



## FINANCIAL INTELLIGENCE CENTRE ACT (“FICA”) NO. 38 OF 2001 CUSTOMER DUE DILIGENCE REQUIREMENTS – FACT SHEET

### WHAT IS THE ACT ALL ABOUT?

The PRIMARY GOAL of CRIMINALS, once they commit their crimes, is to DISGUISE THE ORIGINS of their illegally obtained money. FICA aims to combat financial crimes by requiring “Accountable Institutions” (which includes Netcash, since Netcash is a participant in the South African National Payment System) to identify and verify clients, maintain records, and report suspicious transactions to the Financial Intelligence Centre (“Centre”).

The Acts’ PRIMARY PURPOSE is to prevent and detect the proceeds of criminal activities passing through the South African National Payment System, to avoid money laundering, funding of terrorist activities and weapons of mass destruction.

### FINANCIAL CRIMES



### HOW the ACT WORKS

Accountable Institutions are required to comply with its various obligations, such as customer due diligence, reporting suspicious activities and record keeping, amongst others. Customer Due Diligence requires Netcash to implement robust customer due diligence control measures, including verifying client identities and monitoring transactions. Reporting Suspicious and/or Unusual Activities to the Centre is required from all businesses in South Africa. Record Keeping; Netcash must maintain accurate records of client information and transactions. Compliance and Supervision; the Centre monitors and enforces compliance with the FICA regulatory requirements. Fines often result in the tens of millions of rands!

## **BENEFITS of FICA compliance**

Protection of the National Payment System; FICA helps to ensure the integrity and stability of South Africa's financial system. Combating Financial Crime; by detecting and preventing financial crimes, FICA contributes to a safer and more secure environment for businesses and citizens. International Compliance; FICA helps South Africa comply with the international standards for combating money laundering, terrorist- and proliferation financing.

## **What do the CUSTOMER DUE DILIGENCE requirements entail?**

### **Netcash:**

- may not do business with anonymous clients and clients acting under false or fictitious names.
- must comply with the identification requirements of clients and other persons.
- must understand and obtain information on the business relationship with each client.
- must perform additional due diligence relating to legal persons, trusts and partnerships.
- must conduct ongoing due diligence on its clients.
- must perform enhanced due diligence should it have any doubts about the veracity of previously obtained information and when reporting suspicious and unusual transactions to the Centre.
- may not do business with a client when it is unable to conduct customer due diligence.
- must perform enhanced due diligence on foreign politically exposed persons (FPEP), since they are regarded as higher risk individuals.
- must perform enhanced due diligence on domestic politically exposed persons (DPEP) and prominent influential persons (DPIP), since they are regarded as higher risk individuals.
- must perform enhanced due diligence on FPEP and DPEP family members and known close associates, since they are regarded as higher risk individuals.

## **What is a BUSINESS RELATIONSHIP?**

A Business Relationship is an arrangement between a client and Netcash (an Accountable Institution) for the purpose of concluding transactions on a regular basis.

## **UNDERSTANDING and OBTAINING information on the BUSINESS RELATIONSHIP**

FICA requires that when Netcash engages with a prospective client to establish a business relationship, that it must, in addition to the identification and verification steps followed in accordance with its Risk Management and Compliance Programme, obtain information to reasonably enable it to determine whether future transactions that will be performed in the course of the business relationship concerned are consistent with Netcash's knowledge of that prospective client. This information will describe:

- the nature of the business relationship concerned;
- the intended purpose of the business relationship concerned; and
- the source of the funds which the prospective client expects to use in concluding transactions in the course of the business relationship concerned.

## What is the potential SOURCE OF FUNDS used by the Client in its business

1. Sale proceeds from Goods and/or Services
2. Commission Earned
3. Dividend Income
4. Donations and/or Sponsorship
5. Fees Earned
6. Grant
7. Investment Income or Capital
8. Interest Income
9. Insurance Payout
10. Loan
11. Membership Fees
12. Proceeds from Asset Disposal
13. Rental Income
14. Rewards Earned
15. Royalty Income

**ANY of the below listed documents can be used as EVIDENCE IN SUPPORT of the selected SOURCE OF FUNDS for the Client's business**

Source of Funds Supporting document name
Audit Reports
Auditor or accountant dated and stamped letter confirming client's income or an affidavit
Asset disposal / Sale agreement - indicating value / price
Bank Statement with contra data, not older than 3 months
Betting / Gambling organisation Letter (confirming winnings)
Equity Issuance Letter
Fidelity Fund Certificate
Financial Statements (audited or unaudited)
Investment Cashflows
Investment Funds Letter / Statement
Lease Agreement containing monthly rental amount
Loan / Debt Repayment Statement
Parent company shareholder support: interest or dividends accrued from registered or beneficial holders of the parent shares
Share certificate(s)
Start-up Capital - Entity founding documents IF it stipulates the Start-up Capital of the entity
Tax return for the current Financial Year filing issued by SARS
Any specific contract indicating the value of transaction / payment received
Law or documentation stipulating the creation and operation of the Trust
Other supporting document

Source of Funds Supporting document name	Description
Tax return for the current Financial Year filing issued by SARS	The latest tax return filed with the SARS, setting out the entity's taxable income and deductions.
Financial statements (audited or unaudited)	The financial statements provide an overview of an entity's financial performance and position. Audited statements were verified by an external auditor, while unaudited reports are those that are prepared by accountants without external verification.
Audit Reports	These are detailed assessments conducted by external auditors to provide an independent opinion on the accuracy and fairness of an entity's financial statements.
Bank statements, not older than 3 months, with contra data	Bank statements show all incoming and outgoing funds, as well as any transactions that offset each other. It also provides clarity on the entity's cash flow and financial activities.
Asset disposal / Sale agreement indicating value / price	Document that details the sale of an asset, the sale price or value.
Lease agreement	Lease agreement setting out the monthly rental amount.
Parent company shareholder support: Interest or dividends accrued from registered or beneficial holders of the parent shares	Documentation showing interest or dividends received from registered or beneficial holders of the parent company shares. This typically includes bank statements reflecting dividend payments.
Any specific contract indicating the value of transaction / payments	Specific contracts or agreements detailing the terms of investment transactions, including values and payments.
Equity issuance Letter	A letter or document confirming the issuance of equity shares, specifying details such as share class and quantity.
Investment Cashflows	Reports or statements showing the flow of funds related to investments, indicating both inflows and outflows.
Start-up Capital	Entity founding documents that explicitly state the initial capital contributed to establishing the entity.
Investment Funds Letter / Statement	A document from the Investment Fund detailing the client's name and the amount received from investment payouts.
Share certificate(s)	A legal document certifying ownership of shares in a company.
Auditor or Accountant dated and stamped letter confirming client's income or an affidavit	A formal document issued by an accountant or auditor confirming this source of funds received by the client.
Fidelity Fund Certificate	A certificate proving eligibility or membership in a Fidelity Fund.
Loan / Debt Repayment Statement	The Netchash client is granting loans to third parties. Documentation showing repayments made by debtors to the client, which verifies the income received from loan repayments.
Law or documentation stipulating the creation and operation of a Trust	Documentation outlining the creation of a trust (e.g. the National Empowerment Fund)
Investment Fund Letter / Statement	Letter or Statement from an Investment Fund detailing the client's name and the amount received from investment payouts.
Share certificate(s)	Proof certifying ownership of shares.
Betting / Gambling organisation Letter	A letter confirming the receipt of winnings.