From insights to opportunities

Anti-Money Laundering

KPMG Forensic

Landscape of money laundering

Money Laundering constitutes the last and common stage of all financial crimes, Criminals launder their illicit proceeds through different processes in order to disguise their illegal origin and be able to use and profit themselves from the laundered funds.

South Africa continues to grapple with high levels of financial crime and faces significant threats from sophisticated criminal networks. Being the major financial and economic hub in the southern African region, with a largely cash-based market and relatively sophisticated banking sector, South Africa is an attractive target for both domestic and international criminal syndicates. As a result. there is a steady increase in the scale of economic crime through criminal syndicates who seem to illegally extract assets or valuable assets and then use money laundering tactics to layer the source of ill-gotten gains. Moreover, the use of digital currency and assets have become more widespread and with this there is a recent trend that capitalises on the anonymity of these platforms. Criminals use digital currencies to conceal illegal funds, making it difficult for authorities to trace the origins and beneficiaries of transactions

The 2021 Financial Action Task Force (FATF) Mutual Evaluation Report emphasised that more than half of all the reported crimes in South Africa fall into categories that generate proceeds. These include predicate crimes of bribery and corruption (particularly widespread across the public sector), fraud schemes, tax evasion, cybercrimes, drug and human trafficking and other organised criminal syndicates involving wildlife poaching and illegal mining.

In February 2023, South Africa was placed on the “grey list” by FATF for falling short of certain international standards for the combating of financial crimes. As a result, key legislative changes have been enacted to address the deficiencies. However, there is a significant amount of work that still needs to be done, particularly with regard to the investigation and prosecution of complex money laundering cases and terror financing, the identification of informal mechanisms for remitting money around the world, and the recovery of the proceeds from crime and corruption.

How has the FATF grey-listing impacted South Africa from a regulatory perspective?

South Africa's inclusion on the FATF's grey list underscores the urgency to address deficiencies in its AML/CFT framework. Since the grey listing, the South African government has intensified its efforts to address the deficiencies that were identified in the FATF 2021 Mutual Evaluation Report. Part of these remedial efforts is to improve the legislative environment.

This includes the amendment of six laws that are key to the effectiveness of South Africa’s anti-money laundering (AML) and combating terrorist financing (CFT) measures. The primary legislative change addressing financial crime in South Africa can been seen in the General Laws (Anti-Money laundering and Combating Terrorism Financing) Amendment Act 22 of 2022 (GLAA). This Act amended several other Acts which govern the sphere of influence on commercial crime in South Africa, including the Companies Act; Trust Property Control Act; Non-Profit Organisations Act; Financial Intelligence Act; Financial Sector Regulation Act. The grey-listing status has also resulted in South Africa facing increased monitoring.

In response to these developments, businesses must take proactive steps to ensure compliance with the evolving Anti Money Laundering regulations. This involves not only adhering to the legal requirements but also actively participating in efforts to strengthen their overall Anti Money Laundering framework.

It's crucial for companies to maintain robust AML practices, conduct regular risk assessments, and keep abreast on legislative changes and Anti Money Laundering trends. The focus should be on enhancing internal processes and ensuring effective supervision of high-risk institutions to combat financial crimes effectively. Ongoing training is also vital in keeping up with the everchanging Anti Money Laundering and sanctions landscape.

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KPMG Forensic Anti-Money Laundering Solutions

KPMG Forensic helps clients to assess the impact of the FATF grey-listing, address the legislative changes, as well as take actions to satisfy the new requirements of national regulators, FATF standards and international counterparties. KPMG helps clients understand their particular risk exposure taking into consideration their business nature and model, products and services offering, client types, and build customised risk assessment and compliance program, as well as implementing different AML measures, procedures, and controls.

Our services include:

Support to the assessment the FATF Grey Listing Impact and design of measures

As detailed above, the FATF Grey Listing of South Africa has led to significant impact on the business. It is necessary therefore, to assess the impact on your institution, make adaptations to your strategy, and consider the implementation of measures and procedures to diminish the coming impact.

KPMG Forensic can support you in this process, by advising on the impact and scenarios on your concrete business model, providing insights on the experience of institutions located in other grey-listed institutions and help you design and implement measures and procedures to reduce the impact of the grey listing and ensure the continuity and sustainability of your business.

360º Comprehensive Gap Analysis following FATF Standards and implementation of remedial actions

Accountable institutions still need to remediate the systemic deficiencies as described in the Mutual Evaluation Report. While most institutions in South Africa have started analysing the requirements of FATF, it is difficult to ensure that the new remedial actions can satisfy international standards due to our lack of experience. KPMG Forensic has a network of national and international experts that already have prior experience in controls and practices that are aligned with international supervisory expectations and can assist you performing gap analysis and implement controls, satisfying FATF and international standards.

Institutional AML/CTF Risk assessment

The understanding of your risk exposure at institutional level is the basis for the implementation of risk-based approach.

KPMG Forensic has extensive experience and knowledge performing risk assessment using international methodology, as well as implementing effective risk mitigating measures following the results:

- Compliance with applicable AML/CFT regulatory requirements and market best practices; and
- Effective Prevention and detection of financial crime risks within the organisation.

KPMG forensic professionals perform Gap Analysis on your AML Compliance program taking into consideration national regulatory requirements, international standards, and industry best practices. The Gap Analysis allows you to identify deficiencies in your compliance program, and also to understand the priority risk areas to be focused on with AML risk mitigating and control measures. This would be crucial for the design and execution of remediation actions.

Design and Implementation of RMCP, policies, procedures and effective controls

Based on prior AML gap analysis and risk assessment results, KPMG Forensic can review you Risk Management and Compliance Program, as well as your policies and procedures to ensure they are commensurate with the risks detected at sector and institutional level. Also, we would advise on the implementation of effective controls based on the industry practice at national and international level.

KYC and CDD performance and remediation

Enhanced controls on the performance of Know Your Customer (KYC) on third parties such as financial advisors, intermediaries or agents is necessary.

We can also support you to define the methodology and risk matrix to perform adequate Risk Assessment on your clients and business relationships, which is the basis to implement adequate Customer Due Diligence (CDD) and particularly Enhanced Due Diligence (EDD) measures.

AML/CTF Technology solutions

In organisations with a significant number of customers, transactions, and activities, it is not possible to comply with AML regulatory requirements without IT solutions capable of processing such volume of data ensuring its accuracy and quality. Additionally, for suspicious activities detection, it is expected that different institutions have advanced peer profiling functionalities in place instead of using static threshold monitoring rules.

In this sense, KPMG Forensic professionals has a vast experience implementing Regtech and AML/CTF IT solutions and systems, and can assist you with the implementation and optimisation of your systems.

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