

**STATEMENT AT THE INAUGURAL MEETING OF THE MONEY LAUNDERING
ADVISORY COUNCIL**

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MINISTER OF FINANCE**

**NATIONAL TREASURY, REPUBLIC OF SOUTH AFRICA
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It is my great pleasure to be able to convene the first meeting of the Money Laundering Advisory Council. The formation of the Council represents another important step in the creation of an anti-money laundering regime in South Africa. I also want to thank all of you who have been invited to serve on it for your commitment and support.

The Financial Intelligence Centre Act (Act 38 of 2001) which was enacted earlier this year creates two distinct institutions -

- the Financial Intelligence Centre, which will deal with the day-to-day job of capturing data on suspicious transactions and feeding these through to law enforcement agencies; and
- the Money Laundering Advisory Council which will provide me, as the Minister responsible, with advice on the environment and context within which the Centre works.

The Council brings together different stakeholders from across the public and private sectors. All the Government departments involved, the 9 different supervisory bodies which oversee the range of institutions which are accountable under the Act, the representative bodies of these institutions, and certain individuals with particular expertise, will be able to make a substantial contribution to our efforts. This is a collective and combined effort. It is a new partnership which is being formed. The formation of the Council creates a further opportunity to enable us to better manage our country's financial resources - and sends out a strong message that crime does not pay in our country.

All of this happens in the context in which people should be encouraged to go about the business of investing their savings and funds – into banks or any other institution. Fund managers must be free to invest this money as they see fit and in ways which they believe will bring the greatest returns. Investment is an important component of encouraging growth in the economy. However, there are also certain obligations which go with this right. These obligations require that those responsible for managing the system also comply with accepted standards, such as those of the Financial Action Task Force and the Basel Committee. These standards are becoming increasingly global in their scale and scope. We need to accept these, adapt them to our circumstances, and work with, or we will find that they are imposed on us.

Globalisation is a fact, and at the leading edge of this process is the financial services industry. The global market and financial system can hold out the promise of significant benefits to all. However, there is also a considerable increase in the risk of misuse and of contamination. This is one of the hazards of globalisation. The embrace of standards and their implementation to prevent misuse and contamination of the system is therefore very important.

The Financial Intelligence Centre Act complements the Prevention of Organised Crime Act and the new anti-terror legislation which is presently being discussed by Government. It operates in the space between the financial system and law enforcement. Already there is a close relationship being built through common training and capacity-building programmes. The intention is that the Centre should receive reports which indicate possible misuse of the financial systems and thereby assist law enforcement agencies which are solely responsible for all investigations.

The Money Laundering Advisory Council's responsibility will be to reflect on the policy framework within which the Centre will operate. The Council needs to take into account the international and the national contexts in doing so. It needs to understand the financial systems issues, the pertinent legislative and compliance issues, as well as law enforcement issues. And importantly, as individuals you will be required to do this while going beyond any narrow, partisan interests to seek that which is for the national good.

The objective of this Council must be to ensure that the country's anti-money laundering policies and enforcement capacity does not create any space for money laundering. If we

allow such space to open up, then we undermine our own efforts at creating conditions for sustainable growth. In the past there have been some countries which have allowed banking and other financial activities to take place with no questions asked. This is not something we will tolerate. There have also been some other blips in this ocean, small islands mainly, which have sought to attract investment through becoming tax havens. They too have not survived as viable sustainable economies.

Government in South Africa starts from a basic objective of seeking conditions for sustainable growth. We are laying the frameworks and the systems which will enable this to happen. The Government and the private sector are not at war with one another on this. It is the abusers of the systems who will be identified and dealt with appropriately. We need demonstrations and examples of this approach. The Council has the potential to be an excellent example of the public and private sectors working together around a common objective.

We understand too that it does not help only to put money control measures in place within our own borders. This has to be a joint effort between countries. If we want growth and development in this region, indeed throughout the continent, then we should seek opportunities to support others in their efforts to take similar measures. But more importantly, even, growth will find further expression through the development of the African Union and through the Nepad initiative.

I have tried to create an image something akin to a mosaic. The different parts only make sense when they are all brought together. I believe the Council has a responsibility of bringing together all the different pieces which go to make up a coherent anti-money laundering strategy, and making sense of it, so that we can all see the big picture.

Government is dependent on the advice it receives. Therefore, as Minister, I take the role of the Money Laundering Advisory Council and the advice you will give me very seriously.

You all have before you copies of the draft proposed Regulations to the Financial Intelligence Centre Act, as well as proposed Exemptions to it. The Regulations give teeth to the Act. Today I refer these to you for your consideration and comment, whereupon I shall be in a position to present them to Parliament for ratification.

The draft regulations are the result of a process of extensive consultation with all relevant stakeholders. These Regulations provide for a number of matters required by the Act, including:

- The steps which certain institutions will have to take to identify their clients;
- Record keeping and internal rules; and
- The manner in which suspicious and unusual transactions will have to be reported to the Centre.

Examples of such steps contained in the draft are that institutions will be required to request a person's name, date of birth, identity number, income tax registration number (if such a number has been issued) and residential address before they may transact or carry out any business with clients.

The proposed exemptions to the Act will exempt certain institutions from compliance with the provisions of the Act and regulations pertaining to the identification of clients and associated obligations to keep records and implement internal rules. These exemptions will be made in respect of certain areas of business of certain institutions in order to encourage legitimate commercial business. This will allow the areas of business where the risk of abuse for money laundering purposes are relatively low, to be left out of the application of various obligations of the Act.

Final drafts of the Regulations and Exemptions will be tabled after your comments are taken into account. These drafts will then be tabled in Parliament for ratification and soon thereafter will be published in the Gazette. It is my wish that the regulations and exemptions can commence during quarter one of 2003. I am hoping to be able to publish them before the end of the year to give institutions sufficient time to conduct training and make the changes needed to enable them to start reporting.

I am going to ask Mr Murray Michell to provide you with a brief overview of the draft proposed Regulations. Then I am going to leave you so that you may work out a modus operandi for the Council to consider and comment on the Regulations. I have only one extra

plea – and that is that your comments are returned to me so that I am able to present these to Parliament for ratification before Parliament rises at the end of this year.

The Council will meet regularly – although how often is not prescribed. I am sure that issues will arise and these will partly determine this. I am also sure you will need to consider forming working committees from time to time to streamline and focus your work.

Without being prescriptive I ask that all nominees who attend the Council are given the authority to represent the Department's views, report back and take the work of the Council forward.

I wish you well in your future proceedings and for tackling the huge challenges ahead.

I thank you for your commitment.