FATF UPDATE & CREDIT PROVIDERS AS ACCOUNTABLE INSTITUTIONS

Jan Augustyn
FIC Senior Operations Manager: Monitoring, Inspection and Enforcement
Forum Homini Cradle of Human Kind
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AGENDA

- Grey Listing of South Africa – Not Applicable to Credit Providers
- The next FATF Mutual Evaluation around June 2026 – Oct 2027
- Item 11 of Schedule 1 of FICA
- Brief overview of Risk & Compliance Obligations (RMCP)
- Questions and Answers

South Africa and Grey Listing

THE FIC'S FOCUS AREAS DURING THIS PROCESS

- Enhancing risk-based supervision of Non-Financial Institutions (Not Item 11)
- Supporting enhanced usage of financial intelligence
- Supporting enhanced investigations of complex money laundering and of terrorist financing
- Implementing UNSC targeted financial sanctions without delay
- Supporting identification of entities for domestic targeted financial sanctions

FATF grey listing: IO3/4 FIC DNFBP supervision

Action Items	Date and Responsible
IO.3/4: (2) South Africa should **improve risk-based supervision of DNFBPs** by: (a) **implementing** and keeping up-to-date supervisory risk-assessment tools to identify higher risk DNFBPs as a basis for risk-based supervision	May 2024 – FIC **Largely Addressed – May 2024**
(b) Conducting inspections on a risk-sensitive basis of high-risk DNFBPs	September 2024 – FIC **Largely Addressed – Sept 2024**
(c) Conduct training on their AML/CFT obligations, particularly on STRs	September 2024 – FIC **Largely Addressed – Sept 2024**
(3) South Africa should strengthen the AML/CFT supervisory capacity (human & financial resources) of FSCA and FIC. (4) South Africa should demonstrate that all AML/CFT supervisors apply and monitor implementation of follow-up remedial actions, and that effective, proportionate and dissuasive sanctions are being applied.	May 2024 – FIC **Largely Addressed – May 2024** January 2025 – FIC, SARB, FSCA - **Largely Addressed – January 2025**

Exiting Grey Listing and pending 2026/2027 FATF 5th Round Mutual Evaluation of South Africa

- **Exiting Greylisting - Grey listing has been good for South Africa**
  - The FATF agreed in **June 2025** that South Africa has substantially completed its action plan and authorised an on-site visit to South Africa to verify that the implementation of AML/CFT reforms has begun and is being sustained.
  - The on-site visit took place in **July 2025** and the FATF will consider the report of the Africa Joint Group on the visit at its October 2025 meetings.
  - A favourable report tabled and approved at FATF end October 2025 Plenary will pave the way for the FATF to de-list South Africa in October 2025.
  - EU High risk Jurisdiction listing (wef 16 July 2023) and UK HMT High risk jurisdiction listing wef 3 December 2023) of South Africa may remain in place for some time, until removed at request of South Africa.

Exiting Grey Listing and pending 2026/2027 FATF 5th Round Mutual Evaluation of South Africa

- **Greylisting - provides a sound foundation for sustained enhancements for 5th Round ME**
  - Submit ZAF Country status report by end June 2026 (under 5th Round Methodology)
  - ZAF 5th Round Mutual Evaluation on site visit by April 2027
  - Adoption of report by FATF plenary planned for October 2027
  - General Laws (AML/CFT) Amendment Bill 2024 developed to address outstanding deficiencies in the various laws.
  - FATF June 2025 - https://www.fatf-gafi.org/content/dam/fatf-gafi/methodology/FATF-Assessment-Methodology-2022.pdf.coredownload.inline.pdf

FATF 5th Round Methodology Perspective on Financial Institutions, CASPs, and Designated Non-Financial, Businesses and Professions (DNFBPs)

Immediate Outcome 3 (4)

Supervisors [fn184(6)] **appropriately** supervise, monitor and regulate Financial Institutions (FIs), CASPs & (DNFBPs) for compliance with AML/CFT requirements, and FIs and CASPs (DNFBPs) **adequately apply** AML/CFT preventive measures **proportionate to the risks**, and **report suspicious transactions**.

