High ML / TF Risk	Enhanced CDD Procedure

The FICA Compliance Officer will initiate and facilitate the Product and Service ML/TF Risk Analysis process as outlined in Annexure C in order to determine which products and services provided by the AI, should be classified as ML/TF High-Risk products and services.

The FICA Compliance Officer will initiate and facilitate a review of the Client ML/TF Risk Identification criteria as outlined in Annexure D in order to determine the criteria that must be taken into consideration by employees when having to establish whether a prospective or existing client, is to be classified as a ML/TF High-Risk person.

The FICA Compliance Officer will initiate the Product and Service ML/TF Risk Analysis process:

- Whenever a new service or product is introduced by the AI as an additional offering.
- On an annual basis.

The FICA Compliance Officer will review the Client ML/TF Risk Identification criteria:

- On an annual basis

## **9.6 UNDERSTANDING AND OBTAINING INFORMATION CONCERNING A NEW BUSINESS RELATIONSHIP**

When engaging with a prospective client to establish a business relationship, the AI will obtain information to reasonably enable the AI to determine whether future transactions that will be performed in the course of the business relationship concerned, are consistent with the AI’s knowledge of the prospective client.

The information that must be sourced by employees interacting with clients or client representatives must be of such quality to adequately describe:

- The nature of the business relationship,
- The intended purpose of the business relationship, and



- The source of funds which the prospective client expects to use in concluding transactions during the course of the business relationship.

All employees responsible for interacting with clients will determine whether a prospective client intends to conclude a single transaction or enter into a new business relationship with the AI by:

- Firstly, establishing whether the particular service or product requested by the client or client representative, is of such nature that it lends itself only to the establishment of a new business relationship, and
- Secondly, enquiring from the client or client representative, whether his or her intention is to conclude only a single transaction or to establish a new business relationship with the AI.

*This process is visually represented in the Client Transaction Flowchart provided for in Annexure I.*

Where it is established that the client is entering into a new business relationship with the AI, the employee will record the nature and intended purpose of the business relationship in the fields provided on the appropriate Client Due Diligence Form. The source of funds which the client expects to use in concluding transactions must also be recorded on the Client Due Diligence Form.

All employees responsible for interacting with clients or client representatives will ensure that the relevant due diligence information provided pursuant to a new business relationship, is transferred and recorded on the Business Relationship Due Diligence Register.

All information must be recorded within one business day of establishing a new business relationship with the client. The register can be kept electronically on a central database and must be backed-up periodically for FICA record keeping purposes.

*An example of a Business Relationship Due Diligence Register can be found under Annexure K.*

The FICA Compliance Officer will monitor the AI's continued compliance with this requirement by performing spot checks on the Business Relationship Due Diligence Register.

## **9.7 ESTABLISHING AND VERIFYING THE IDENTITY OF PROSPECTIVE CLIENTS**

When engaging with a prospective client to enter into a single transaction or to establish a new business relationship, the AI will, in the course of concluding that single transaction or establishing the business relationship:

- Establish and verify the identity of the client,
- If another person is acting on behalf of the client, establish and verify the identity of that other person and that person's authority to act on behalf of the client i.e. the client representative's identity and authority to act on behalf of the client.

All employees responsible for interacting with clients or client representatives will complete the appropriate Client Due Diligence Form in order to establish, and where so required, verify the identity of a prospective or an existing client.

*The following six Client Due Diligence Forms can be found under Annexure L:*

- **Natural Person Client**

This Client Due Diligence Form must be completed where the client is a natural person acting in his or her own capacity.

- **Client Representative**

This Client Due Diligence Form must be completed where a natural person is acting on behalf of a client such as another natural person, a legal person, a partnership, a trust or another entity type.

- **Legal Person**

This Client Due Diligence Form must be completed where the client is a legal person irrespective of whether or not the legal person incorporated in South Africa. For example, a Foreign Company or a Close Corporation would fall under the definition of a “legal person”.

- **Partnership**

This Client Due Diligence Form must be completed where the client is a partnership.

- **Trust**

This Client Due Diligence Form must be completed where the client is a trust.

