AFRICAN ASSOCIATION OF ACCOUNTANTS GENERAL

FOLLOWING THE MONEY: CLOSING AFRICA'S ILLICIT FINANCIAL FLOW LEAKAGES.

SOUTH AFRICAN PERSPECTIVE

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ORGANIZATION:

National Treasury – South Africa

DATE:
11 September 2026



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

FOLLOWING THE MONEY: CLOSING AFRICA'S ILLICIT FINANCIAL FLOW LEAKAGES

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BRIEF BACKGROUND ON ESTABLISHMENT OF COMPANIES

1. Company Registration
   - Every company must be registered with the Companies & Intellectual Property Commission (CIPC).

2. Annual Returns
   - Filing annual returns is mandatory.
   - Returns are linked to the company anniversary date.

3. Beneficial Ownership (BO) Requirements
   - Since May 2023, existing companies were required to submit Beneficial Ownership information.
   - Newly registered companies must file BO information within 10 days of registration.
   - Since 2024, companies cannot file annual returns unless BO information has been filed and updated.

4. CIPC Monitoring and Enforcement
   - CIPC performs random assessments.
   - CIPC conducts inspections based on filed BO information.
   - Investigations may be initiated from discrepancies identified through:
     - ❖ Law enforcement agencies
     - ❖ Oversight institutions
     - ❖ PAIA requests

CIPC & BENEFICIAL OWNERSHIP IMPLEMENTATION

1. South Africa enacted The General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act 22 of 2022 to strengthen the country's framework for combating:
    - Money laundering
    - Terrorist financing
    - The concealment of the true owners of companies, trusts, and other legal entities
2. It amended several existing laws to improve transparency and align South Africa with international standards set by the Financial Action Task Force (FATF):
    - Companies Act
        - ❖ Empowered the CIPC to collect and maintain beneficial ownership information.
        - ❖ Requires companies to disclose their beneficial owners.
    - Financial Intelligence Centre Act (FICA)
3. The Act was introduced after South Africa's FATF mutual evaluation identified weaknesses in the country's ability to:
    - Identify the true owners of companies and trusts
    - Detect illicit financial flows
    - Combat money laundering and terrorist financing
    - Obtain reliable beneficial ownership information

CIPC ALIGNMENT WITH THE GENERAL LAWS (ANTI-MONEY LAUNDERING AND COMBATING TERRORISM FINANCING) AMENDMENT ACT 22

1. The Companies Act was amended to:
   - Empower the CIPC to collect & maintain beneficial ownership information
   - Compel companies to disclose their beneficial owners.
2. Annual Returns:
   - Filing of annual returns is mandatory.
   - Annual returns are generally linked to the anniversary date of the company's registration.
   - Since May 2023, companies have been required to submit Beneficial Ownership (BO) information.
3. Beneficial Ownership (BO) Disclosure
   - Newly registered companies must file Beneficial Ownership information within 10 days of registration.
   - Since 2024, companies cannot file annual returns unless their Beneficial Ownership information is current and up to date.

CIPC ALIGNMENT WITH THE GENERAL LAWS (ANTI-MONEY LAUNDERING AND COMBATING TERRORISM FINANCING) AMENDMENT ACT 22

4. CIPC Monitoring and Enforcement
   - The CIPC conducts random compliance assessments.
   - Beneficial Ownership inspections are performed based on information submitted by companies.
   - Investigations may be initiated where discrepancies are identified through:
     - ❖Law enforcement agencies
     - ❖Oversight and regulatory institutions
     - ❖PAIA (Promotion of Access to Information Act) requests
5. Consequences of non-compliance
   - Administrative penalties and fines.
   - Criminal prosecution.
   - Potential delinquency proceedings against directors.

PUBLIC PROCUREMENT REFORMS

1. Previously suppliers had to register separately with different departments, municipalities and public entities. This resulted in duplication, inefficiencies and inconsistent supplier information across government institutions.
2. National Treasury established the **Central Supplier Database (CSD)** which was implemented **on 1 April 2015** to create one central database containing consolidated, accurate, up-to-date and verified supplier information for all organs of state.
3. The CSD eliminate duplication in supplier registration, improve verification of supplier information, and enhance efficiency, transparency and cost-effectiveness in government procurement.

PUBLIC PROCUREMENT REFORMS

4. The CSD interfaces with the following institutions:
   - South African Revenue Service (SARS)
     - ❖Verification of tax compliance status and taxpayer information.
   - Companies and Intellectual Property Commission (CIPC)
     - ❖Verification of company registration details, directors, business status & BO lately.
   - Department of Home Affairs (DHA)
     - ❖Verification of identity numbers and personal information of individuals and directors.
   - Banks
     - ❖Verification of banking account details submitted by suppliers. The CSD facilitates bank account validation through participating banking institutions.
   - Government Salaries Payment System (PERSAL)
     - ❖Used to identify government employees and prevent conflicts of interest in procurement processes.
   - Treasury Register for Tender Defaulters (Prevention & Combating of Corrupt Activities Act)
     - ❖Checks whether a supplier has been blacklisted from doing business with the state.
   - National Treasury Database of Restricted Suppliers (PFMA & MFMA)
     - ❖Verification of supplier restriction status.

CSD ADOPTION OF THE BENEFICIAL OWNERSHIP

1. In May 2024 the CSD adopted beneficial ownership
2. The National Treasury is currently running a campaign to ensure full compliance with Beneficial Ownership (BO) requirements until 1 December 2026.
3. The National Treasury has initiated a triangulation process using data from the CIPC, SARS, the B-BBEE Commission, and the Master of the High Court (Trusts) to verify Beneficial Ownership information and strengthen compliance oversight

THE FINANCIAL INTELLIGENCE CENTRE (FIC)

1. The FIC's purpose is to safeguard South Africa's financial system by identifying and combating money laundering, terrorist financing, and other financial crimes through the collection, analysis, and sharing of financial intelligence.

