



## **FIC INSPECTIONS GUIDELINES**

### **To: ALL STAKEHOLDERS**

The Guidance Note on the application of Section of 28A (3) of the Financial Intelligence Centre Act, 2001 as amended.

#### **1. Purpose**

The Property Practitioners Regulatory Authority (PPRA) is delighted to share with all stakeholders the inspections guideline.

The objective of the guideline includes: –

- i. To communicate with property practitioners regarding the provisions of the FIC Act where non-compliances were identified by PPRA inspectors based on the inspections conducted;
- ii. To outline some of the pertinent aspects of inspections in relation to FIC Act;
- iii. To assist Property Practitioners to ensure compliance with section 28A (3) of the FIC Act and Financial Action Task Force (FAFT) requirements.

#### **2. Background**

The PPRA is empowered to inspect and assess the implementation of the Risk Management Compliance Program (RMCP) by Property Practitioners. The PPRA had observed that Property practitioners do not adequately comply with section 28A (3) of the FIC Act when assessing information received from clients for purpose of customer due diligence requirements and other related activities in respect of property transactions.

### 3. Guidance Note

Section 28A (3) provides thus “.... *An accountable institution must upon-*

- (a) Publication of a proclamation by the president under section 25 of the protection of Constitutional Democracy against Terrorist and related Activities Act, 2004 or*
- (b) Notice being given by the Director under section 26A (3) scrutinise its information concerning clients with whom the accountable institution has business relationships in order to determine whether any such client is a person or entity mentioned in the proclamation by the president or the notice by the Director”.*

It is important to note that a property practitioner must scrutinise client information to ensure that property practitioner does not provide service to a sanctioned person (designated persons on targeted financial sanctions). The Act prohibits any person from providing financial or other services to a sanctioned person. Property practitioners are also obliged to scrutinise client information to determine whether or not the client is a domestic prominent influential person or foreign prominent influential person.

### 4. A non- exhaustive list of questions a property practitioner can consider when scrutinising information obtained from client:

- i. Does a client occupy a prominent public position or perform a public function at a senior level or does the client have such individuals within its ownership and control structure?
- ii. Is a client known to be subject to financial sanction?
- iii. Has client provided sufficient information concerning the source of income, source of wealth etc?
- iv. Has client been screened against Targeted Financial Sanction list (TFS) published by FIC on its website in terms of section 26A including UNSC 1267 list?

From the foregoing, A property practitioner will have to determine, based on the risk rating, the amount of effort and resources needed to comply with section 28A(3) obligations, however, by way of illustration a property practitioner may scrutinise the client information using some of the following information sources ;

- ✓ Google search;
- ✓ Contacting government authorities such as SARS;
- ✓ Social media;
- ✓ Verification by having independent person corroborating the client information; and
- ✓ Any other platform accessible to accountable institutions.

## **5. Why is an accountable institution obliged to scrutinise client information?**

An accountable institution is obliged to scrutinise such client information in order to;

- i. To assist property practitioner to know to whom services are provided;
- ii. To determine when the business with client should be considered suspicious or unusual;
- iii. To put in place enhanced measures to prevent money laundering and terrorist financing risk;
- iv. To satisfy himself / herself that there is no adverse information about the client available from public or commercial sources; and
- iv. To ensure protection and maintenance of the integrity of the South African financial systems in line with section 28A (3) of the FIC Act and Financial Action Task Force (FAFT) requirements.

### **COMMUNICATION CHANNEL**

Any enquiry relating to the above guidance note may be submitted to

[reviewcompliance@theppra.org.za](mailto:reviewcompliance@theppra.org.za) or contact Call Centre: 087 285 3222

**ISSUED BY**

**PROPERTY PRACTITIONERS' REGULATORY AUTHORITY**

**DATE: 30 MARCH 2023**