

South Africa

Financial Intelligence Centre Act, 2001

Directive 1 of 2022: Conduct of accountable institutions relating to "wire transfers" or electronic funds transfers

Government Notice 2291 of 2022

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Directive 1 of 2022: Conduct of accountable institutions relating to "wire transfers" or electronic funds transfers

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Directive for conduct within the national payment system in respect of the Financial Action Task Force Recommendations for electronic funds transfers

1. Purpose

- 1.1 The South African Reserve Bank (SARB) hereby issues this directive in terms of section 43A(2) of the Financial Intelligence Centre [Act 38 of 2001](#), as amended (FIC Act), to provide for the conduct of accountable institutions relating to 'wire transfers' or electronic funds transfers as prescribed by Financial Action Task Force (FATF) Recommendations.

2. Definitions

- 2.1 In this directive,

'**FIC Act**' means the Financial Intelligence Centre [Act 38 of 2001](#), as amended (FIC Act), and the 'NPS Act' means the National Payment System [Act 78 of 1998](#) (NPS Act) and, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the FIC Act or the NPS Act, has that meaning, and

- 2.1.1 '**beneficiary**' refers to a person or entity that is identified by the originator as the receiver of the funds associated with the electronic funds transfer;
- 2.1.2 '**beneficiary financial institution**' refers to an accountable institution that receives electronic funds transfer from an ordering financial institution, directly or through an intermediary financial institution, and makes the funds associated with the electronic funds transfer available to the beneficiary;
- 2.1.3 '**cross-border electronic funds transfer**' means an electronic funds transfer where either the ordering financial institution or the beneficiary financial institution is located outside the Republic of South Africa;
- 2.1.4 '**domestic electronic funds transfer**' means an electronic funds transfer where the ordering financial institution and beneficiary financial institution are both located in the Republic of South Africa;
- 2.1.5 '**electronic funds transfer**' means a payment instruction carried out by electronic means on behalf of an originator, with a view to making an amount of funds available to a beneficiary, irrespective of whether the originator and the beneficiary are the same person;
- 2.1.6 '**FATF**' refers to the Financial Action Task Force;
- 2.1.7 '**intermediary financial institution**' means an accountable institution in a serial or cover payment chain that receives and transmits an electronic funds transfer on behalf of an ordering financial institution and beneficiary financial institution or another intermediary financial institution;

- 2.1.8 **'NPSD'** means the National Payment System Department of the SARB that is responsible for the execution of the functions contemplated in section [10\(1\)\(c\)](#) of the South African Reserve Bank [Act 90 of 1989](#) (SARB Act), and powers and duties contemplated in the NPS Act;
- 2.1.9 **'ordering financial institution'** means an accountable institution that initiates an electronic funds transfer and transfers the associated funds upon receiving the request for an electronic funds transfer from or on behalf of the originator;
- 2.1.10 **'originator'** refers to a person or entity that initiates a payment instruction to the ordering financial institution to execute the electronic funds transfer;
- 2.1.11 **'qualifying electronic funds transfer'** means an electronic funds transfer above the applicable threshold prescribed in this directive;
- 2.1.12 **'SARB'** means the South African Reserve Bank as referred to in section [223](#) of the [Constitution of the Republic of South Africa](#), 1996 and established in terms of the SARB Act;
- 2.1.13 **'unique customer identifier'** means a numeric or alphanumeric combination that an ordering financial institution assigns to an originator that uniquely identifies the originator in respect of the electronic funds transfer. A unique customer identifier must refer to a record held by the ordering financial institution, which contains at least one of the following: the customer address, a national identity number or a date and place of birth; and
- 2.1.14 **'unique transaction reference number'** refers to a combination of letters, numbers or symbols, determined by the accountable institution, in accordance with the protocols of the payment and settlement systems or messaging systems used for the electronic funds transfer.

3. Scope of this directive

- 3.1 This directive applies to accountable institutions that facilitate or enable the origination or receipt of domestic and cross-border electronic funds transfers and/or act as an intermediary in receiving or transmitting electronic funds transfers.
- 3.2 Further, this directive applies to domestic and cross-border electronic funds transfers initiated or processed through:
 - 3.2.1 immediate settlement payment clearing house (PCH);
 - 3.2.2 electronic funds transfer credit PCH;
 - 3.2.3 real-time clearing PCH;
 - 3.2.4 Society for Worldwide Interbank Financial Telecommunications (SWIFT) network;
 - 3.2.5 a credit, debit or prepaid card used to effect an electronic funds transfer; and
 - 3.2.6 any other arrangement, system and/or product that can initiate or process domestic and cross-border electronic funds transfers, as may be determined by the SARB from time to time.
- 3.3 This directive does not apply to:
 - 3.3.1 payment clearing house system operator as defined in the NPS Act;
 - 3.3.2 settlement system as defined in the NPS Act;
 - 3.3.3 any transfer that flows from a transaction carried out using a credit, debit or prepaid card for purchasing goods or services, so long as the credit, debit or prepaid card number accompanies all transfers flowing from the transaction. However, when a credit, debit or prepaid card is used as stated in paragraph [3.2.5](#) above, the transaction is covered by this directive;

- 3.3.4 any transfers and settlements between financial institutions, where both the originator and the beneficiary are financial institutions acting on their own behalf; and
- 3.3.5 electronic funds transfer debits.

