

A GUIDE TO:

Identifying and reporting
suspicious behaviours
and transactions



Table of Contents

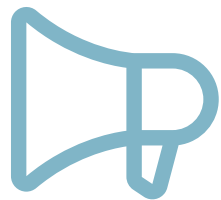
- Introduction
- Reporting Suspicious Behaviour or Transactions
- Cash Transactions above the Prescribed Limit
- Property Associated with Terrorist & Related Activities
- Reporting Suspicious & Unusual Transactions
- Awaken the Financial Crime Superhero within You



“It’s not who I am underneath, but what I do that defines me.” - Bruce Wayne (Batman Begins)

In the world of compliance the Financial Intelligence Centre (FIC) can be envisioned as the Batman of combating money laundering, terrorist and proliferation financing, which means that Accountable Institutions can take the role of the reliable sidekick Robin, assisting the FIC and being financial crime superheroes in their own right by alerting the FIC the moment they form a suspicion.





What does the FIC Act say about Reporting Suspicious Behaviour or Transactions?

As set out by the FIC Act, Accountable Institutions are obligated to report any suspicious activity or transactions. Chapter 3 of the FIC Act outlines and describes these reporting duties as follows:

Section 28:



Cash transactions above the prescribed limit

Section 28A:



Property associated with terrorist and related activities

Section 29:



Suspicious and unusual transactions



Cash Transactions Above the Prescribed Limit

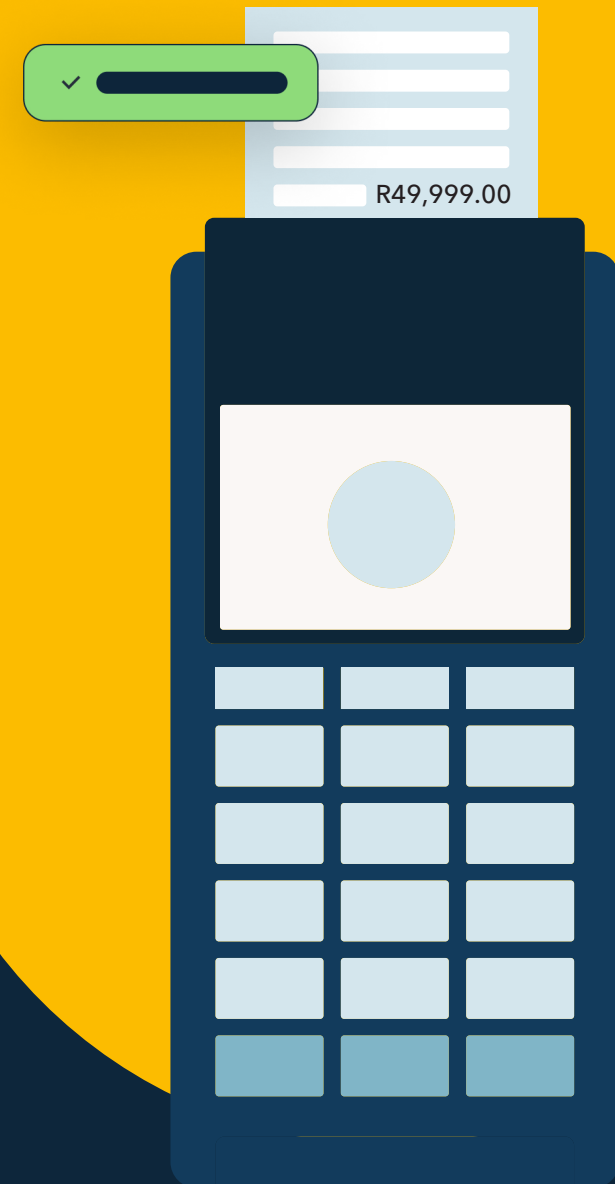
The purpose of reporting cash transactions (Cash Threshold Reports (CTRs)) **is to identify the potential placement of funds, which is generally the first step of money laundering** and is an attempt to place dirty money into a clean, legitimate financial system.

It is important to note that, with the FICA Cash Threshold amendments of 14 November 2022, it includes only single deposits, and not previously reportable multiple smaller related or linked cash deposits that collectively amounted to R24 999 or more in a particular period being paid to or received by an Accountable or Reporting Institution (Cash Threshold Report Aggregation (CTRA)).