The actions taken by Supervisors, FIs, CASPs and DNFBPs **are proportionate to the risks.**

Characteristics of an Effective System

Risk based supervision and monitoring **identifies, assesses and mitigates** the money laundering and terrorist financing risks in FI, CASP and DNFBP sectors by:

- preventing criminals and their associates from holding, or being the beneficial owner of, a significant or controlling interest or a management function in FIs, CASPs & DNFBPs; and
- guiding, monitoring and enforcing compliance by FIs, CASPs & DNFBPs to ensure that they have **effective AML/CFT policies in place**.
- Where issues are identified, **appropriate measures based on risk are taken to address them.**

IO. 3 (4) - Characteristics of an Effective System for FIs, CASPs & (DNFBPs)

Over time, supervision and monitoring **improve the level** of AML/CFT **compliance** and discourage attempts by criminals to abuse the FI, CASP & (DNFBP) sectors, particularly in FIs, CASPs & (DNFBPs) **most exposed to** money laundering and terrorist financing **(ML/TF) risks.**

Accountable Institution Entities:

- understand the nature and level of their money laundering and terrorist financing risks;
- develop and apply risk-based AML/CFT policies (including group-wide policies as appropriate), internal controls, and **programmes to adequately mitigate those risks**;
- apply appropriate CDD measures to identify and verify the identity of their customers (including the beneficial owners) and conduct ongoing monitoring;
- **adequately detect and report suspicious transactions**; and comply with other AML/CFT requirements.

This **ultimately leads to a reduction in** money laundering and terrorist financing **(ML/TF) activity within these entities.**

This outcome relates primarily to Recommendations 9 - 21 (22), (23), 26, 27, (28), 34 and 35 and elements of Recommendations 1, 29 and 40.

FATF review of gatekeepers' technical compliance related to corruption: July 2024

- Corruption and money laundering are closely linked, with corrupt actors needing to launder illicit funds to benefit from their crimes.
- **Non-financial professionals (DNFBPs), such as lawyers, accountants, trust and company service providers, and real estate agents, act as gatekeepers to the financial system and can facilitate money laundering and corruption.**
- FATF requires all member countries to apply AML and CFT measures to these DNFBP to reduce vulnerability to money laundering and corruption.
- Key requirements include: AML and CFT compliance programmes, customer identification, and suspicious transaction reporting.
- Average compliance score: FATF's 2024 review shows overall compliance score has reached 74 percent, over 20 years after these standards were adopted.

KEY TAKE AWAYS FROM FATF GREY LISTING

- Understanding of risks is fundamental for both industry as well as supervisors
- Compliance is key to dealing with ML/TF in greater context
- Be a disrupter and prevent ML/TF through strict compliance regime
- Gatekeepers must play their part in preventing and combating money laundering
- Terrorist reporting and targeted financial sanctions key in a global context. Non-profit organisations are abused for terrorist financing
- All roads lead to reporting – STRs particularly
- Sanctions must be effective, proportionate and dissuasive.

KEY TAKE AWAYS FROM FATF GREY LISTING

- Newly added sectors and entities (credit providers) are behind on compliance spectrum and risk understanding due to them not being scrutinised during the existing Mutual Evaluation / greylisting process. They will have to catch up! This includes **credit providers**, crypto asset service providers and precious metal and stones dealers.
- Credit providers long way off for meeting FATF standards – this must be addressed NOW!

WHICH CREDIT PROVIDERS ARE AIs?
Item 11 in Schedule 1

- Put differently which Credit providers are **not** AIs?
- Are we asking the right questions?

The FIC supervisory universe

- Item 1 Legal practitioners
- Item 2 Trust service providers
- Item 2 Company service providers (including accountants)
- Item 3 Estate agents (9246 registered)
- **Item 4 Authorised users of an exchange**
- **Item 6 Banks, Item 7 mutual banks Item 7A Co-operative banks**
- **Item 8 Life insurance**
- Item 9 Gambling entities
- **Item 10 Foreign exchange and travellers' cheques**
- Item 11 Credit providers
- **Item 12 Financial Services Providers**
- Item 14 Postbank
- **Item 19 Money and value service transfer services**
- Item 20 High value goods dealers (Dealers in precious stones)
- Item 20 High value goods dealers (Dealers in precious metals)
- Item 20 High-value goods dealers (Kruger rand dealers)
- Item 20 Motor vehicle dealers
- Item 22 Crypto asset service providers
- **Item 23 Payment clearing participants**

FICA Schedule 1 item 11: Definition of a credit provider

A CREDIT PROVIDER IS DEFINED IN ITEM 11 OF SCHEDULE 1 OF THE FIC ACT AS:

“(a) A person who **carries on the business** of a **credit provider** as defined in the **National Credit Act**, 2005 (Act 34 of 2005).