- **Other Entity Type**

This Client Due Diligence Form must be completed where the client is not a natural person, a legal person, a partnership or a trust. Examples of “other entity types” include:

- An Administered Estate.
- A Fund o A Trade Union o A Cooperative o A University or a School.
- A Religious Institution such as church, temple or mosque or Sports Club or a Body Corporate o A Home Owners Association.
- A Municipality or other Organ of State.

Employees will be required to complete the relevant sections indicated on the Client Due Diligence Forms.

## **Due Diligence Forms are divided into the following Two Lines of Control:**

### **First Line Risk Rating**

First Line Risk Rating criteria are those indicators that have been determined to be relevant to the Client ML/TF Risk Identification process provided for under Annexure D.

The First Line Risk Rating criteria carries more weight with regards to assessing a transaction’s ML/TF risk when compared to that of the AI’s Product and Service-related ML/TF risk. Accordingly, any First Line Risk findings will take precedence over that of the Second Line Risk findings.

The First Line Risk Ratings are indicated on both the Natural Person Client and the Client Representative Due Diligence Forms, and must be completed by the employee interacting with the client or client representative for each and every transaction.

The employee must proceed to complete the relevant column depending on whether the transaction is a “single transaction”, forms part of an “existing business relationship” or signals the establishment of a “new business relationship”.

Where the employee has indicated a positive response (“yes”) to any of the First Line Risk Rating criteria, the employee will proceed to conduct the corresponding Client Due Diligence procedure provided for under the Client Information section i.e. either a Quick Client Due Diligence, a Standard Client Due Diligence or an Enhanced Client Due Diligence. Where more than one First Line Risk Rating is found to apply in a particular instance, the employee will proceed to conduct the most stringent Client Due Diligence procedure.

It is only where the employee has indicated a negative response (“no”) to all the First Line Risk Rating criteria, that the employee will be required to complete the Second Line Risk Rating section.

### **Second Line Risk Rating**

Second Line Risk Rating sets out the three risk ratings that may apply to the AI’s identified Product and Service ML/TF Risk. Refer to the Product and Service ML/TF Risk Analysis under Annexure C.

The Second Line Risk Ratings are indicated on both the Natural Person Client and the Client Representative Due Diligence Form, and need only be completed by the employee facilitating a transaction where none of the First Line Risk Ratings are found to apply.

The employee must proceed to complete the relevant row depending on the identified ML/TF Risk Rating of the requested product and/or service, of the relevant column depending on whether the transaction is only a “single transaction”, forms part of an “existing business relationship” or singles the establishment of a “new business relationship”.

Where the employee has indicated a positive response (“yes”) to any of the Second Line Risk Rating criteria, the employee will proceed to conduct the corresponding Client Due Diligence procedure provided for under the Client Information section i.e. either a Quick Client Due Diligence, a Standard Client Due Diligence or an Enhanced Client Due Diligence.

### **Client Information**

The employee must capture the client’s, and where applicable, the client representative’s information, as provided for in the various information fields indicated for the relevant Client Due Diligence procedure.

Where it is established that a “Standard Client Due Diligence” must be conducted, it will include the client information indicated for a Quick Client Due Diligence. Where it is established that an Enhanced Client Due Diligence must be conducted, it will include the client information indicated for a Quick and a Standard Client Due Diligence.

For example, where the client is a company entering into a new business relationship with the AI for the first time, the employee will first capture the information provided for in the Client Representative Due Diligence Form under the “New Relationship” column. i.e. the information of the person who is acting on behalf of the company must first be captured. Where it is then established that an Enhanced Client Due Diligence must be performed, the employee will proceed to capture the information indicated under the Quick, Standard and Enhanced client information fields for both the client representative as well as the legal person.

### **Client Beneficial Owners**

Where the client is a Legal Person, a Trust or a Partnership entering into a single transaction or establishing a new business relationship with the AI, the employee will capture the information fields indicated under the “Client Beneficial Owners” section. The employee need not complete these fields where the client is an existing client of the AI and the information has already been captured on a previous occasion.

### **Transaction Information**

When establishing a new business relationship with a client, the employee will capture the information fields indicated under the “Transaction Information” section. The employee need not complete these fields where the client is concluding a single transaction or where the client is an existing client of the AI and the information has already been captured on a previous occasion.

