

# Putting the brakes on criminals with a taste for the fast life



**O**n the showroom floor the gleaming model of the latest luxury vehicle beckons with the promise of a lifestyle not-yet-attained and wealth seemingly out of reach. But, for some, this is transport down another road.

Motor vehicle dealers have been identified as vulnerable to money laundering.

Money laundering involves taking criminal proceeds, disguising the illegal source, and then buying a motor vehicle with the funds while pretending the money was always legal and legitimate. Simply put, money laundering is the process of making dirty money look clean.

All over the world criminals use their proceeds to purchase or lease motor vehicles. It is important that the motor vehicle dealer industry remains vigilant to signs of money laundering.

South Africa clamps down on money laundering and the financing of terrorism (AML/CFT) through the Financial Intelligence Centre Act.

The FIC Act places obligations on motor vehicle dealers which include that they must: register with the FIC, report sales using cash (transactions of R25 000 or

more), and report suspicious transactions to the FIC. These regulatory reports submitted to the FIC contain valuable information which can assist the FIC to identify the proceeds of crime and to combat money laundering. The FIC uses the information in the reports to develop financial intelligence which is shared with competent authorities for their follow up action and investigations.

Motor vehicle dealers can help fight against crime and contribute to a safer and more stable business environment. Prevent your business from being abused by money launderers.

First, motor vehicle dealers must register with the FIC online, via its website. When the registration process is complete, motor vehicle dealers will be able to submit reports to the FIC.

If you are a motor vehicle dealer it is not an acceptable excuse to plead ignorance regarding your legal obligations in terms of the FIC Act.

If you are a motor vehicle dealer and you have not yet registered, then do so today on: [https://goweb.fic.gov.za/goAMLWEb\\_PRD/Home](https://goweb.fic.gov.za/goAMLWEb_PRD/Home).

## Closing loopholes to make it tougher for money laundering criminals

**M**oney laundering involves taking criminal proceeds and disguising their illegal source and then using such criminal proceeds to perform legal and illegal activities. Simply put, money laundering is the process of making dirty money look clean. Money launderers legitimise their 'dirty money' by laundering it through both financial and non-financial systems.

Money laundering can be seen as a three-step process – placement, layering and integration. During placement, criminal proceeds are moved into the financial system via cash or electronic deposits into bank accounts, money orders or cheques. Other means used include personal gambling, the purchase of high-end goods like artwork, which can be resold for cash or via electronic fund transfer. Think of a hot potato – “hot” funds – that needs to be placed down so that you do not burn your hands (placement).

The layering stage conceals the origin of the proceeds from the source through layers of financial transactions. By doing this criminals try to create as much distance between the proceeds of unlawful activities and themselves. The intention is to blur the money trail, making it difficult to trace the source of funds. Often this involves purchase of houses, luxury vehicles, shares, bonds and life insurance policies and investment in legitimate businesses.

Think of a hot potato being tossed from person to person. In the final stage of “integration” apparent legitimacy to the illicit funds is supplied whereby the funds are re-entered into the economy. The money launderer will make the dirty money, that now have been integrated, look clean by using it for normal business or personal transactions like the purchasing of a luxury car or a house. The hot potato has now gone cold and has been turned into a potato salad.



### MONEY LAUNDERING IN ACTION

Money laundering is about taking dirty money - disguising where it comes from (criminal activities) - and using it for legal and/or illegal activities



### STAGES OF MONEY LAUNDERING

— 1 —	<b>PLACEMENT</b>	— 1 —
<p>Criminals deposit illicit money into bank accounts Buy high-end goods with illicit cash Break up large amounts of illicit cash &amp; deposit it into smaller amounts over time Gamble with proceeds</p>	<p>Think of a <b>HOT</b> potato... It (funds) needs to be put down (placed) so you don't burn your hands</p>	
— 2 —	<b>LAYERING</b>	— 2 —
<p>Criminals need to create distance between proceeds of crime &amp; those involved in the source of proceeds Buy &amp; resell high-end goods Buy bonds, invest in legitimate businesses, invest in property</p>	<p>The <b>HOT</b> potato (funds) is now cooled (funds laundered) and criminals can enjoy from it)</p>	
— 3 —	<b>INTEGRATION</b>	— 3 —
<p>Proceeds are now fully part of the financial system Criminals are free to buy more luxury items and deepen the spread of proceeds Criminals may look to grow proceeds seeking legitimate or illegal investment opportunities</p>	<p>The <b>HOT</b> potato (funds) is now cooled (funds laundered) and criminals can enjoy their proceeds</p>	

For more information on registering your business with the FIC, contact the Compliance Contact Centre on 0860 222 200