(b) A person who **carries on the business of providing credit** in terms of **any credit agreement** that is **excluded** from the application of the **National Credit Act**, 2005 (Act 34 of 2005) by virtue of **section 4(1)(a) or (b) of that Act.”**

General considerations of schedule definition

- **"A person"** which includes both natural persons and legal persons.
- **"Carries on the business"** – this term is not defined in the FIC Act. The ordinary meaning of the term, within the context of the FIC Act is applied.
- **"Business"** is that of a commercial activity or institution, as opposed to a charitable undertaking or government institution.

Who is a credit provider and what are credit agreements under NCA?

CREDIT PROVIDERS

- Clothing store credit providers
- Companies that provide loans to employees
- Companies that provide loans to juristic persons
- Short- and long-term loans and credit transactions
- Entities that provide incidental credit
- Incidental credit agreements
- Microfinance loans
- Small, intermediate and large credit agreements
- Low-cost housing loans
- Credit cards

CREDIT AGREEMENTS

- Credit overdrafts
- Unsecured, secured credit agreements and transactions
- Closed and open loop credit facilities
- Retail store card credit facilities
- Credit facility providers
- Revolving credit agreements
- Credit guarantees in respect of credit facility or transaction
- Instalment agreements
- Lease agreements

Second category of credit providers who must register with the FIC (Sch. 1 item 11b)

- The second category of credit providers that are included in item 11 of Schedule 1 to the FIC Act, are all persons who carry on the business of providing credit in terms of **any credit agreement that is excluded from the application of the National Credit Act**, by virtue of section 4(1)(a) or (b) of the NCA.

ITEM 11b – Credit outside of the NCA

- Section 4(1) (a) and (b) of NCA speaks to who the **consumer is and to the credit transaction**.
- Understanding Exclusions under NCA: Type of consumers who don't require NCA consumer protection
- NCA does not apply

Application of Act: Section 4(1)(a) or (b) of the NCA

Section 4. (1) Subject to sections 5 and 6, this Act applies to every credit agreement between parties dealing at arm's length and made within, or having an effect within, the Republic,

(a) **except** a credit agreement in terms of which **the consumer** is-

(i) **a juristic person** whose asset value or annual turnover, together with the combined asset value or annual turnover of all related juristic persons, at the time the agreement is made, equals or exceeds the threshold value determined by the Minister in terms of section 7(1)[R1 Million];

(ii) the state; or (iii) an organ of state;

Application of Act: Section 4(1)(a) or (b) of the NCA

(b) a **large agreement**, as described in section 9(4), in terms **of which the consumer is a juristic person** whose asset value or annual turnover is, at the time the agreement is made, below the threshold value determined by the Minister in terms of section 7(1); '

Section 9(4): A credit agreement is a large agreement if it is- (a) a **mortgage agreement**; or (b) any other credit transaction except a pawn transaction or a credit guarantee, and **the principal debt under that transaction or guarantee falls at or above the higher of the thresholds [R250 000] established in terms of section 7(1)(b)**.

Principal Debt – Section 1"principal debt" means the amount calculated in accordance with section 101 (1)(a); (a) the principal debt, being **the amount deferred** in terms of the agreement, plus the value of any item contemplated in section 102;

NCA Section 7. (1) On the effective date, and at intervals of not more than five years, the Minister,

(a) a monetary asset value or annual turnover threshold of not more than R 1 000 000 for the purpose of section 4(1); and

(b) [two further monetary thresholds for the purposes of determining the three categories of credit agreements contemplated in section 9].