**Verification Methodology** The employee will verify the information captured in the “Client Information” section only where so required in terms of the indicated Client Due Diligence procedure i.e. either a Standard or an Enhanced Client Due Diligence procedure.

In certain instances, the indicated verification method may require the client to sign a Source of Funds Declaration. An example of Source of Funds Declaration can be found under Annexure H.

All documentation or other forms of confirmation provided in order to verify the information captured on the client information fields will be saved as part of the transaction records to be kept for that particular client.

### **Signature Section**

The employee conducting the Client Due Diligence on behalf of the AI must sign and date the Client Due Diligence Form.

## **9.8 AVOIDING CLIENTS WITH APPARENT FALSE OR FICTITIOUS NAMES**

The AI will not conclude a single transaction or establish a business relationship with an anonymous client, or a client with an apparent false or fictitious name.

If at any stage during the employee’s interactions with a client or a client representative, the employee suspects that a false or fictitious name is being provided, the employee will:

- ✦ refrain from communicating his or her suspicion to the client or client representative,
- ✦ attempt to complete the Client Due Diligence Form,
- ✦ terminate the transaction, and
- ✦ report his or her suspicion to the FICA Compliance Officer

The FICA Compliance Officer will investigate all such reports and consider submitting a Suspicious or Unusual Transaction Report to the FIC.

## **9.9 AVOIDING AND TERMINATING A BUSINESS RELATIONSHIP OR SINGLE TRANSACTION WHERE UNABLE TO CONDUCT A CDD**

Where the AI is unable to:

- ✦ establish or verify the identity of a client, and/or the identity of a client representative, or
- ✦ obtain information regarding the nature of and/or the intended purpose of the business relationship, or
- ✦ obtain information regarding the source of funds the client expects to use in concluding transactions in the course of the business relationship concerned, or
- ✦ perform ongoing due diligence procedures

The AI will (as it applies):

- ✦ Not establish a business relationship or conclude a single transaction with that client
- ✦ Conclude a single transaction in the course of a business relationship, or perform any act to give effect to a single transaction
- ✦ Terminate an existing business relationship with a client.

Where employees responsible for interacting with clients and/or maintaining client and transaction records are unable to conduct a Client Due Diligence procedure for any reason, the employee will cancel the transaction and inform the FICA Compliance Officer.

The FICA Compliance Officer will investigate the reason why the Due Diligence procedure cannot be performed and will take the necessary appropriate action.

## **9.10 AVOIDING TRANSACTIONS AND BUSINESS RELATIONSHIPS WITH PERSONS AND ENTITIES IDENTIFIED BY THE UNITED NATIONS SECURITY COUNCIL**

The AI will avoid all transactions where it is suspected that the transaction will or may facilitate the acquisition, collection, use or provision of property or any other economic support, for the benefit of, or at the direction of, or

under the control of a person or an entity identified pursuant to a resolution of the Security Council of the United Nations.

The AI will take reasonable measures to establish whether a prospective client, or an existing client or client representative is indicated on the UN Security Council Sanction List.

Employees responsible for interacting with clients and/or maintaining client and transaction information will screen clients and client representatives against the UN Security Council Sanction list in the following situations:

- When concluding a single transaction or establishing a new business relationship, or
- When performing ongoing due diligence procedures on existing clients.

The enquiry will form part of the First Line ML/TF Client Risk Rating criteria as provided for on the Client Due Diligence Forms.

The procedure to access the UN Security Council Sanction list is indicated under Annexure E.

If at any stage during the employee's interactions with a client or a client representative, the employee suspects that a client is listed on the UN Sanction list, the employee will report this suspicion to the FICA Compliance Officer.

The FICA Compliance Officer will investigate all such reports and consider submitting a Suspicious or Unusual Transaction Report, a Terrorist Financing Activity Report or a Terrorist Financing Transaction Report to the FIC.

#### **9.11 ADDITIONAL DUE DILIGENCE PROCEDURES WHERE A CLIENT IS A DOMESTIC PROMINENT INFLUENTIAL PERSON**

The AI will determine whether a prospective client with whom it engages to establish a new business relationship, or the beneficial owner of that prospective client, is a domestic prominent influential person.

