# WEBINAR ON FICA

Prepared by Mark Silberman

B. Acc. CA(SA)

# Contents

# SUMMARY OF REVISED GUIDANCE NOTE 7

Important update: The FIC published **Guidance Note 7B on 3 August 2026**. It is now the current version of the guidance previously contained in Guidance Note 7 and Revised Guidance Note 7A. Practices should therefore use Guidance Note 7B when reviewing their compliance arrangements.

## 1. Purpose of the guidance

Guidance Note 7 explains how accountable institutions must implement the principal obligations imposed by the FIC Act. Its central theme is the **risk-based approach**.

An accountable institution must:

- Understand how its business could be used for money laundering, terrorist financing or proliferation financing.
- Assess its risks at business, service and client levels.
- Apply controls proportionate to those risks.
- Document its methodology and decisions.
- Monitor clients and relationships continuously.
- be able to produce evidence showing that the controls are operating.

Registration with the FIC is only the administrative starting point. It does not, by itself, satisfy these requirements.

## 2. Who does the guidance apply to?

It applies to businesses that fall within one or more categories in Schedule 1 to the FIC Act.

It does not state that every accountant or tax practitioner is automatically an accountable institution. The actual services performed must be examined.

For example:

- Preparing tax returns and annual financial statements does not, by itself, necessarily make a practice a trust and company service provider.
- Registering companies, arranging nominee shareholders, creating trusts or administering trust property may bring the practice within Item 2.
- A practice may be an accountable institution even if it has never registered with the FIC.

Once a practice falls within Schedule 1, the obligations apply because of the business it conducts—not because it completed a goAML registration.

## 3. The risk-based approach

The practice must identify, assess, monitor, mitigate and manage its exposure to:

- Money laundering — ML
- Terrorist financing — TF
- Proliferation financing — PF

The risk assessment should operate on three levels.

### Entity-wide risk assessment

This considers the overall risk faced by the practice, taking account of its size, services, client base, locations, staff, systems and operating model.

Example: A small tax practice that also registers companies and maintains statutory records has a different risk profile from a practice that only prepares individual income-tax returns.

### Product and service risk assessment

Each service must be assessed separately.

Higher-risk examples may include:

- Creating complicated company or trust structures.

- Arranging nominee shareholders or directors.
- Handling changes of ownership where the commercial purpose is unclear.
- Administering assets or transactions for a trust.
- Services involving high-risk jurisdictions.

## Client-level risk assessment

Every covered client or transaction must receive a documented risk assessment. The result determines whether simplified, standard or enhanced due diligence should be applied.

Relevant risk factors include:

- The type and identity of the client.
- The service requested.
- The delivery channel, including remote onboarding.
- The countries and geographical areas involved.
- The ownership and control structure.
- Politically exposed or influential persons.
- The source of funds or wealth.
- Unusual urgency, secrecy or complexity.

The FIC explains that the risk assessment should precede and inform the RMCP. It should not merely be created afterwards to support a generic compliance document. FIC guidance on drafting an RMCP.

# 4. Customer due diligence

The practice must know who its client is and must take reasonable steps to verify that information.

Depending on the client, this may include identifying and verifying:

- The natural person.
- The legal entity, partnership or trust.
- Directors, trustees, partners or persons exercising control.
- Beneficial owners.
- Persons acting on behalf of the client.

- The authority of a representative to act.
- The nature and intended purpose of the relationship.
- The source of funds or wealth where required by risk.

For a company, it is not sufficient merely to retain its registration certificate. The practice must establish which natural persons ultimately own or control it.

For a trust, the relevant parties may include:

- The founder.
- Trustees.
- Named beneficiaries.
- Beneficiary classes.
- Persons exercising effective control over the trust.

## 5. Simplified, standard and enhanced due diligence

The level of due diligence should correspond with the assessed risk.

- **Simplified due diligence:** May be used only where a properly documented assessment supports a genuinely low-risk conclusion.
- **Standard due diligence:** Applies to ordinary-risk relationships.
- **Enhanced due diligence:** Required for high-risk clients, structures or transactions.

A client cannot simply be classified as low risk because the client has a low income, is under-served or conducts transactions of a relatively low value.

Most importantly, simplified due diligence may not be used once a suspicion of ML, TF or PF exists. The matter must be treated as high risk, enhanced due diligence must be considered, and a section 29 report may be required.