4. Directive

- 4.1 An ordering financial institution must include, subject to paragraphs [4.5](#) to [4.11](#) below, the following information concerning the originator of a qualifying electronic funds transfer in the funds transfers:
 - 4.1.1 the name of the originator;
 - 4.1.2 originator account number (if the transaction is processed from an account); and
 - 4.1.3 the originator's:
 - 4.1.3.1 identity number, if the originator is a South African citizen or resident; or
 - 4.1.3.2 passport number if the originator is not a South African citizen or resident; or
 - 4.1.3.3 address, if such an address is readily available; or
 - 4.1.3.4 unique customer identifier assigned by the ordering financial institution to the originator, that uniquely identifies the originator to the ordering financial institution in respect of all transactions that the originator performs with that ordering financial institution.
- 4.2 An originator of an electronic funds transfer is the client of the ordering financial institution, as contemplated in the FIC Act, for the purposes of the execution of the electronic funds transfer. The ordering financial institution is required to comply with the FIC Act in relation to the originator of the electronic funds transfer.
- 4.3 The ordering financial institution of an electronic funds transfer is required to comply with the record-keeping requirements as contemplated in the FIC Act.
- 4.4 An ordering financial institution must ensure that all information pertaining to the originator, referred to in paragraph [4.1](#) above, is included in the electronic funds transfer. All the required information must be obtained and verified in accordance with section 21 of the FIC Act and the accountable institution's Risk Management and Compliance Programme in terms of section 42 of the FIC Act.
- 4.5 An ordering financial institution must include the account number that the originator of an electronic funds transfer holds with the ordering financial institution in the electronic funds transfer, if such an account is used to process the transaction. In the absence of an account number, the ordering financial institution must assign a unique transaction reference number that permits traceability of the transaction to the originator in the ordering financial institution's records. The transaction reference number must be included in the electronic funds transfer.
- 4.6 An ordering financial institution must include, in the electronic funds transfers, the following information concerning the beneficiary:
 - 4.6.1 the name of the beneficiary; and
 - 4.6.2 the account number that the beneficiary holds with the beneficiary financial institution, if such an account is used to process the transaction.
- 4.7 In respect of a cross-border electronic funds transfer that is a single transaction of less than R10 000, the ordering institution must include the following information, at a minimum, in the electronic funds transfer:
 - 4.7.1 the name of the originator referred to in paragraph [4.1.1](#) above;

- 4.7.2 the account number or unique transaction reference number referred to in paragraph [4.5](#) above; and
- 4.7.3 the name of the beneficiary and account number referred to in paragraph [4.6](#) above.
- 4.8 The information in paragraphs [4.7.1](#), [4.7.2](#) and [4.7.3](#) in respect of cross-border electronic funds transfer that is a single transaction of less than R10 000 need not be verified for accuracy, unless there is a suspicion of money laundering or terrorist financing, in which case, the accountable institution should verify the information pertaining to its client. The cross-border electronic funds transfer threshold of R10 000 shall be reviewed by the SARB as and when appropriate.
- 4.9 In respect of an inward cross-border electronic funds transfer that is a single transaction of less than R10 000 from an originator in a high risk or other monitored jurisdiction as listed by FATF, a beneficiary financial institution must verify the accuracy of the beneficiary information.
- 4.10 If an ordering financial institution bundles more than one cross-border electronic funds transfer from a single originator in a batch file for transmission to beneficiaries:
 - 4.10.1 the ordering financial institution in respect of the originator's information is permitted to include only the account number or a unique transaction reference number referred to in paragraph [4.5](#) above;
 - 4.10.2 the information concerning a beneficiary referred to in paragraph [4.6](#) above for each beneficiary in the electronic funds transfers; and
 - 4.10.3 the batch file containing the required and accurate originator information and full beneficiary information should be fully traceable within the beneficiary country.
- 4.11 In the case of domestic electronic funds transfers, an ordering financial institution is permitted to substitute the information pertaining to the originator that is referred to in paragraph [4.1](#) above, with the originator's account number at the ordering financial institution or other unique customer identifier for the originator, provided that the required information referred to in paragraph [4.1](#) can be made available, within three business days, to the beneficiary financial institution and to appropriate authorities or supervisory bodies upon request or demand in accordance with any law.
- 4.12 An ordering financial institution may not execute an electronic funds transfer if it cannot comply with the requirements referred to in paragraphs [4.1](#) to [4.11](#) above.
- 4.13 An ordering financial institution is required to comply with the record-keeping requirements as contemplated in the FIC Act.
- 4.14 An intermediary financial institution must ensure that all originator and beneficiary information that accompanies cross border and domestic electronic funds transfers remains with the electronic funds transfer throughout the payment chain.
- 4.15 Notwithstanding paragraph [4.8](#) above, an intermediary financial institution must ensure that the account number or a unique transaction reference number referred to in paragraph [4.5](#), concerning the originator and the required information concerning a beneficiary referred to in paragraph [4.6](#), remain with the electronic funds transfer throughout the payment chain.
- 4.16 An intermediary financial institution must take reasonable measures to identify cross-border electronic funds transfers that lack any of the information referred to in paragraphs [4.1](#) and [4.4](#) to [4.11](#) above.
- 4.17 An intermediary financial institution must develop, document, maintain and implement effective risk-based policies and procedures for determining:
 - 4.17.1 when to execute, reject or suspend a cross-border electronic funds transfer that lack any of the information referred to in paragraphs [4.1](#) and [4.4](#) to [4.11](#) above; and