Conclusions on Item 11b

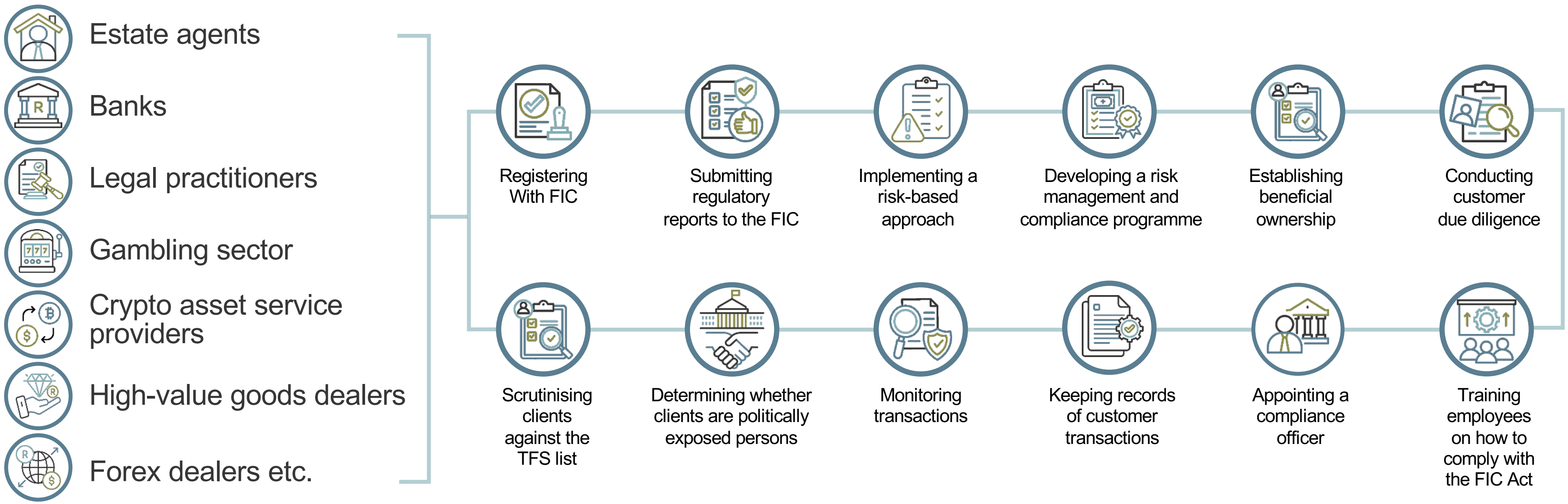
- **Any deferred payment is credit**, regardless of whether interest or costs is payable
- Deferred amount key – interest and costs not defining characteristics
- All credit providers must comply – no statutory carve outs
- Item 11 of Schedule 1 – deals with credit providers and inclusive rather than exclusive – therefore FICA compliance obligations apply
- Protection for entities under FICA and POCA: Reporting defense against money laundering charges
- Registration does not determine whether an institution is an AI – business activity does. Registration is but one of the compliance obligations
- Credit providers do not comply at own peril!

Brief overview of compliance obligations

Compliance with the FIC Act

Compliance with the FIC Act is geared to address money laundering and terrorist financing

Compliance obligations for accountable institutions



Fundamentals of compliance

What is required from accountable institutions continue?

1. Effective communication – goAML message board
2. Updating of registration detail: Directives 1,2&4
3. Submit RCR Directives 6&7(for entities supervised by FIC)
4. Submit requested RMCPs (S42)
5. Utilise goAML 5.4 upgrade from 15 September 2025
6. Understanding of risk for being abused for ML/TF

Compliance is not the end, it is a means to an end

Reporting to FIC – reports that must be submitted

Suspicious or unusual transaction report (STR)

- **Section 29**
  - Suspicious or unusual transaction Report (STR)
  - Suspicious or unusual activity report (SAR)
  - Terrorist financing activity report (TFAR)
  - Terrorist financing transaction report (TFTR)
  - Guidance note 4B – all business entities obligation to report

Cash threshold report (CTR)

- **Section 28**
  - Cash threshold report (CTR)
  - R49 999.99 cash paid or received
  - Accountable institutions obligation to report
  - Guidance note 5C

Terrorist property report (TPR)

- **Section 28A**
  - Terrorist property report (TPR)
  - Where a person is designated on a targeted financial sanctions list
  - Accountable institutions obligation to report
  - Guidance note 6A

Implications of filing a section 29 STR/SAR report
Time Periods – as soon as possible

Continue transacting with a customer?

- **Section 33** of the FIC Act – a **reporter may continue** with and carry out a transaction unless the FIC directs the reporter not to proceed with the transaction.
- **Section 34** of the FIC Act, the **FIC may direct the institution in writing not to proceed** with a transaction for a prescribed period – 10 days.

Tipping off - A person involved in the making of a report may not inform anyone, including the customer or any other person associated with a reported transaction, of the contents of a suspicious transaction or activity report or even the fact that such a report has been made.