Where it is established that the prospective client, or the beneficial owner of the prospective client, is a domestic prominent influential person, the AI will:

- ✦ Regard the transaction as a ML/TF High-Risk transaction, and
- ✦ Require the employee interacting with the client to obtain senior management approval before establishing the business relationship, and
- ✦ Take reasonable measures to establish the source of wealth and source of funds of the client, and
- Conduct enhanced ongoing monitoring of the business relationship.

The enquiry will form part of the First Line ML/TF Client Risk Rating criteria as provided for in the Client Due Diligence Forms.

A list of acting positions classified as Domestic Prominent Influential Persons can be found under Annexure F.

The Senior Management Approval Procedure can be found under Annexure G.

#### **9.12 ADDITIONAL DUE DILIGENCE PROCEDURES WHERE A CLIENT IS A FOREIGN PROMINENT PUBLIC OFFICIAL**

The AI will determine whether a prospective client with whom it engages to establish a business relationship, or the beneficial owner of that prospective client, is a foreign prominent public official.

Where it is established that the prospective client, or the beneficial owner of the prospective client, is a foreign prominent public official, the AI will:

- ✦ Regard the transaction as a ML/TF High-Risk transaction, and
- ✦ Require the employee interacting with the client to obtain senior management approval for establishing the business relationship, and
- ✦ Take reasonable measures to establish the source of wealth and source of funds of the client, and
- Conduct enhanced ongoing monitoring of the business relationship.

The enquiry will form part of the First Line ML/TF Client Risk Rating criteria as provided for in the Client Due Diligence Forms.

A list of acting positions that must be classified as Foreign Prominent Public Officials can be found under Annexure F.

The Senior Management Approval Procedure can be found under Annexure G.

### **9.13 ADDITIONAL DUE DILIGENCE PROCEDURES WHERE A CLIENT IS A FAMILY MEMBER OR A CLOSE ASSOCIATE OF A DPIP OR A FPPO**

The AI will determine whether a prospective client with whom it engages to establish a business relationship, or the beneficial owner of that prospective client, is an immediate family member or a known close associate of a domestic prominent influential person or a foreign prominent public official.

Where it is established that the prospective client, or the beneficial owner of the prospective client, is an immediate family member or a known close associate of a domestic prominent influential person or a foreign prominent public official, the AI will:

- ✦ Regard the transaction as a ML/TF High-Risk transaction, and
- ✦ Require the employee interacting with the client to obtain senior management approval before establishing the business relationship, and
- ✦ Take reasonable measures to establish the source of wealth and source of funds of the client, and ▪ Conduct enhanced ongoing monitoring of the business relationship.

The enquiry will form part of the First Line ML/TF Client Risk Rating criteria as provided for in the Client Due Diligence Forms.

The following relationships between a natural person and a client will be regarded as an immediate family member relationship:

- ✦ A spouse, civil partner or life partner
- ✦ The previous spouse, civil partner or life partner
- ✦ Children and stepchildren and their spouse, civil partner or life partner ▪ Parents
- ✦ Siblings and stepsiblings and their spouse, civil partner or life partner

*The Senior Management Approval Procedure can be found under Annexure G.*

### **9.14 ADDITIONAL DUE DILIGENCE PROCEDURES WHERE A CLIENT IS A LEGAL PERSON, TRUST OR PARTNERSHIP**

The AI will determine whether a prospective client with whom it engages to establish a business relationship is a legal person, trust or a partnership between natural persons.

Where it is established that the prospective client is a legal person, whether incorporated or originated in South Africa or elsewhere, the AI will establish:

- The nature of the client's business, and
- The ownership and control structure of the legal person, and
- The identity of each beneficial owner of the legal person.

In order to determine the identity of each beneficial owner, the AI will determine and verify the identity of each natural person who, independently or together with another person, has a controlling ownership interest in the legal person. i.e. identify and verify the identity of each natural person who independently or together with another person, directly or indirectly owns the legal person or exercises effective control over the legal person.

Where the AI is uncertain whether or not a natural person is the beneficial owner of the legal person, or in any situation where no natural person is identified as having a controlling ownership interest in the legal person, the AI will determine the identity of each natural person who exercises control of that legal person through any other means.

Where the AI is still unable to identify a natural person, the AI will determine the identity of each natural person who exercises control over the management of the legal person, including that person's capacity as executive officer, non-executive director, independent non-executive director, director or manager.