- 4.17.2 the appropriate follow-up action that the intermediary financial institution will take in each instance where it executes, rejects or suspends a cross-border electronic funds transfer referred to in paragraph [4.17.1](#) above.
- 4.18 An intermediary financial institution is required to comply with the recordkeeping requirements as contemplated in the FIC Act.
- 4.19 A beneficiary financial institution must take reasonable measures to identify cross border and domestic electronic funds transfers that lack any of the information referred to in paragraphs [4.1](#) and [4.4](#) to [4.11](#) above.
- 4.20 A beneficiary financial institution must develop, document, maintain and implement effective risk-based policies and procedures for determining:
- 4.20.1 when to execute, reject or suspend a cross border and domestic electronic funds transfer that lacks any of the information referred to in paragraphs [4.1](#) and [4.4](#) to [4.11](#) above; and
- 4.20.2 the appropriate follow-up action that the beneficiary financial institution will take in each instance where it executes, rejects or suspends a cross border and domestic electronic funds transfer referred to in paragraph [4.20.1](#) above.
- 4.21 A beneficiary of an electronic funds transfer is the client of the beneficiary financial institution, as contemplated in the FIC Act, for the purposes of the execution of the electronic funds transfer. Subject to paragraph [4.8](#) above, the beneficiary financial institution is required to comply with the FIC Act in relation to the beneficiary of the electronic funds transfer.
- 4.22 The beneficiary financial institution of an electronic funds transfer is required to comply with the record-keeping requirements as contemplated in the FIC Act.

5. Compliance declarations and inspections

- 5.1 An accountable institution to which this directive applies must submit, to the NPSD, an annual declaration by the Chief Executive Officer or equivalent, together with the Anti-Money Laundering Compliance Officer of an accountable institution, with the assistance of the internal audit function, confirming the level of compliance of the systems and/or products and processes employed by that accountable institution to meet the requirements of this directive.
- 5.2 The compliance declaration shall be submitted by no later than 31 March each year, in the format and manner prescribed by the SARB, and sent to the prescribed address.
- 5.3 Further, each accountable institution to which this directive applies must permit and assist any person(s) appointed by the SARB to inspect the transactions, products, arrangements and the systems employed in initiating and processing the above-mentioned electronic funds transfers.

6. Effective date and non-compliance

- 6.1 This directive cancels and replaces the 'Directive for conduct within the national payment system in respect of the Financial Action Task Force Recommendations for electronic funds transfers, [Directive 1 of 2015](#)'.
- 6.2 This directive becomes effective after 30 business days from the date of publication hereof.
- 6.3 Failure to comply with this directive may result in the imposition of an administrative sanction by the SARB, in accordance with section 45C of the FIC Act.

7. Conclusion

- 7.1 This directive is not exhaustive and may be supplemented or amended from time to time, as required by the SARB and/or the FIC.

- 7.2 Accountable institutions that are uncertain if their current or future business practices are aligned with this directive should initiate discussions with the NPSD to clarify the matter.
- 7.3 Compliance declarations as well as any enquiry or clarification concerning this directive should be sent to the following email address: npsdirectives@resbank.co.za.