Regulation 24 - A section 29 report must be sent to the FIC **without delay as soon as possible** after a person has become aware of the facts which gave rise to a suspicion, no later than 15 days, excluding Saturdays, Sundays and Public Holidays.

Record keeping - Section 23(c) of the FIC Act requires accountable institutions to keep records of reports submitted to the FIC in terms of section 29. **Records are to be kept for at least five years** from the date on which the report was submitted to the FIC.

Risk Management and Compliance Programme

- In an effort to increase compliance and understanding with DNFBPs, of their money laundering and terrorist financing risks guidance on RMCP and business risk assessments, as well as the Guidance note 7A (chapter 4) and PCC 53 guides accountable institutions in enhancing their risk understanding and application through their RMCPs. PCC 53 offers guidance to DNFBPs on how to adequately draft the RMCP document and a RMCP template was provided. PCC 53 is yet to be updated in line with the GLA Act, accountable institutions must ensure compliance with the FIC Act as amended by GLA Act.
- **PCC 53 paragraph 3.2** *This risk-based approach must provide for: 3.2.1. A business-level risk assessment indicating the ML/TF/PF risk the accountable institution as an entity faces, and the risk each of the accountable institution's different business areas faces.*
- **GN7A paragraph 183B** *Accountable institutions must first conduct an entity wide AML/CFT/CFP risk assessment to identify the ML, TF and PF risks the accountable institution faces, before determining the controls required to mitigate the risk, which controls form part of the RMCP. Before the board approves the RMCP, the board must consider whether the RMCP adequately mitigates the ML, TF and PF risk, therefore the board must be satisfied that an entity wide AML/CFT/CFP risk assessment has been conducted, and all the relevant risk factors have been taken into account*

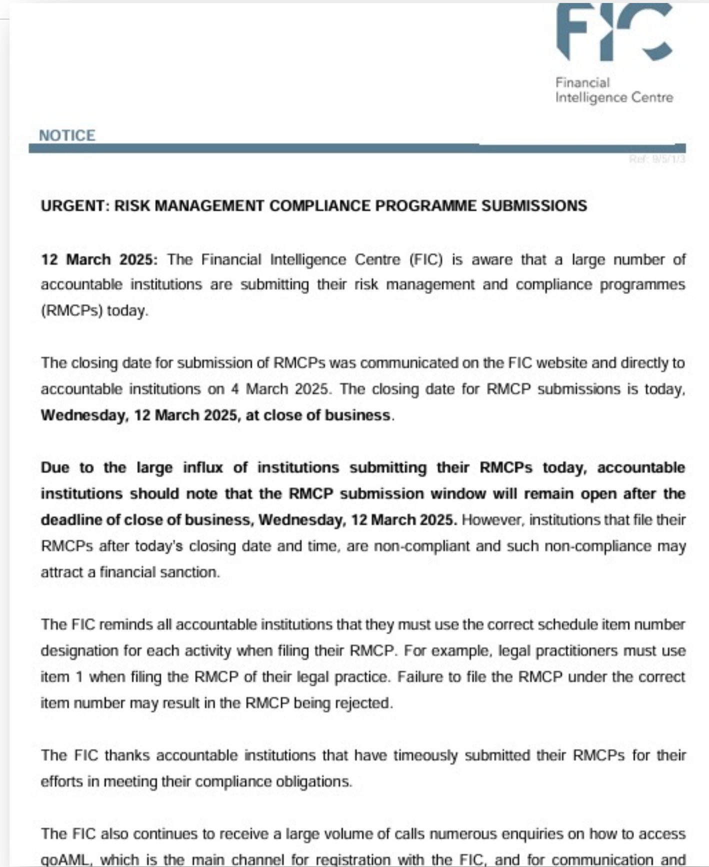
Business and FIs, CASP & DNFBP entities

- All businesses, including accountable institutions, as described in section 29 of the FIC Act, have a role to play in South Africa's efforts to prevent money laundering and terrorist financing. It is imperative that all businesses and accountable institutions report suspicious and unusual activities and transactions that are potentially linked to money laundering or terrorist financing to the Centre.
- **Guidance note 4B -** **https://www.fic.gov.za/wp-content/uploads/2023/09/2019.03-Guidance-Guidance-Note-4B-STRs.pdf**
- Business entities must register on goAML in order to file section 29 of the FIC Act reports.
- The term "business" is not defined in the FIC Act. The ordinary meaning of the term, within the context of the FIC Act, is that of a commercial activity or institution, as opposed to a charitable undertaking or public sector institution.