Where it is established that the prospective client is a partnership between natural persons, whether incorporated or originated in South Africa or elsewhere, the AI will establish and verify:

- The identifying name of the partnership, and
- The identity of every partner, including every member of a partnership *en commandite*, an anonymous partnership or any similar partnership, and
- The identity of each natural person who purports to be authorised to enter into a single transaction or to establish a business relationship with the AI on behalf of the partnership.

Where it is established that the prospective client is a trust between natural persons, whether incorporated or originated in South Africa or elsewhere, the AI will establish and verify:

- The identifying name and number of the trust, and
- Where applicable, the address of the Master of the High Court where the trust is registered, and
- The identity of the founder, and
- The identity of each trustee, and
- The identity of each natural person who purports to be authorised to enter into a single transaction or to establish a business relationship with the AI on behalf of the trust, and
- The identity of each beneficiary referred to by name in the trust deed or other founding instrument in terms of which the trust is created.

Where the beneficiaries are not referred to by name in the trust deed or other founding instrument in terms of which the trust is created, the AI will establish the particulars of how the beneficiaries of the trust are determined.

*The additional information fields that must be completed is indicated on the relevant Client Due Diligence Forms and can be found under Annexure L.*

#### **9.15 WHEN IN DOUBT, CONFIRMING THE VERACITY OF PREVIOUSLY OBTAINED CLIENT INFORMATION**

Where the AI, subsequent to entering into a single transaction or establishing a business relationship, doubts the veracity or adequacy of previously obtained information regarding: ▪ clients or client representatives that are natural persons,

- legal persons,
- partnerships, or
- trusts, the AI will repeat the steps required to establish and verify the client's or client representative's identity, to the extent that is necessary to confirm the information in question.

In order to confirm the veracity of previously obtained client information, the FICA Compliance Officer will compare the information established and verified during the latest Client Due Diligence procedure with that of the information recorded in the Business Relationship Due Diligence Register.

Where there is a discrepancy, the FICA Compliance Officer will update the information captured on the Business Relationship Due Diligence Register accordingly.

The AI will conduct periodic client information reassessments in order to confirm whether the information that the AI has on record is still accurate and up-to-date. The frequency of these reassessments is depended on the client's ML/TF Risk-Rating as provided for in the Business Relationship Due Diligence Register.

*An example of a Business Relationship Due Diligence Register can be found under Annexure K.*

#### **9.16 ONGOING DUE DILIGENCE AND THE MONITORING OF TRANSACTIONS OF EXISTING BUSINESS RELATIONSHIPS**

The AI will conduct ongoing due diligence in respect of all existing business relationships.

The ongoing due diligence process will include the monitoring of transactions undertaken throughout the course of the business relationship, including, where necessary:

- the source of funds, to ensure that the transactions are consistent with the AI's knowledge of the client and the client's business and risk profile, and
- the background and purpose of all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent business or lawful purpose.

The ongoing due diligence process will also ensure that client information that was obtained during the Client Due Diligence procedure remains accurate and up-to-date.

The FICA Compliance Officer will monitor client activities during the business relationship which are not consistent with the AI's knowledge of the client.

Where the FICA Compliance Officer has identified unusual patterns of transactions, he or she will investigate whether or not there is a valid reason or purpose for the client to conclude these unusual transactions.

Where it is established that these transactions have no valid or lawful purpose, the FICA Compliance Officer will submit a Suspicious and Unusual Transaction Report to the FIC.

#### **9.17 SUBMITTING CASH THRESHOLD REPORTS WITHIN THE PRESCRIBED TIME LIMIT**

The AI will, within the prescribed period, report to the FIC the prescribed particulars concerning a transaction concluded with a client if in terms of the transaction, an amount of cash in excess of the prescribed amount:

- is paid by the AI to a client or a client representative, or
- is received by the AI from a client, or from a client representative.

Where an employee facilitates a cash transaction in excess of the prescribed amount, or a series of transactions where the aggregate of smaller amounts combines to equal the prescribed amount, he or she will notify the FICA Compliance Officer of this transaction in writing within one business day of such a transaction.

The FICA Compliance Officer will submit a Cash Threshold Report to the FIC as soon as possible but not later than two days after the employee became aware of a cash transaction or series of cash transactions that has exceeded the prescribed limit.

