

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1361 (NW1502E)

DATE OF PUBLICATION: 27 MAY 2011

Mr N.J.J Koornhof (COPE) to ask the Minister of Finance:

Whether he intends to instruct the Financial Intelligence Centre to (a) investigate and (b) fast-track the process to enable individual citizens to register electronically to obtain a FICA number annually for all transactions relating to private mortgage funding, motor finance, Forex transactions and related household financial transactions; if not, why not; if so, what are the relevant details?

NW1502E

REPLY:

The principle objective of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001), as amended, (“the FIC Act”), is to assist in the identification of the proceeds of unlawful activities and the combating of money laundering and the financing of terrorism and related activities. The FIC Act provides for regulatory control measures to facilitate the prevention, detection, investigation and prosecution of money laundering and terror financing activities. These control measures apply to a variety of financial and non-financial institutions (referred to in the FIC Act as accountable institutions) and aim to ensure transparency in the financial system. This is achieved by means of, *inter alia*, requiring these entities to establish and verify the identities of their clients and keep records of their client’s identities and their transaction activities. The purpose of this requirement is to ensure that a transaction or a series of transactions can be

reconstructed during an investigation, clearly indicating not only what had transpired, but also who was involved in the transaction(s).

- (a) The Financial Intelligence Centre (*“the Centre”*) is currently considering various mechanisms to improve the levels of compliance with the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (*“the FIC Act”*) and to reduce the impact of compliance on financial institutions and their clients.

It must be noted that inefficient application of the FIC Act by accountable institutions, particularly financial institutions, generates unnecessary public irritation and creates a stumbling block for those seeking easy and affordable access to finance and undermines proper application of AML/CFT controls. One reason for this is that many institutions identify their clients on the basis of each separate service or product offered, rather than having a “single view of the client regardless of the products acquired. As it happens, this also hinders the ability of clients to switch from one bank to another.

One of the mechanisms to reduce the impact of compliance on financial institutions and their clients which is being considered, is the use of centralised information to verify a client’s identity. Such a mechanism may not necessarily take the form of enabling a person to “register electronically to obtain a FICA number annually”, since a number of options are yet to be explored in this regard and a number of challenges relating to client confidentiality, market competitiveness among institutions and investment in technology remain.

- (b) There is currently a process underway to design a new integrated process to enhance the integrity of data sources and creating an easier environment for compliance of citizens. This process involves other departments and entities. We are committed to reducing the compliance burden for citizens and businesses.