

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 1797 [NW2188E]**

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**1797. Mr I O Davidson (DA) to ask the Minister of Finance:**

- (1) Whether his department has conducted a comprehensive actual cost analysis for the (a) establishment and (b) administration of all aspects of the Financial Intelligence Centre Act (FICA), Act 38 of 2001, to date; if not, why not; if so, what are the costs since the adoption of FICA; and
- (2) whether his department has conducted cost estimates incurred by (a) the private sector since the adoption of FICA, as well as (b) individuals, (c) banks and (d) insurers complying therewith; if not, why not; if so, what are the relevant details?

**REPLY:**

1 (a) No, because it is not possible to fully assess the costs or benefits from all aspects of the FICA. As we have seen from the global financial crisis, and recent revelations by US and UK regulators concerning money laundering, there is a need to regulate all financial institutions that operate in our country, from both a prudential and market conduct perspective, and ensure that they take adequate steps to prevent money laundering and other financial crimes.

Some of the reasons for regulations arise from international obligations. The costs of not following international obligations can be enormous, as it could cut off our financial institutions from conducting business with other financial institutions based in countries that we deal with via trade or financial transactions. There are significant benefits to enabling our financial institutions to engage in financial transactions with the countries in the rest of the world, who also comply with anti-money laundering obligations.

The FIC Act is one of a number of pieces of legislation that are aimed at facilitating the administration of the criminal justice system, on the one hand, and also the protecting the integrity of the financial system, on the other. The FIC Act and the anti-money laundering measures of which it is a part is a requirement of international standards, which pertain to all

countries, and in the absence of which banks and other financial institutions will not be allowed to transact with their counterparts in other countries.

The recognition of the integrity of the South African financial system and the reputations of the financial institutions that function within it is reflected in reports by international organizations.

The Financial Intelligence Centre (FIC) is responsible for the bulk of the activities related to the administration of the FIC Act, with the support of a range of other entities such as law enforcement and security agencies, the South African Revenue Service and supervisory bodies, as set out in the FIC Act. Whilst all the costs (and benefits) of implementing the FICA are not possible to estimate, information on the direct costs of the FIC can be provided as they are available from the annual reports of FIC tabled every year in Parliament. The Honourable Member should note that the only reliable information that any entity can provide is from its audited financial statements, and in terms of the breakdowns reported in such audited statements. There is no point in providing financial information that has not been audited, particularly if it is information that may be more than ten years old. The FIC has provided the total cost of the establishment and functioning since its inception to the end of the 2011/2012 financial year, which is R590.1 million. This amount, which is drawn from their audited financial statements, is as follows:

<b>Total costs of Financial Intelligence Centre</b>	
<b>Financial Year</b>	<b>R'000 (as rounded off)</b>
2003/04	3 923
2004/05	7 979
2005/06	17 027
2006/07	35 370
2007/08	48 730
2008/09	81 987
2009/10	114 452
2010/11	131 235
2011/12	149 416
<b>Total</b>	<b>590 119</b>

The coming audited financial statements for the 2011/12 financial year (to be tabled shortly) will be in the order of R180 million, therefore the total cost will be around R770 million as at 31 March 2012. With regard to the further breakdowns you require, you are welcome to check whether such information is provided in these audited financial statements. The Financial Intelligence Centre may be approached to provide the audited financial statements

to you, should you not be able to secure the annual reports from Parliament. The FIC may also be approached to clarify any other information contained in the reports.

2 (a), (b), (c) and (d) No, the National Treasury has not conducted estimates of the costs incurred by (or benefits to) the private sector, including banks, insurers and individuals in complying with the FIC Act. The information relating to the cost incurred by these bodies in complying with the FIC Act is held by a large number of private institutions and individuals and hence is not readily available to the National Treasury.

The National Treasury does, when necessary, assess the economic benefits and costs of specific regulatory measures, especially when affected financial institutions, or their representative bodies, bring a matter to the attention of the National Treasury. For example, we are currently engaging with the Banking Association of SA, on how to make specific improvements to the functioning of the Act as it applies to the banking sector, and in the process reduce unnecessary costs or improve the functioning of the Banks Act.