## 6. New products and technology

One of the important Guidance Note 7B developments is the express requirement to assess risks arising from:

- New products and services.
- New business practices.
- New delivery mechanisms.
- New or developing technology.

- Existing services that are materially changed by technology.

For example, before introducing automated online onboarding, artificial intelligence, electronic verification or a new client portal, the practice should consider:

- Whether false documents can be submitted.
- Whether the client can conceal the person actually controlling the structure.
- Whether approvals can be bypassed.
- Whether sanctions screening remains effective.
- Whether an adequate audit trail is created.

The assessment and the controls adopted should be reflected in the RMCP. The FIC's publication notice for Guidance Note 7B confirms the updated guidance.

## 7. Ongoing monitoring

FICA compliance does not end after the client has been onboarded.

The practice must monitor whether the client's activities remain consistent with:

- What is known about the client.
- The purpose of the relationship.
- The client's risk classification.
- The expected nature of the work.
- The stated source of funds or wealth.

Example: A client originally asks for an ordinary company registration but later requests multiple companies, nominee shareholders, unexplained share transfers and an urgent change in beneficial ownership. The practice must reassess the client and consider whether a suspicious transaction or activity report is required.

## 8. What happens if due diligence cannot be completed?

Where the required client due diligence cannot be completed, the institution should generally:

- Not establish the new business relationship.
- Not perform the single transaction.
- Consider terminating an existing relationship.
- Consider whether a section 29 suspicious transaction or activity report is required.

The practice must not warn the client that a suspicious report has been or may be submitted.

## 9. Record keeping

The institution must preserve sufficient records to show:

- Who the client and beneficial owners were.
- What verification was performed.
- How the client was risk-rated.
- What transactions or services were provided.
- What monitoring and screening took place.
- What decisions were made and by whom.
- Whether any regulatory reports were filed.

Records generally have to be kept for at least five years. Record keeping may be outsourced, but the accountable institution remains responsible for ensuring that the records are complete and readily available.

## 10. Risk Management and Compliance Programme

The RMCP is the central operating document for FICA compliance. It must be specific to the institution, approved at the appropriate senior level and implemented in practice.

It should explain:

- How risks are identified and rated.
- How clients and beneficial owners are identified.
- When simplified or enhanced due diligence is used.
- How ongoing monitoring is conducted.
- How sanctions and PEP screening are performed.
- How suspicious matters are escalated and reported.
- How records are retained.
- Who is responsible for each process.
- How staff are trained.
- How exceptions and compliance failures are dealt with.
- How management monitors whether the controls are working.

A generic RMCP downloaded from the internet, signed and placed in a file is unlikely to be adequate if it does not reflect the practice's actual clients, services and procedures.

## 11. Targeted financial sanctions

The practice must screen relevant clients, beneficial owners and connected persons against the applicable targeted financial sanctions lists.

Where there is a confirmed match, the institution may have to:

- Freeze the relevant property without delay.
- Avoid dealing with or making services available to the listed person.
- Submit the required terrorist property report.
- Preserve evidence of the match and the action taken.

The applicable lists change, so this cannot be treated as a once-off onboarding exercise. See the FIC's targeted financial sanctions guidance.

## Practical conclusion for accounting practices

Guidance Note 7B turns FICA compliance into an ongoing operational system:

Determine whether the practice is an accountable institution, register the correct legal entity, assess the risks, identify clients and beneficial owners, apply appropriate controls, monitor continuously and retain evidence.

The crucial compliance question is therefore not simply:

"Are we registered?"

It is:

"Can we demonstrate that our documented risk-based controls are operating for every service and client to which FICA applies?"

This is a practical summary and should be read with the FIC Act, Guidance Note 7B and relevant sector-specific FIC publications.

# PCC 6A

Public Compliance Communication 6A explains which persons and businesses qualify as **trust and company service providers—TCSPs—under Item 2 of Schedule 1 to the FIC Act**.

PCC 6A does not create Item 2. The legal definition is contained in Schedule 1 to the FIC Act, as amended by Government Notice 2800, effective from 19 December 2022.