2. Financial Intelligence Centre Act (FICA) alignment with the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act 22 seeks to:
    - Expand the definition of beneficial ownership.
    - Strengthen customer due diligence requirements.
    - Enhance reporting and compliance obligations

DATA ANALYTICS AND MULTI-AGENCY TASK TEAM

1. The Shared Forensic Capability (SFC) was established as a permanent division within the Financial Intelligence Centre (FIC) to strengthen multi-agency forensic capability in support of priority crime investigations.
2. The Forensic Capability Framework provides the basis for:
   - Hosting the SFC within the FIC
   - Enabling multidisciplinary collaboration across law enforcement agencies
   - Delivering forensic financial analysis in support of investigations and prosecutions.
3. Operates on Formal secondment arrangements with participating agencies –
   - Financial Intelligence Centre: Shared Forensic Capability
   - Directorate for Priority Crime Investigation: Forensic Accounting Investigation
   - National Prosecuting Authority
   - National Treasury: Office of the Accountant-General
   - Special Investigating Unit
   - South African Revenue Service
   - Investigating Directorate Against Corruption
4. Types of Cases: Racketeering, Money laundering, Corruption, Fraud, Theft, PFMA & MFMA contraventions (Public Procurement), Narcotics-related offences, Extortion, Illicit wildlife trade (e.g., abalone)

DATA ANALYTICS AND MULTI-AGENCY TASK TEAM

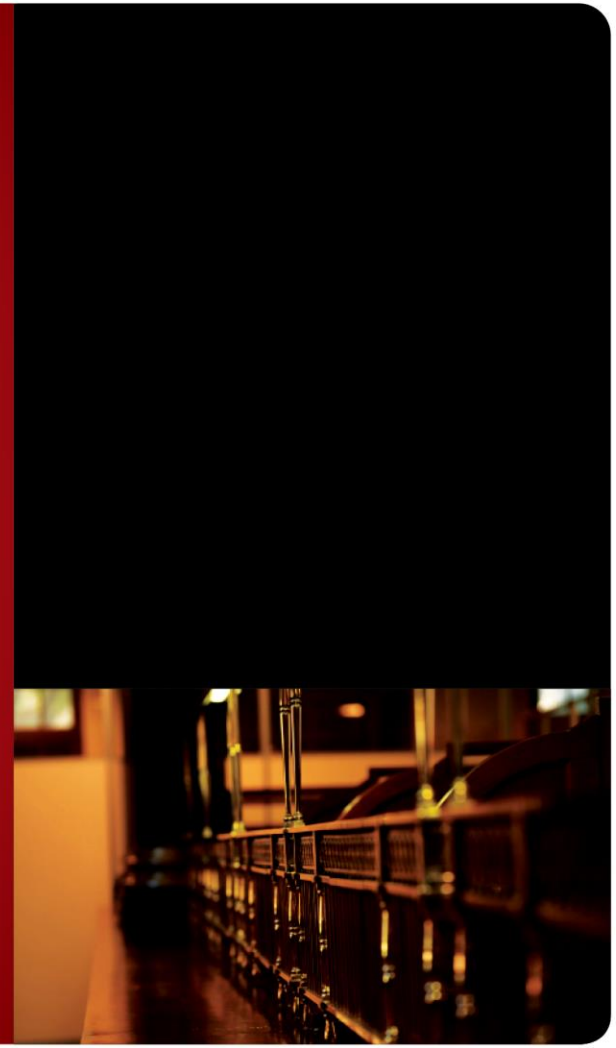
Information at the disposal of the FIC/FSC

Category	Purpose	Key Sources
Financial Information (Sec 27)	Obtains financial data to trace activities and assets.	Bank accounts, insurance portfolios, gambling records, foreign exchange dealers, money remitters
Suspicious Reports Received	Uses mandatory reports submitted to the FIC.	STRs, CTRs, terrorist property reports, SARS reports, KYC information, bank statements, admissible records
Powers to Support Investigations	Provides legal mechanisms to gather and preserve evidence.	Account freezing, account monitoring, regulatory certificates, warrants, forensic transaction analysis
International Information	Accesses intelligence from foreign and cross-border sources.	Foreign FIUs, Reserve Bank data, Home Affairs MCS information
Assets	Identifies ownership of assets.	Deeds Office property records, NaTIS vehicle registrations
Other Relevant Information	Supplements investigations with intelligence and analytics.	CIPC, NPOs, Trusts, BAS, PERSAL, OSINT, blockchain/crypto data, link analysis

COLLABORATIVE COMPLIANCE EFFORTS

1. **Key Stakeholders and Their Roles**
   - Regulators
     - ❖ Regulators establish and enforce legislative and regulatory frameworks, provide guidance on compliance requirements, and monitor adherence to prescribed standards.
   - Law Enforcement Agencies
     - ❖ Law enforcement agencies investigate regulatory violations, financial crimes, and other unlawful activities.
   - Private Sector Organizations
     - ❖ Organizations are responsible for implementing internal controls, risk management systems, and compliance programmes. By actively participating in information-sharing initiatives and industry partnerships, businesses contribute to a stronger compliance ecosystem.
   - Professional Bodies
     - ❖ Professional bodies promote ethical behaviour, establish professional codes of conduct, and provide continuing professional development.
   - Institutions of Higher Learning
     - ❖ Universities and other higher learning institutions contribute through research, innovation, policy development, and professional training.





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2030 NDP

30 YEARS OF FREEDOM