Money laundering risks in a global pandemic

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The Financial Intelligence Centre (FIC) published a notice in March 2020 indicating that there will be no relaxation of obligations under the Financial Intelligence Centre Act 2001 (FICA) during the nationwide lockdown. A robust money-laundering policy ought to form an integral part of any company's compliance program. Business's compliance functions must operate effectively, even if remotely.

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In South Africa, “accountable institutions” (for example banks, insurers and law firms) are under an obligation to comply with FICA and must register with the Financial Intelligence Centre (FIC). All institutions (including accountable institutions) are required to report suspicious and unusual transactions to the FIC, with dealers in motor vehicles and Krugerrands also being required to report transactions above certain cash thresholds.

Money laundering risks exist in the day-to-day operations of a company. In light of a global event like the Covid-19 pandemic, new risks evolve with an enhanced need for corporate compliance teams to keep a close eye on business transactions, source of funds and suspicious and unusual transactions. It is evident that organised criminals have sought to take advantage of the global crisis and corporate uncertainty.

On 4 May 2020, the Financial Action Task Force (FATF) published a paper setting out challenges, good practices and policy responses to new money laundering and terrorist financing threats and vulnerabilities arising from the Covid-19 pandemic. The risks that the FATF have identified include:

- Criminals finding ways to bypass customer due diligence measures by exploiting temporary changes in internal controls caused by remote working situations, in order to conceal and launder funds;
- Increased misuse of online financial services and virtual assets to move and conceal illicit funds;
- Exploiting economic stimulus measures and insolvency schemes as a means for individuals and corporations to conceal and launder illicit proceeds;
- Misuse and misappropriation of domestic and international financial aid and emergency funding by avoiding standard procurement procedures, resulting in increased corruption and consequent money laundering risks;

- Increased use of the unregulated financial sector as individuals move money out of the banking system due to financial instability, creating additional opportunities for criminals to launder illicit funds;
- Criminals exploiting Covid-19 and the associated economic downturn to move into new cash-intensive and high-liquidity lines of business in developing countries, to launder proceeds of unlawful activities, fund their operations, or fraudulently claim to be charities to raise funds online.

Businesses must take heed of these risks and ensure that their compliance function is operating effectively and securely, even if remotely. A failure to comply with required obligations may carry administrative or criminal sanctions.

Suspicious and unusual transactions must be appropriately reported within fifteen days after a person becomes aware of (or suspects) the suspicious or unusual transaction.

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