## 1. The central principle

Whether a person is an Item 2 accountable institution depends on:

**The activities actually performed for clients—not the person's professional title.**

Therefore:

- Not every accountant is automatically an accountable institution.
- An accountant can become an Item 2 accountable institution by providing covered company, nominee or trust services.
- Lawyers, financial advisers, company secretaries and other professionals can also fall within Item 2.
- Describing the work as "administration", "tax", "consulting" or "secretarial work" does not determine the result.

The practice must examine what it actually does for clients.

## 2. The four categories of Item 2 activities

### Category A: Company and close-corporation services

A person falls within Item 2 when carrying on the business of preparing for or carrying out transactions for a client where the client is assisted with:

- Organising contributions required for the creation, operation or management of a company.
- Creating, operating or managing a South African, external or foreign company.
- Operating or managing a close corporation.

#### *Creating a company*

PCC 6A indicates that "creation" can include:

- Advising on the legal structure.
- Preparing formation documents.
- Registering the company with CIPC.
- Facilitating the registration process.
- Performing related company-secretarial work needed to establish the entity.

**Example:** A practice receives instructions, prepares the incorporation documentation and registers companies for clients. This is likely to be a company service under Item 2.

### *Organising contributions*

This may include assisting the client to obtain the capital or funding necessary for the company's creation or operation.

Examples include:

- Advising on sources of capital.
- Liaising with investors or donors.
- Arranging shareholder contributions.
- Assisting with funding structures.

### *Operating a company*

"Operation" generally concerns assisting with the company's ongoing business or organisational activities.

The assessment must consider whether the practice is merely capturing information or whether it is actively assisting with the company's operations.

### *Managing a company*

"Management" involves a more active role, such as:

- Making decisions for the client.
- Steering the direction of the business.
- Exercising control or influence.
- Acting in a management capacity.
- Implementing decisions affecting the company's operations.

**Example:** An accountant who helps decide which contracts the company should enter into, controls payments and participates in operational decisions may be performing management services.

## Activities not automatically treated as operation or management

PCC 6A indicates that the following do not, by themselves, necessarily constitute operating or managing a company:

- Bookkeeping and capturing accounting information.
- Preparing financial statements.
- Submitting tax returns.
- Administrative submission of information.
- Activities that do not involve decision-making.

- Work that does not steer, influence or affect the client's operations.
- Performing the statutory function of a liquidator or business rescue practitioner.

**Example:** A practice only receives the trial balance, prepares annual financial statements and files the corporate tax return. If it does not form, operate or manage the company, this work alone would not ordinarily make it an Item 2 company service provider.

However, the practice must assess its complete service package. Routine tax work does not cancel out other covered company services.

## 3. Nominee services

A person falls within Item 2 if, as a business, the person:

- Acts as a nominee for a client; or
- Arranges for another person to act as a nominee.

A nominee generally holds securities or an ownership interest on behalf of another person.

**Example:** A practice arranges for an employee or outside person to appear as the registered shareholder while the shares are held for the benefit of the actual owner. The practice is providing a nominee arrangement covered by Item 2.

Where the service provider arranges a nominee:

- The person requesting the nominee service is a client.
- The nominee may also have to be treated as a client for FICA purposes.
- The beneficial owner behind the arrangement must be identified.

The fact that the nominee does not receive payment directly does not necessarily remove the activity from Item 2.

## 4. Creating trust arrangements

A person falls within Item 2 when carrying on the business of creating a trust arrangement for a client.

This may include:

- Advising on the formation of a trust.
- Drafting or arranging the trust deed.
- Identifying or arranging trustees.
- Facilitating the creation and registration of the trust.

- Establishing a foreign trust for a client.

PCC 6A applies to local and foreign trusts created between living persons—inter vivos trusts.

It identifies exclusions for certain trusts created through:

- A testamentary disposition.
- A court order.
- A person under curatorship.
- Retirement-fund trustees in relation to benefits payable to beneficiaries.

The exclusion relates to the specific Item 2 definition and should be applied carefully to the actual service performed.

## 5. Services involving trust property

A person also falls within Item 2 when carrying on the business of preparing for or carrying out transactions—including acting as a trustee—relating to:

- Investment of trust property.
- Safekeeping of trust property.
- Control of trust property.
- Administration of trust property.

**Example:** A professional trustee controls trust investments, approves distributions and administers trust assets as part of the person's commercial practice. This is likely to fall within Item 2.

### Routine trust tax work

Preparing a trust tax return does not, by itself, necessarily mean that the accountant administers trust property.