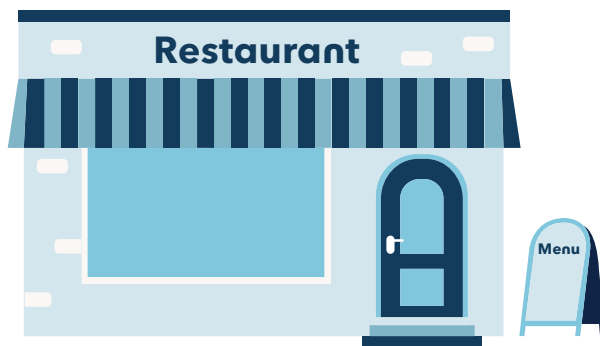
Cash Transactions Above the Prescribed Limit

The cash threshold is to report a single cash transaction of **R49,999** or more. A CTR must be reported to the FIC within 3 business days after an employee or Compliance Officer has become aware of the cash transaction exceeding **R49,999**, being amended from the previous 2 day period.



Cash Transactions Above the Prescribed Limit

The danger with cash is that its source is virtually untraceable, and criminals often choose to remove illicit cash from their bank accounts in order to break the audit trail by transporting it to another country to spend it or reintroduce it into a legitimate financial system. This is generally done through cash-intensive businesses like motor vehicle dealerships, precious stone and metal dealers, restaurants, car washes and charitable organisations. It is also highly favoured by money launderers due to its efficiency of use, difficulty in identifying its true source and its ability to convert illicit origins into a legitimate asset ie: a vehicle or a property.