Risk management and compliance programme

March 2025 RMCP notice - https://www.fic.gov.za/wp-content/uploads/2025/03/12-March-2025_RMCP-Submission-Window-Will-Remain-Open_Issue.pdf

RMCP submission currently – 8969 all DNFBPs*



Financial Intelligence Centre

NOTICE

URGENT: RISK MANAGEMENT COMPLIANCE PROGRAMME SUBMISSIONS

12 March 2025: The Financial Intelligence Centre (FIC) is aware that a large number of accountable institutions are submitting their risk management and compliance programmes (RMCPs) today.

The closing date for submission of RMCPs was communicated on the FIC website and directly to accountable institutions on 4 March 2025. The closing date for RMCP submissions is today, **Wednesday, 12 March 2025, at close of business**.

Due to the large influx of institutions submitting their RMCPs today, accountable institutions should note that the RMCP submission window will remain open after the deadline of close of business, Wednesday, 12 March 2025. However, institutions that file their RMCPs after today's closing date and time, are non-compliant and such non-compliance may attract a financial sanction.

The FIC reminds all accountable institutions that they must use the correct schedule item number designation for each activity when filing their RMCP. For example, legal practitioners must use item 1 when filing the RMCP of their legal practice. Failure to file the RMCP under the correct item number may result in the RMCP being rejected.

The FIC thanks accountable institutions that have timeously submitted their RMCPs for their efforts in meeting their compliance obligations.

The FIC also continues to receive a large volume of calls numerous enquiries on how to access goAML, which is the main channel for registration with the FIC, and for communication and

*August 2025

RMCP Submissions & Advisory 25 August 2025

TOTAL per Unique Accountable Institution Name:			**10,414**
WEB Accountable Institutions:	18	Client Accountable Institutions:	10,396
% RMCPs Received from SENT:	**25%**	% RMCPs Received from READ:	**86%**

We have received 10 414 RMCPs to 20 August 2025. This is 25% of the Recipients total, 86% who READ the message responded.

FIC Response – Advisory of 26 August 2025 Advising all accountable institutions:
For this reason, it is of cardinal importance that all entities in all designated categories in Schedule 1 of the FIC Act, 2001, ensure that they:

(i) are at all times correctly registered with the FIC on the goAML system to be able to receive and then access the messaging conveyed through the goAML message board
(ii) immediately access and attend to all outstanding FIC instructions, requests and information that entities have not yet attended to and
(iii) promptly and in a regular manner access the goAML message board, at least daily, as a matter of good general business practice.

goAML 5.4 Upgrade Implications

1) goAML Message Board

- Broadcast messages to be send to our registered Accountable Institutions
- Sector specific communications to be send to DNFBP sectors, for example calls for RMCP and RCR submissions
- Compliance Enforcement Cases to be configured and actions to be communicated (example Notice for Sanctions) via the upgraded goAML System, integrated with the goAML Message Board

2) Adaptable drop down menus when submitting reports, showing report relevant options for example Indicators for STR only

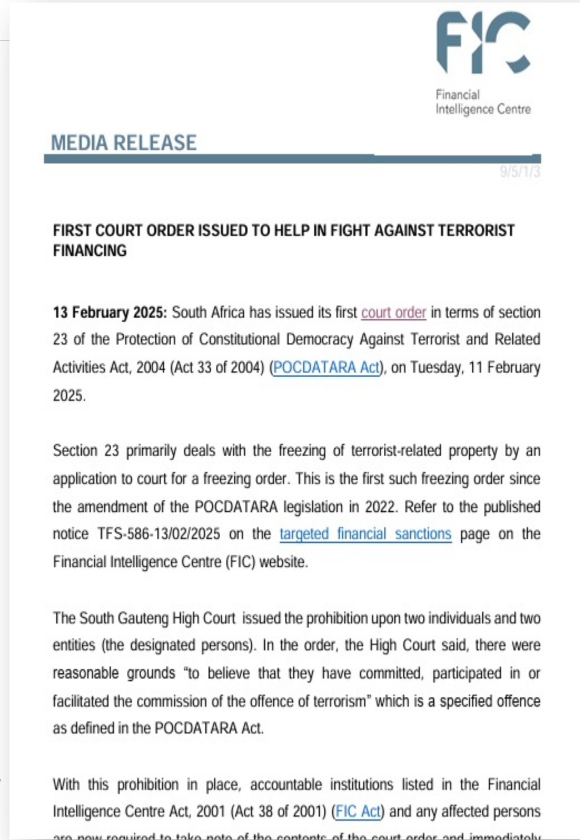
3) Login Process

- Introducing 2FA (Two Factor Authentication) enhancing the security and integrity of the system