The distinction is between:

- Recording and reporting information supplied by trustees; and
- Exercising control, making decisions or administering trust assets and transactions.

**Example:** An accountant prepares the trust's annual financial statements and tax return from information supplied by the trustees. The trustees make all investment and distribution decisions. This work alone is less likely to constitute administration of trust property.

If the accountant also controls the bank account, authorises payments, manages investments or decides on distributions, Item 2 becomes much more likely.

## 6. Meaning of "carries on the business"

PCC 6A distinguishes commercial activity from acting in a personal capacity.

A covered activity is generally conducted as part of a commercial service offered to clients.

Important points include:

- The service does not need to be the practice's main business.
- It may be one service within a broader accounting or legal practice.
- A small number of clients does not necessarily take it outside Item 2.
- A sole proprietor can personally be the accountable institution.
- An employee performing the work for the employer does not normally register separately—the employing practice is the accountable institution.

### Personal trustee example

A person acts without commercial reward as a trustee of their own family trust and does not offer trust services to clients. That personal appointment would not ordinarily mean the person carries on the business of a trust service provider.

By contrast, a professional who offers trustee and trust-administration services to clients as part of a commercial practice may be an Item 2 accountable institution.

## 7. Which legal entity must register?

The legal person carrying on the Item 2 business must register.

For example:

- If the services are provided through an accounting company, the company registers.
- If provided through a partnership, the relevant partnership registers.
- If provided by a sole proprietor, the individual registers.
- Employees do not each register separately merely because they perform the work for their employer.

This makes it important to establish which entity signs the engagement letter, invoices the client and legally provides the service.

## 8. Company and trust registration categories

A person may conduct:

- Company services only.
- Trust services only.
- Both company and trust services.

The goAML registration should reflect the activities actually performed. If the practice performs both categories, both should be correctly recorded.

A person may also fall within more than one Schedule 1 item.

**Example:** A legal practice is registered under Item 1 as a legal practitioner. If it also provides Item 2 trust or company services, it may require additional registration under Item 2. This is commonly referred to as dual registration.

## 9. Practical test for accounting practices

Each practice should list its services and ask:

1. Do we register companies or facilitate their creation?
2. Do we prepare incorporation or formation documents?
3. Do we arrange capital, investors or contributions?
4. Do we participate in operating or managing clients' companies?
5. Do we act as or arrange nominee shareholders?
6. Do we create local or foreign trusts?
7. Do we act as professional trustees?
8. Do we control or administer trust bank accounts, investments or property?
9. Do we make decisions concerning trust property or distributions?
10. Which legal entity actually provides and invoices for these services?

A "yes" answer does not automatically settle every borderline case, but it indicates that the activity must be assessed against Item 2 and PCC 6A.

## The main conclusion

PCC 6A establishes an **activity-based test**:

A practice becomes an Item 2 accountable institution when it commercially provides one or more of the specified company, nominee or trust services—not because it calls itself an accountant, and not because it has registered with the FIC.

Conversely, routine bookkeeping, preparation of financial statements and tax-return submissions do not automatically make a practice an Item 2 institution where the practice does not create, operate or manage companies, arrange nominees, create trusts or administer trust property.

The FIC's trust and company service provider page provides the current Item 2 wording and links to PCC 6A and related compliance material.

# RMCP — RISK MANAGEMENT AND COMPLIANCE PROGRAMME

An **RMCP — Risk Management and Compliance Programme** — is basically the accounting firm's **FICA rulebook**.

It explains, in practical terms, **how the firm will identify clients, assess their risk, monitor them, deal with unusual or suspicious matters, and comply with the FIC Act**. It is not meant to be a theoretical document. It should describe what the firm actually does in practice. The RMCP we prepared is built around managing money-laundering, terrorist-financing and proliferation-financing risks.

In straightforward language, the RMCP answers questions such as:

- **Which parts of our accounting practice are subject to FICA?**
- **Who is responsible for FICA compliance?**
- **What information must we obtain from every client?**
- **How do we identify the real beneficial owners of companies and trusts?**
- **How do we decide whether a client is low, medium or high risk?**
- **When must we carry out enhanced due diligence?**
- **What changes in a client trigger a new review?**
- **What do we do when something looks suspicious?**
- **When must we report something to the FIC?**
- **How long must we keep the records?**
- **How do we prove to the FIC that our controls are actually working?**

**The RMCP in practical terms**

Think of the RMCP as a process:

## 1. Decide whether the firm is an accountable institution

An accounting practice is not automatically an accountable institution simply because it performs accounting or tax work. The firm must first determine whether any of the services it provides fall within Schedule 1 of the FIC Act, particularly the **Trust and Company Service Provider (TCSP)** activities relevant to many accounting and secretarial practices.

