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5 February 2024

To: ALL OWNERS, SHAREHOLDERS, BOARDS OF DIRECTORS, CHIEF EXECUTIVE OFFICERS, AND SENIOR MANAGEMENT OF TRUST SERVICE PROVIDER ACCOUNTABLE INSTITUTIONS

TRUST SERVICE PROVIDER ENTITIES TO URGENTLY COMPLETE AND SUBMIT OUTSTANDING RISK AND COMPLIANCE RETURNS DUE 31 MAY 2023 IN TERMS OF DIRECTIVE 6 OF 2023

Trust service provider entities urgently need to ramp up their commitment and collaboration in making their contribution to help improve South Africa's chances of exiting the Financial Action Task Force (FATF) grey list, by filing all long outstanding risk and compliance returns (RCRs) to the Financial Intelligence Centre (FIC), forthwith.

Following the FATF grey listing of the country on 24 February 2023, the FATF then developed an action plan which required South Africa to satisfactorily demonstrate its remediation of certain action items in order to exit the grey list. As part of the FATF action plan South Africa and, more specifically, the FIC must identify designated non-financial businesses and professions (DNFBPs) entities, such as trust service provider entities, that are at high risk of being abused for money laundering, terrorist financing and proliferation financing purposes.

To assist with this identification, the FIC developed the RCR tool, which in terms of [Directive 6](#), issued on 31 March 2023, placed the obligation to submit RCRs to the FIC by 31 May 2023, upon the following accountable institutions as listed in Schedule 1 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001): Item 1 – legal practitioners; item 2 – trust service providers and company service providers; item 3 – estate agents and item 9 – casinos and gambling institutions.

The obligation to submit the RCR to the FIC applies to all affected accountable institutions, including trust service provider entities, mentioned in Directive 6, which were

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registered with the FIC, or which ought to have registered with the FIC on 31 March 2023, being the date of issue of Directive 6.

This applies to all head offices of trust service providers that have been issued with a FIC organisation identity (Org ID) number, or which ought to have registered with the FIC by 31 March 2023.

To date there has been an increase in responses from trust service provider in submitting their RCRs to the FIC, but a very large number of trust service providers have yet to submit the long outstanding RCRs to the FIC.

At this stage, all affected entities in the trust service provider sector who have failed to submit their outstanding RCRs by 31 May 2023, are non-compliant and deemed as a delinquent high-risk trust service provider entity and may expect to receive an administrative sanction notice from the FIC, for their failure to submit the RCR.

The FIC confirms that the failure to submit an RCR to the FIC as directed by Directive 6 can lead to administrative action in respect of section 62E of the FIC Act.

The FIC has already commenced administrative sanctions against non-compliant entities and will increase both the level of scrutiny through inspections and enforcement action, against delinquent trust service provider entities.

Ultimately, non-compliance with the RCR obligations is viewed as being indicative of greater non-compliance with the FIC Act obligations, which may require the FIC to conduct more intrusive inspections on such offending entities.

The RCR questionnaire is an important tool for entities to improve their understanding of their risks of being abused for money laundering, terrorist financing and proliferation financing purposes. RCRs are also crucial to the FIC, as the designated supervisor for DNFBPs, to implement and keep up-to-date supervisory risk-assessment tools to identify higher risk DNFBPs as a basis for risk-based supervision.

The effectiveness of the RCR risk assessment tool, is dependent upon timely submission of completed RCRs by trust service provider entities. The FIC is thus reliant on the co-

operation and commitment of entities in the trust service provider sector to immediately submit outstanding RCRs to assist the FIC and South Africa remediate the grey listing action plan.

Without the collaboration and contribution of all entities in trust service provider sector successfully completing their risk and compliance returns, the possibility of South Africa exiting the FATF grey list is severely diminished. The FIC is under the stringent deadline to report to FATF in May 2024 on the progress in this area in the next two months.

The FIC acknowledges that some trust service provider entities have successfully submitted their RCRs. However, the submission of all outstanding RCRs by delinquent trust service providers must be addressed as a matter of urgency.

While the 31 May 2023 deadline for submission of RCRs has long passed, the requirement for submission of RCRs nonetheless remains in place and the [platform](#) for completion remains open. Kindly access this link complete and submit your RCR to the FIC, immediately.

For any queries please call the FIC's compliance contact centre on 012 641 6000 or visit compliance@fic.gov.za and for further information, visit www.fic.gov.za.

Yours sincerely



**CHRISTOPHER MALAN
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COMPLIANCE AND PREVENTION**