The FICA Compliance Officer will keep a record of all reports submitted to the FIC.

#### **9.18 SUBMITTING SUSPICIOUS OR UNUSUAL TRANSACTION REPORTS WITHIN THE PRESCRIBED TIME LIMIT**

Any person who knows or ought reasonably to have known or suspected that:

- the AI has received, or is about to receive, or if a transaction was concluded, may have received, the proceeds of unlawful activities or property which is connected to an offence relating to the financing of terrorist and related activities, or a transaction or series of transaction to which the AI is a party;
- facilitated or is likely to facilitate, or if the transaction was concluded, may have facilitated, the transfer of the proceeds of unlawful activities or property which is connected to an offence relating to the financing of terrorist and related activities, or
- has no apparent business or lawful purpose, or
- is conducted for the purpose of avoiding giving rise to a reporting duty under FICA, or



- may be relevant to the investigation of an evasion or attempted evasion of a duty to pay any tax, duty or levy imposed by legislations administered by the South African Revenue Services, or
- relates to an offence relating to the financing of terrorist and related activities, or
- will or may facilitate the acquisition, collection, use or provision of property or any other economic support, for the benefit of, or at the direction of, or under the control of a person or an entity identified pursuant to a resolution of the Security Council of the United Nations.
- the AI has been used or is about to be used, or if the transaction was concluded, may have been used, in any way for money laundering purposes or to facilitate the commission of an offence relating to the financing of terrorist and related activities, must within the prescribed period after the knowledge was acquired or the suspicion arose, report to the FIC the grounds for the knowledge or suspicion.

Where an employee suspects that the AI has been used or is about to be used, for money laundering or terrorist financing purposes, he or she will notify the FICA Compliance Officer of this transaction in writing within one business day of such a transaction.

The employee may not disclose his or her suspicion, or any information regarding the contents of any such notification to any other person, including the person in respect of whom the report is or must be made.

The FICA Compliance Officer will submit a Suspicious or Unusual Transaction Report to the FIC as soon as possible but not later than fifteen days after the employee became aware of a fact concerning a transaction on the basis of which knowledge or a suspicion concerning the transaction must be reported.

The FICA Compliance Officer will keep a record of all reports submitted to the FIC.

The FICA Compliance Officer will also keep a record of all transactions and activities which gave rise to the submittal of a suspicious and unusual transaction report, for at least five years from the date on which the report was submitted to the FIC.

### **9.19 SUBMITTING TERRORIST PROPERTY REPORTS WITHIN THE PRESCRIBED TIME LIMIT**

Where the AI has in its possession or under its control:

- ✦ property associated with terrorist and related activities, or
- ✦ property owned or controlled by or on behalf of, or at the direction of a specific person or entity identified:
  - by a notice issued by the President under Section 25 of POCDATARA, or
  - pursuant to a resolution of the Security Council of the United Nations, the AI will within the prescribed period report that fact to the FIC.

Where an employee has knowledge that the AI has in its possession or under its control property associated with terrorist or related activities, he or she will notify the FICA Compliance Officer within one business day after he or she has established this fact.

The FICA Compliance Officer will submit a Terrorist Property Report to the FIC as soon as possible but not later than five days after the employee established that the AI has property associated with terrorist and related activities in its possession or under its control.

The FICA Compliance Officer will keep a record of all reports submitted to the FIC.

### **9.20 MAINTAINING TRANSACTION RECORDS FOR THE REQUIRED PERIOD**

The AI will keep a record of every transaction (whether the transaction is a single transaction or concluded in the course of a business relationship), which the AI has with all its clients.

The AI will ensure that the transaction records:

- contain sufficient information, to enable the AI to readily reconstruct the transaction, and
- that all transaction records reflect at least:
- the amount involved and the currency in which it was denominated

- the date on which the transaction was concluded
- the parties to the transaction
- the nature of the transaction
- any business correspondence, and
- where the AI provides account facilities to its clients, the identifying particulars of all accounts and the account files at the AI that are related to the transaction.

The transaction records may be kept in electronic form. Where the AI maintains transaction records in electronic form, the FICA Compliance Officer will ensure that these records are capable of being reproduced in a legible format and that they are backed-up on a periodic basis.