## 2. Know who your client really is

Before taking on a client, the firm must know:

- who the client is;
- who is authorised to act for the client;
- who really owns or controls the company, trust or other entity;
- what the client does;
- why they want the firm's services; and
- whether the information supplied makes sense.

This is **Customer Due Diligence — CDD**.

## 3. Give every client a risk rating

The firm does not treat all clients the same.

The client is assessed using questions dealing with matters such as:

- complex ownership;
- foreign countries;
- unexplained transactions;
- unusual funding;
- third-party payments;
- beneficial ownership problems;
- prominent persons;
- unusual company or trust structures; and
- inconsistencies between tax, accounting and secretarial information.

The client is then classified as **Low, Medium or High Risk**.

The purpose of the score is not to label somebody as dishonest. It tells the practice **how much checking and monitoring is appropriate**.

## 4. Do more work on high-risk clients

Where the risk is high, the firm performs **Enhanced Due Diligence — EDD**.

This means going further than ordinary CDD. The firm may need to investigate:

- source of funds;
- source of wealth;
- complex ownership;
- foreign connections;
- third-party funding;
- unusual transactions;
- shareholder or trustee changes;
- adverse information; and
- whether the client's financial activity makes commercial sense.

The firm must then decide whether it is comfortable continuing with the client and, if so, what additional monitoring is required.

## 5. Do not perform due diligence only once

This is one of the most important parts of the RMCP.

FICA compliance is **ongoing**.

If something important changes, the client must be reconsidered.

For an accounting practice, triggers can come from:

- a new director;
- a shareholder change;
- a beneficial-owner change;
- a trust beneficiary or trustee change;
- a major change in turnover;
- unusual loans;
- unusual distributions;

- unexpected foreign transactions;
- new bank accounts;
- unusual accounting entries;
- tax information that conflicts with what the firm already knows; or
- a new service being provided.

The RMCP specifically links tax, accounting, secretarial and beneficial-ownership information to these ongoing reviews.

## 6. Screen clients against sanctions lists

Relevant clients, beneficial owners and connected persons must be screened against the applicable **Targeted Financial Sanctions — TFS** list.

If there is a confirmed match, this is not simply a "high-risk client".

It requires an immediate sanctions procedure, including stopping prohibited dealings, freezing relevant property where applicable, and considering a Terrorist Property Report.

## 7. Report suspicious matters

If something gives the firm reason to suspect money laundering, tax evasion, unlawful activity or other suspicious conduct, the matter must be escalated to the Compliance Officer / MLRO.

The RMCP then determines whether a report must be made to the FIC.

The main reports include:

**STR — Suspicious Transaction Report**
**SAR — Suspicious Activity Report**
**CTR — Cash Threshold Report**
**TPR — Terrorist Property Report**

The RMCP has a separate reporting matrix dealing with these reporting responsibilities.

## 8. Keep evidence

It is not enough for the accounting firm to say:

"We know our clients."

The firm must be able to **prove what it did**.

The RMCP therefore requires records of:

- identification;

- beneficial ownership;
- risk scores;
- CDD;
- EDD;
- sanctions screening;
- decisions;
- approvals;
- trigger reviews;
- reports; and
- supporting documents.

## 9. Make people responsible

The RMCP sets out who does what.

The **partners or board remain ultimately responsible**. The Compliance Officer / MLRO manages the compliance process, but responsibility cannot simply be passed to an employee or software system.

The tax team, accounting team, company secretarial team and systems team also have specific responsibilities because each of them may discover information that should trigger a FICA review.

**The simplest way of describing the RMCP**

I would describe it to an accounting firm like this:

**The RMCP is the firm's written procedure for deciding who its clients are, who really owns them, how risky they are, what must be checked, what changes must trigger another review, what suspicious matters must be reported, and how the firm proves that it has complied with FICA.**

And perhaps the most important point:

**The RMCP is not a document that should sit in a drawer. It must describe what the accounting practice actually does every day.**

That is why the RMCP we prepared includes due diligence, risk scoring, EDD, beneficial ownership, sanctions screening, ongoing triggers, regulatory reporting, training, monitoring and testing of the controls themselves.

