

FINANCIAL INCLUSION & FINANCIAL INTEGRITY – LESSONS FROM SOUTH AFRICA

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INTRODUCTION

- South Africa adheres to the FATF recommendations
- AML administered under the Financial Intelligence Centre Act (FICA) 2001 by the Financial Intelligence Centre (FIC) under the Finance Ministry

Requirements of FICA for opening a bank account / doing transactions are:

- Positive identification, i.e. an ID card, a valid passport and proof of address

Issues in respect of these requirements:

- 1.75million (out of 48million South Africans) do not have ID documents
- Refugees also do not have ID documents
- Asylum seekers may use asylum permits
- Providing proof of address may be a problem

RELAXATION OF FATF RECOMMENDATIONS (Proof of Address)

- **Exemption 17 of FICA**
- Applies to customers who do not have proof of address
- Applies to special types of accounts like those for the youth and the elderly
- Facilitated the introduction of low-risk banking accounts (e.g. Mzansi – SA’s low-cost entry-level bank account for the unbanked)

The following rules must be compiled with:

- Individual may hold only one transactional account
- Transfer withdrawals or payments may not exceed R5000 (approx. USD700) a day or R 25 000 (approx. USD3500) in a monthly cycle
- The account balance may not exceed R25 000 (USD3500) at any time

RELAXATION OF FATF PRINCIPLES (CONT...)

- No transfers may be made outside South Africa (unless in Rand Common market area)
- Applicable to SA citizens and residents only
- If these rules are broken, the account is suspended
- For the suspension to be lifted, the customer needs to provide full information required for verification and identification
- **Affidavits**
- Someone without proof of address can also have an affidavit filled by a co-habitant, a property owner or employer may be accepted

COMPLEMENTARITIES BETWEEN FINANCIAL INTEGRITY AND INCLUSION

- Exemption 17 enhances Financial inclusion by ensuring that people who would not ordinarily qualify for bank accounts can open them.
- **Financial integrity/inclusion issues that still require attention:**
 - Proof of identity for refugees and people who have no ID documents (Solution might be to use biometrics)
 - Cross-border remittances are expensive due to high compliance costs (both AML/CFT & EXCON)