The FICA Compliance Officer will keep all transaction records for at least five years from the date on which the transaction was concluded.

## **9.21 MAINTAINING CLIENT DUE DILIGENCE RECORDS FOR THE REQUIRED PERIOD**

The AI will keep an accurate record of:

- all information pertaining to a client, or a prospective client, pursuant to the Customer Due Diligence requirements
- copies of, or references to, information provided to or obtained by the AI to verify a person's identity, and
- in the case of a business relationship, reflect the information obtained by the AI concerning:
  - the nature of the business relationship
  - the intended purpose of the business relationship, and
  - the source of funds which the prospective client is expected to use in concluding transaction in the course of the business relationship

The due diligence records may be kept in electronic form. Where the AI maintains due diligence records in electronic form, the FICA Compliance Officer will ensure that these records are capable of being reproduced in a legible format and that they are backed-up on a periodic basis.

The FICA Compliance Officer will keep all Customer Due Diligence records, for at least five years from the date on which the business relationship is terminated.

In respect of each Client, the AI must keep CDD records that reflect the following information –

- the name of the Client; and

- the means through which the Client's name was established; and
- the documents by which the Client's name was verified; and
- the Employee who established and verified the Client's name.

In respect of each Transaction, whether in the context of a single Transaction or AI Relationship, the Employee must keep records of the –

- amount and currency involved; and

- date; and
- parties involved; and
- nature of the Transaction; and
- underlying AI correspondence.

The FICA Compliance or Risk Officer must ensure that all records kept in terms of this RMCP are stored for at least 5 (five) years following the conclusion of a single Transaction or the termination of a AI Relationship, in such a manner that –

- they are readily retrievable should they be requested by the FIC or any other person legally entitled to them; and
- they are protected, through physical and other controls, against unauthorised access thereto; and
- back-up records / copies of the records are stored separately from the original records.

## **9.22 ENSURING COMPLIANCE WHERE TRANSACTION OR DUE DILIGENCE RECORDS ARE MAINTAINED BY A THIRD PARTY**

Where the AI has outsourced the recordkeeping requirements to a third party, the AI will ensure that:

- the AI has free and easy access to the records,
- the records are readily available to the FIC or any other relevant supervisory body, and
- it provides the FIC with the prescribed particulars concerning the third party.

The FICA Compliance Officer will without delay provide the FIC with the third party's:

- full name, if the third party is a natural person, or registered name, if the third party is a close corporation or a company
- The full name and contact particulars of the individual who exercises control over access to the records
- The address where the records are kept
- The address where the third-party exercises control over the records
- The full names and contact particulars of the individual who liaises with the third party on behalf of the AI.

## **9.23 FICA AWARENESS TRAINING**

The AI will provide ongoing training to its employees to enable them to comply with the provisions of FICA and the AML & CTF Risk Management and Compliance Programme. The AI may choose to make use of online training provided by Oracle Compliance

## **10. THE AI'S APPROACH TO RISK**

The AI's approach is not to seek to quantify the metrics used to measure risk. Rather, a binary approach is adopted, which distinguishes between high risk and low risk, doing so on a qualitative basis.

A high-risk Client is any Client –

- whose single Transaction or AI Relationship will be financed through a **cash payment of R25 000.00 (twenty-five thousand rand)** or more, as opposed to through a bond or similar arrangement from a financial institution that is duly registered as such; or
- who is a natural person, but is not a citizen or permanent resident of South Africa; or
- that is a partnership, trust, company or close corporation, regardless of whether or not it was formed in South Africa –
- that has no operations or AI premises in South Africa; and
- that cannot produce the letter and documents / records which letter and documents must be from a Secondary Accountable Institution based in an FATF Member State; or
- who is an FPPO; or
- who is suspect, whether or not they fit into any of the categories listed under paragraph 9. A Client may, in the Risk Officer's discretion, be regarded as suspect for any reason relating to the Client's conduct in the context of a single Transaction or AI Relationship, which conduct includes (without limitation) –
- a reluctance or refusal to provide information; or
- an unusual or inexplicable preference for dealing with the AI via correspondence or via electronic media, as opposed to in person, particularly for the purposes of the CDD;

- a patent lack of concern or disregard for the costs involved; or
- deliberate evasiveness or vagueness when providing information; or
- any other conduct or circumstances that, when viewed objectively, and when considered in light of all of the relevant factors taken as a whole, should be regarded with suspicion; or

**[Note: the AI may amend in any way the above list of high-risk indicators as it sees fit.]**

The AI's approach to risk may be justified on the basis that –

- the products and services that the AI provides are fairly homogeneous, of a narrow range and not overly sophisticated; and
- the AI's Transactions often involve two other Accountable Institutions, namely banks and conveyancing attorneys.

