



# financial intelligence centre

## REPUBLIC OF SOUTH AFRICA

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### **MOTOR VEHICLE DEALERS - REPORTING OF CASH THRESHOLD TRANSACTIONS TO THE FINANCIAL INTELLIGENCE CENTRE TERMS OF THE FINANCIAL INTELLIGENCE CENTRE ACT NO 38 OF 2001**

The Financial Intelligence Centre (the FIC) is the national centre for developing financial intelligence and for disseminating this intelligence where necessary, to law enforcement and intelligence agencies, the South African Revenue Service and local and international agencies for further follow up.

The mandate of the FIC is to identify the proceeds of unlawful activities, combat money laundering and the financing of terrorist and related activities. The reporting of suspicious and unusual transactions is regarded as an essential element of fulfilling this mandate.

The Motor Vehicle Dealer (MVD) industry has been identified as being susceptible to abuse by criminals wishing to disguise the proceeds of their criminal activities, often referred to as 'dirty money'. Compliance with the provisions of the Financial Intelligence Centre Act No 38 of 2001 (the FIC Act) can help to ensure that your business does not play any part in the laundering of money or the financing of terrorism. MVDs are categorised as reporting institutions in terms of the FIC Act. While MVDs have certain obligations in terms of the FIC Act, these are more limited than is the case for other categories of business.

**The obligations of a motor vehicle dealer in terms of the FIC Act are:**

1. You must register your business with the FIC. This can be done online via the FIC's website [www.fic.gov.za](http://www.fic.gov.za). All head offices, branches and franchise holders must be registered separately.
  
2. You must provide the following reports to the FIC when applicable:
  - Cash Threshold Reports (CTR) in terms of section 28 of the FIC Act; and
  - Suspicious and Unusual Transaction Reports (STR) in terms of section 29 of the FIC Act.

All reports are to be filed via the FIC website. These reports assist the FIC in identifying transactions in which there may have been an attempt to launder the proceeds of crime.

**SUBMITTING CASH THRESHOLD REPORTS TO THE FIC IN TERMS OF SECTION 28 OF THE FIC ACT**

The reporting of cash transactions above the prescribed limit provides a mechanism to proactively monitor and report on cash transactions which may be linked to money laundering activities so that potential proceeds of crime are identified and investigated.

Section 28 of the FIC Act requires MVDs to report cash transactions above the prescribed threshold of R24 999.99 to the FIC. This reporting obligation arises when cash in excess of the abovementioned amount is being paid or received by the MVD or via a third party.

**Definition of cash**

Cash is defined in section 1 of the FIC Act as:

- (a) coin and paper money of the Republic or of another country that is designated as legal tender and that circulates as, and is customarily used and accepted as, a medium of exchange in the country of issue;
- (b) travellers' cheques.

Cash does not include negotiable instruments, a transfer of funds by means of bank cheque, bank draft, electronic funds transfer, wire transfer or other written order that does not involve the physical transfer of cash, and these methods of transferring funds are not covered by the cash threshold reporting (CTR) obligation.

### **Aggregation**

MVDs must report aggregates of smaller amounts which when combined add up to the prescribed threshold in cases where it appears to the MVD that the transactions involving those smaller amounts are linked in such a way that they should be considered fractions of one transaction.

Section 29(1)(iii) of the FIC Act, requires the reporting of a suspicion that a transaction or series of transactions is conducted to avoid giving rise to another reporting duty in terms of the FIC Act. It is therefore possible that an aggregate transaction would simultaneously give rise to an obligation to report a CTR in terms of section 28 of the FIC Act and a suspicious or unusual transaction in terms of section 29 of the FIC Act.

#### **Example:**

The MVD receives multiple cash deposits in relation to one transaction over a period of 24 hours of more than R24 999.99. The MVD should report this as a CTR to the FIC.

If the MVD suspects that the multiple cash deposits is conducted to avoid reporting by the MVD, the MVD should report it as a suspicious or unusual transaction to the FIC in terms of section 29 of the FIC Act.

### **Multiple reporting**

The following example illustrates the instances where more than one accountable institution and/or reporting institution will be required to report information relating to the same transaction in terms of section 28 of the FIC Act.

### **Example – Multiple Reporting**

The client of a MVD, XYZ Motors, elects to pay in cash after purchasing a motor vehicle from XYZ Motors for the amount of R28 500. The MVD has a strict no cash policy and requests the client to pay the cash into XYZ Motors' bank account at ABC Bank.

ABC Bank receives the cash amount of R28 500. ABC Bank is an accountable institution as listed in Schedule 1 to the FIC Act and has a reporting obligation in terms of section 28 of the FIC Act to report this transaction.

XYZ Motors receives and peruses its bank statement or receives a bank deposit slip from the client which reflects the transaction that exceeded the prescribed threshold. XYZ Motors is a reporting institution as listed in Schedule 3 to the FIC Act. XYZ Motors "acquired knowledge" of the cash that went into its bank account and now has an obligation to report in terms of section 28 of the FIC Act. As a result this transaction will have to be reported to the Centre in terms of section 28 by both the motor vehicle dealer and the bank.

### **When to report**

A cash threshold report must be submitted to the FIC as soon as possible but not later than two days after the MVD has become aware of the fact of a cash transaction or series of transactions that has exceeded the threshold.

### **How to report**

The FIC has developed an electronic process, making use of an internet portal on its website, for the filing of CTRs. This is available at the following link: <http://www.fic.gov.za>. MVDs must be registered with the FIC in order to submit CTRs to the FIC.

NB: MVD's must sign in using their login credentials on the FIC's website when reporting. This is the only way in which reports may be submitted to the FIC.

## Keeping a records of CTRs filed with the FIC

MVDs are encouraged to keep a record of all CTRs filed with the FIC. Below is a description from the FIC system where you can save a copy of a CTR manually filed.



- The download button allows the reporter to download the report.
- The reporter has the ability to click the "Download Report" button to download the report.

## Guidance issued by the FIC

The FIC has issued Guidance Note 5 which deals specifically with Cash Threshold Reporting, and Public Compliance Communication 5 (PCC5) which deals with registration. You can access more information on the FIC Act, relevant regulations and guidance at <http://www.fic.gov.za>.

## FEEDBACK AND ENQUIRIES

Queries on this and other compliance matters can be logged at <http://www.fic.gov.za/Secure/Queries.aspx> , or call out Compliance Contact Centre on 0860 222 200.

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