Targeted financial sanctions

United Nations Security Council targeted financial sanctions

- The FIC hosts and maintains an updated list of designated persons and entities as identified by the resolutions of the United Nations Security Council (UNSC). The targeted financial sanctions (TFS) list must be updated within 24 hours of changes made by the UNSC. sections 26A, 26B and 26C of the FIC Act. Accountable institutions must scrutinise their clients against the applicable list, freeze assets and stop all transactions.
- The FIC's website offers an online search tool designed to assist accountable institutions in finding possible matches between their clients' names and/or entities' names on the TFS list.
- Extensive awareness was conducted on TFS, the FIC published PCC 44A and the TFS Manual, and held various targeted outreach session including webinars and roadshows
- Section 23 of POCDATARA Court order - Domestic designation notice – February 2025 - https://www.fic.gov.za/wp-content/uploads/2025/02/2025.2-MR-court-order.pdf



Financial Intelligence Centre

MEDIA RELEASE

9/5/1/3

FIRST COURT ORDER ISSUED TO HELP IN FIGHT AGAINST TERRORIST FINANCING

13 February 2025: South Africa has issued its first court order in terms of section 23 of the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004) (POCDATARA Act), on Tuesday, 11 February 2025.

Section 23 primarily deals with the freezing of terrorist-related property by an application to court for a freezing order. This is the first such freezing order since the amendment of the POCDATARA legislation in 2022. Refer to the published notice TFS-586-13/02/2025 on the targeted financial sanctions page on the Financial Intelligence Centre (FIC) website.

The South Gauteng High Court issued the prohibition upon two individuals and two entities (the designated persons). In the order, the High Court said, there were reasonable grounds "to believe that they have committed, participated in or facilitated the commission of the offence of terrorism" which is a specified offence as defined in the POCDATARA Act.

With this prohibition in place, accountable institutions listed in the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act) and any affected persons

Draft PCC 23A

- Draft PCC23A provides guidance on the interpretation of the definition of credit providers
- Draft PCC 23A was issued on 18 December 2024 for second round of consultation
- Followed robust industry engagement
- Draft PCC 23A issued in response to the amended item 11 - Schedule 1
- Highlights the risks and red flags
- Sector specific guidance

FIC Act obligations: Sections, regulations and sanctions

Compliance duty		Section	Regulations	Directives, guidance notes and PCCs		Administrative sanction	Criminal sanction
Customer due diligence		20A, 21, 21A to 21H	N/A	GN 7A		Natural person = R10 million Legal person = R50 million	N/A
Record-keeping		22, 22A 23 & 24	20	GN 7A		Natural person = R10 million Legal person = R50 million	N/A
	CTR	28	22, 22B & 22C, 24	Dir 3A Dir 5	GN 5C	Natural person = R10 million Legal person = R50 million	15 years or R100 million
	TPR	28A	22, 22A, 23B, 23C, 24		GN 6A		
	STR	29	22, 23, 23A, 24		GN 4B		
	IFTR	31	23D, 23E		GN 9		
Risk management and compliance programme		42	N/A	GN 7A		Natural person = R10 million Legal person = R50 million	N/A
Training		43	N/A	GN 7A		Natural person = R10 million Legal person = R50 million	N/A
Governance of AML and CFT		42A	N/A	GN 7A		Natural person = R10 million Legal person = R50 million	N/A
Registration		43B	27A	Dir 2, PCC 5D		Natural person = R10 million Legal person = R50 million	N/A
Target Financial Sanctions		26B	N/A	GN6A, PCC 44A		Natural person = R10 million Legal person = R50 million	15 years or R100 million

Final Word

Credit providers (as a sector) are not ready for the next FATF process and much work awaits both Industry and Supervisors/Regulators

QUESTIONS & ANSWERS

Q&A
Session

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