

# PUBLIC COMPLIANCE COMMUNICATION

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**No. 45 (PCC 45)**

ON [DIRECTIVE 5](#) OF 2019 IN RELATION TO  
THE USE OF AUTOMATED TRANSACTION  
MONITORING SYSTEMS

## **PCC SUMMARY**

Directive 05 of 2019 (Directive 5) regarding the use of automated transaction monitoring systems (ATMS) issued in terms of section 43A of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act) and published in Government Gazette Notice 42357 on 29 March 2019, places certain obligations on all accountable and reporting institutions and other persons (collectively referred to as reporters) who use an ATMS, to detect potential reportable suspicious and unusual transactions, series of transactions and/or activities.

This Public Compliance Communication 45 (PCC 45) provides guidance to the reporters regarding certain requirements as set out in Directive 5.

## **DISCLAIMER**

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## **OBJECTIVE**

This PCC 45 provides guidance to the reporters regarding certain requirements as set out in Directive 5.

## GLOSSARY

“**ATMS**” refers to an automated transaction monitoring system as defined by Directive 5 to the FIC Act

“**The Centre**” means the Financial Intelligence Centre established in terms of section 2 of the FIC Act.

“**Days**” refer to all days of the week excluding Saturdays, Sundays and public holidays (aligned to the definition as set out in the MLTFC Regulations)

“**Directive 5**” refers to the Directive 05 of 2019 on ATMS issued in terms of section 43A of the FIC Act and published in Government Gazette Notice 42357 of 29 March 2019.

“**FIC Act**” refers to the Financial Intelligence Centre Act, 2001 (Act 38 of 2001).

“**MLTFC Regulations**” refer to the Money Laundering and Terrorist Financing Control Regulations, 2002, made in terms of section 77 of the FIC Act and published in Government Notice 1595 in Government Gazette 24176 of 20 December 2002, as amended by Government Notice R456 in Government Gazette 27580 of 20 May 2005 and Government Notice R867 in Government Gazette 33596 of 01 October 2010 and Government Notice 1107 in Government Gazette 33781 of 26 November 2010 and Government notice 1062 in Government Gazette 41154 of 29 September 2017.

“**Reporter**” refers to the person or entity making the report, accountable institutions and reporting institutions.

## APPLICATION OF THIS GUIDANCE NOTE

1. The objective of this PCC is to provide guidance on certain requirements in terms of [Directive 5](#) which sets the conditions for the use of ATMS by reporters to identify potentially suspicious and unusual transactions, series of transactions and/or activities.
2. This PCC must be read together with Directive 5.
3. It is not mandatory for a reporter to use an ATMS. However, should the reporter opt to make use of an ATMS, they must do so in accordance with [Directive 5](#).
4. Monitoring of transactional activity in order to identify suspicious and unusual transactions, series of transactions and/or activities is different from scrutinising client information including payment information against the FIC Targeted Financial Sanctions list and the United Nations Security Council Consolidated Sanctions lists. [Directive 5](#) and this PCC relates to the monitoring of transactional activity only.

## PART A - TIME PERIODS RELATING TO ALERT GENERATION AND THE MANAGEMENT THEREOF

5. It is the Centre's expectation that "attend to alerts" as set out in Directive 5 means reporters must within 48 hours of the alerts generated, begin the process (investigation) to determine whether the transaction, series or transactions and/or activity should be reported to the Centre in terms of section 29 of the FIC Act.
6. It is not the Centre's expectation that the investigation of the alert be completed within 48 hours (two days) of the alert generating. The investigation must be completed, and the report filed within 15 days in accordance with MLTFC Regulation 24(3).
7. It is the Centre's view that the 48-hour period must be considered as 2 (two) days, therefore the 48 hours includes all days of the week excluding Saturdays, Sundays and public holidays.

8. The 48 hours (2 days) as stated in paragraph 5 above, is included in the 15 day period within which the report in terms of section 29 of the FIC Act must be submitted to the Centre. When an alert is automatically generated on the ATMS, the 15 day reporting period starts.
9. It is in the interest of all reporters to ensure that all alerts are generated without delay from the date when the transaction, series of transactions and/or relevant activity takes place, to prevent delays on the duty to report to the Centre within 15 days of becoming aware of the suspicious or unusual transaction, series of transactions and/or activity.

## **PART B - THE EFFECTIVENESS OF AN ATMS**

10. The board of directors, senior management or other person or group of persons exercising the highest level of authority within a reporter, remain responsible for the appropriate and effective use of the ATMS. When deciding on the relevant authority to make the required informed decisions regarding the ATMS, the reporter must ensure that these persons have the requisite seniority, relative knowledge and oversight required to make informed decisions.
11. Reporters should ensure that the alerts generated by the ATMS are of a high quality by considering the quantity of alerts converted to actual submitted reports to the Centre. Reporters are advised to document what the reporters deem to be an acceptable conversion rate and the reasons thereof in the ATMS methodology of the reporter. Reporters should ensure that the ATMS rules are proportionate with the reporter's money laundering and terrorism financing (ML/TF) risk and the reporter's ML/TF risk appetite.
12. The number of reporter's analysts responsible for attending to the ATMS alerts must not be a determining factor for the calibration of the ATMS and the number of alerts generated and investigated.
13. Paragraph 3.1.8 of Directive 5, requires the reporter to continuously evaluate whether the ATMS is functioning optimally and whether any changes are required to the ATMS in order to identify a suspicious and unusual transaction, series of transactions and/or activities in future.

14. Where the reporter is unable to configure the ATMS to monitor certain transactions, series of transactions and/or activities in order to identify anything suspicious and unusual, manual monitoring is still required, to ensure that there are no monitoring gaps.
15. Reporters must review the ATMS deployed. The regularity of the periods at which the review of the ATMS should be conducted must be adequate for the reporter to determine, whether the ATMS remains fit for purpose and that data integrity is maintained.
16. Where a reporter is an accountable institution, the accountable institutions ATMS rules, ATMS methodology, procedures and the ATMS, all form part of the accountable institutions risk management and compliance programme.

## CONCLUSION

17. As part of its objectives, the Centre remains committed to assist reporters in the fight against crime, through combating money laundering as well as the financing of terrorism and related activities.
18. The Centre has a dedicated Compliance Call Centre that may assist reporters to understand their obligations in terms of the FIC Act.
19. Should you have any queries please contact the Compliance Call Centre on 012 641 6000 and selecting option 1, or submit an online query by clicking on: <http://www.fic.gov.za/ContactUs/Pages/ComplianceQueries.aspx>, or visiting the Centre's website and submitting an online query.

### **Issued By:**

**The Director Financial Intelligence Centre**

**20 March 2020**