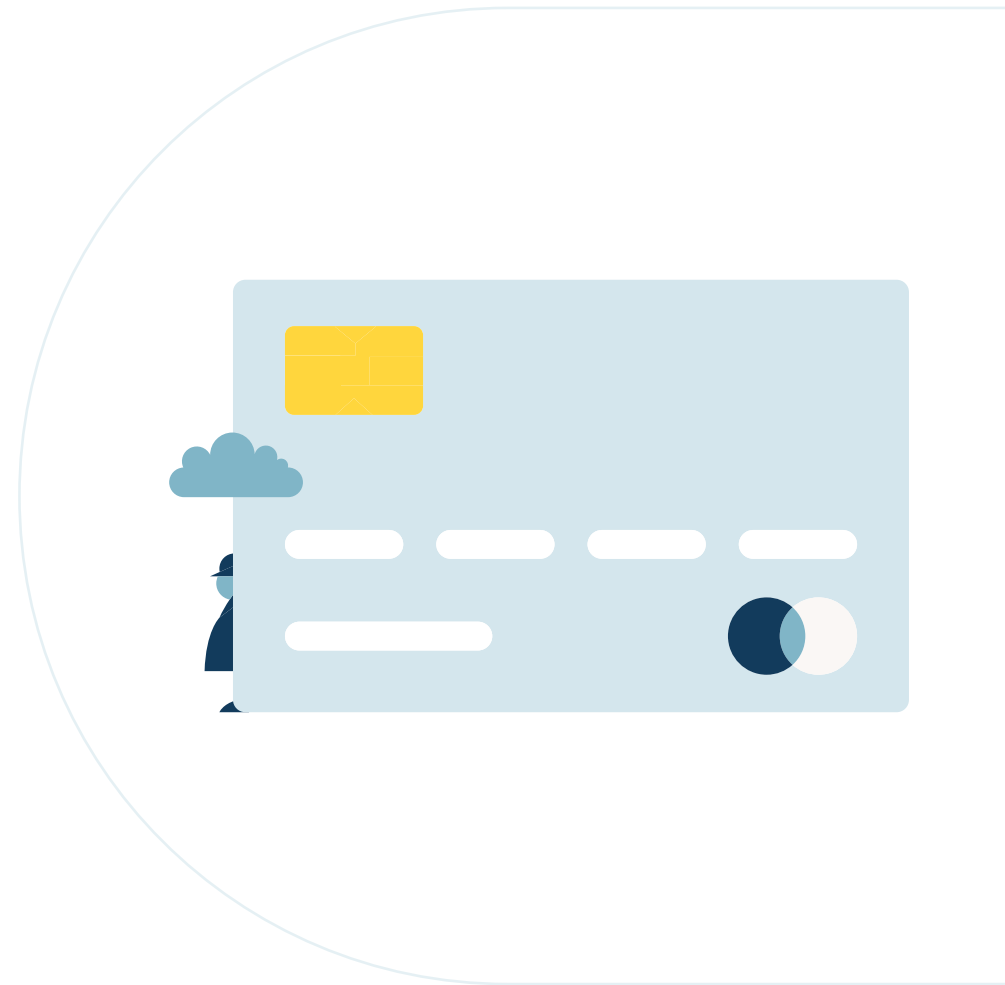


Property Associated with Terrorist & Related Activities

For suspicions or knowledge around assets that may be related to terrorism the timeline is 5 days as it becomes more important to attempt to stop the money, funds, products or assets before they reach their ultimate destination or purpose. These reports are called Terrorist Property Reports (TPR's).

Reporting Suspicious & Unusual Transactions

When it comes to suspicious activities or transaction reports (SAR's/STR's), the period to report extends to 15 business days. It is important to note that the reporting deadlines start from the moment a suspicion is formed, so even if an Accountable Institution comes across something relating to a transaction or matter that happened six months ago, the countdown starts the moment the suspicion is formed, therefore it's important to file a report even if the matter relates to something that happened in the past once you have become aware.



Persistence

**Less regulated
digital assets**

**Size, nature,
frequency, manner
& Execution**

Reporting Suspicious & Unusual Transactions

Suspicious transactions refer to transactions that may cause Accountable Institutions to experience apprehension or skepticism about a particular transaction, taking into account its unusual nature, circumstances, the person or entity involved in the transaction or the transaction amount.

Some indicators of suspicious transactions include transactions without a valid or lawful purpose, transactions performed in a manner to attempt to conceal the underlying client and/or ultimate beneficiary of the transaction or if the transactions are unusual in terms of size, nature, frequency, manner or execution



Reporting Suspicious & Unusual Transactions

Suspicious activity may relate to behaviour that seems out of the ordinary and might be an indicator of a potential crime occurring, for example if a client's behaviour or attitude changes when questioned about their identity or transactions or if a client seems reluctant to provide the proper information or documentation.

Report Type	Deadline
Suspicious Activity Report (SAR)	15 business days
Suspicious Transaction Report (STR)	15 business days
Terrorist Property Report (TPR)	5 business days
Cash Threshold Report (CTR) (>R49,999)	3 business days



“With great power, comes great responsibility”

- Ben Parker (Spider-man)

Reporting Suspicious & Unusual Transactions
Key Elements This rings even more true for Accountable Institutions as there are a few vital elements to make note of when it comes to reporting anything suspicious.



Reporting Suspicious & Unusual Transactions

Key Elements

The first is tipping off. This pertains to giving away any information that a report has been or is likely to be made to the FIC because of a suspicion about a client or their activity to anyone, including the client as you don't know who may be party to the potentially suspicious activity, and you don't want the client to become aware that there is suspicion around them or their activities.

If the suspicion is founded, the people involved could have an opportunity to disappear or hide any illicit funds and, if not, it could impact your relationship and reputation with them. If you have a suspicion, you should follow your internal business processes, but it is best practice to always limit who you discuss your suspicions with i.e. your compliance team.





Reporting Suspicious & Unusual Transactions

Key Elements

The second is failure to report. As an employee of an Accountable Institution there is an assumption that if you are involved in dealing with a client or processing a transaction or activity that you should hold the requisite general knowledge, skill, training and experience that may reasonably be expected of a person in that position and so are in a position to identify anything suspicious, especially as FICA requires you to undergo regular training as an employee. Failure to report carries maximum penalties of imprisonment for a period up to 15 years or a fine up to R100 million.

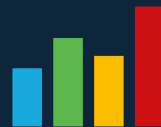


Awaken the financial crime superhero within you

As we can see from the above, although Accountable Institutions have various duties and obligations to report suspicious activities and transactions, these duties must be tempered with the ability to avoid “careless whispers” by ensuring tip-offs and failures to report are avoided at all cost to guarantee that Accountable Institutions adhere to combating money laundering and the financing of terrorism.

Our nCino KYC Africa compliance team is here to assist you, whether it be with the preparation for a FIC inspection, response to a FIC report, guidance on how to submit Suspicious Activity or Transaction Reports, Enhanced Due Diligence on a client, guidance on finding the UBO and any other FICA related questions.





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