## **11. ONGOING CDD FOR AI RELATIONSHIPS**

The AI must compare each Transaction under an AI Relationship against the information provided by the Client in the CDD forms pertaining to the –

- nature of the AI Relationship; and
- the purpose of the AI Relationship; and
- the source of the funds that will finance the AI Relationship,
- and must update such information and any other documents originally forming part of the CDD in respect of that Client where necessary.

## **12. TREATMENT OF LEGACY CLIENTS**

Before receiving any Value from a Legacy Client after the Implementation Date, the AI must treat such Legacy Client as if it were a Prospective Client looking to enter into an AI Relationship with the AI, and carry out the full range of CDD procedures in accordance with this RMCP.

The CDD procedures need only be conducted in respect of information and documents that the AI does not already have its possession, except where a Legacy Client is characterised as a high-risk Client in which event the CDD procedures must be conducted in full, notwithstanding any duplication of information or documents.

With the exception of a report about property contemplated the AI, may, continue with or give effect to the matter in question giving rise to that report, unless the FIC instructs the AI otherwise in writing.

## **13. LIST OF FATF MEMBER STATES**

The following countries are FATF Member States as at Feb 2019 –

Argentina  
 Australia  
 Austria  
 Belgium  
 Brazil  
 Canada  
 China  
 Denmark  
 European Commission  
 Finland

France  
Germany  
Greece  
Gulf Co-operation Council  
Hong Kong, China  
Iceland  
India  
Ireland  
Italy  
Japan  
Republic of Korea  
Luxembourg  
Malaysia  
Mexico  
Netherlands, Kingdom of  
New Zealand  
Norway  
Portugal  
Russian Federation  
Singapore  
South Africa  
Spain  
Sweden  
Switzerland  
Turkey  
United Kingdom  
United States of America

#### **14. LIST OF FPPO POSITIONS**

The following positions in respect of countries other than South Africa are FPPO positions– Head of state;  
Member of royal family;  
Member of cabinet or similar structure;  
Senior member or leader of a political party;  
Senior judicial officer;  
Senior executive of a state-owned entity; or High-ranking military officer.

#### **15. LIST OF DPIP POSITIONS**

The following people are deemed DPIPs –

- President or deputy president of South Africa;
- Cabinet minister or deputy minister;
- Premier of a province;
- Member of executive council of a province;
- Mayor of a municipality;
- Leader of a political party;
- Member of a royal family or a senior traditional leader;
- Head, accounting officer or chief financial officer of a national or provincial department;
- Manager or chief financial officer of a municipality;

- Chairperson, chief executive officer, accounting authority, chief financial officer or chief investment officer of a public entity;
- Prominent judge in the Constitutional Court, Supreme Court of Appeal or the High Court or any equivalent court;
- Ambassador, high commissioner or senior representative of a foreign country who is based in South Africa;
- Person occupying any of the following positions, in a company that sells goods or services to the government worth more than [INSERT AMOUNT ONCE GAZETTED]– • Chairperson of the board of directors;
- Chairperson of audit committee;
- Executive officer; or
- Chief financial officer.

## **16. LIST OF ACCOUNTABLE INSTITUTIONS**

The following persons are Accountable Institutions –

- Attorneys;
- Persons who invest, possess, control or administer trust property;
- Estate agents;
- Authorised users of exchanges;
- Managers of collective schemes;
- Banks;
- Mutual banks;
- Long-term insurers;
- Casinos;
- Dealers in foreign exchange;
- Money lenders who are secured by securities;
- Financial services provider;
- Persons who deal in traveller’s cheques, money orders, or similar instruments;
- The Post Bank;
- The Ithala Development Finance Corporation; and
- Money remitters.