# MUST EVERY CLIENT BE A TCSP CLIENT

## One TCSP Client Can Require Registration — But Not Every Client Becomes a TCSP Client

An accounting practice can become an accountable institution under **Schedule 1 Item 2 of the FIC Act** even if only **one client** receives a qualifying Trust and Company Service Provider (TCSP) service.

The important point is that **the number of clients is not the test**. If the practice carries on a qualifying TCSP activity as part of its business, it may have to register with the FIC even where only one client receives that service.

Registration of the practice, however, does **not** mean that every accounting and tax client becomes a TCSP client.

PCC 6A makes it clear that a TCSP is considered an accountable institution in respect of the clients that fall within its TCSP activities. Therefore, an accounting practice with 1,000 clients might have only 50 clients requiring the full TCSP compliance process, while the remaining 950 receive only ordinary accounting, tax, bookkeeping or payroll services.

## The practice must therefore identify its TCSP clients

Once the practice has established that it must register, it needs a method of identifying which clients actually receive qualifying TCSP services.

The client population should effectively be divided into:

**TCSP clients** — clients receiving qualifying Item 2 services.

**Non-TCSP clients** — clients receiving only ordinary accounting, tax or similar services.

**Review required** — clients where the nature of the service is uncertain.

If the RMCP requires, for example, a due-diligence review every two years, that periodic TCSP due diligence should apply to the relevant **TCSP clients**, not automatically to every client of the accounting practice.

## But a non-TCSP client cannot simply be forgotten

A client's position can change.

A company may initially be only a tax-return client. Later it might ask the practice to undertake company restructuring, implement shareholder changes, create a trust, provide nominee services or become involved with trust property.

That new service should trigger a **TCSP reassessment**.

The system therefore needs to monitor changes in services so that a client can move from:

## NON-TCSP → TCSP

when the facts change.

### Suspicious transactions are a separate issue

There is another important distinction.

A non-TCSP client may still become involved in something suspicious or unusual.

For example, while preparing the accounts, the accountant discovers a large unexplained offshore payment that appears inconsistent with the client's normal business.

The practice cannot simply say:

“This client is not TCSP, therefore FICA does not apply.”

Suspicious and unusual transaction reporting under **section 29** is a separate obligation and can arise even where the client is not receiving TCSP services.

The practice may need to carry out an **enhanced review** to understand the transaction by obtaining explanations and supporting evidence.

But two questions must remain separate:

## Has something suspicious occurred that may require a section 29 report?

and

A suspicious transaction does **not automatically turn a non-TCSP client into a TCSP client**.

**The practical compliance model**

An accounting practice therefore needs four connected processes:

**1. Registration Test**
Does anything the practice does require it to register as an Item 2 TCSP?

**2. TCSP Client Identification**
Which clients actually receive those services?

**3. TCSP Due Diligence**
Apply the RMCP and ongoing due diligence to the appropriate TCSP clients.

**4. Trigger Monitoring Across All Clients**
Watch for new TCSP services and suspicious or unusual activity.

The core principle is simple:

**One qualifying client may be enough to require registration, but registration does not make every client a TCSP client. At the same time, all clients must remain capable of triggering a review if their services change or suspicious activity is identified.**

# RECOMMENDED CLIENT-RISK QUESTIONS AND SCORING MODEL

The FIC expects accountable institutions to assess risk at three levels:

1. Entity-wide business risk.
2. Product and service risk.
3. Individual client risk.

The principal factors include the client, services, geography, delivery channel and expected transactions. The FIC refers institutions to PCC 53 for an example of a client-risk matrix but does not prescribe one universal numerical scoring formula. The practice must document its chosen methodology in its RMCP. FIC guidance on drafting an RMCP and PCC 53.

The following is a recommended model suitable for implementation in Sky FIC.

## 1. Scoring method

Score every question:

| Mark | Meaning |
|---|---|
| **1** | Low-risk, transparent, readily verifiable and consistent |
| **2** | Medium-risk, some complexity or uncertainty but reasonably explained |
| **3** | High-risk, opaque, unusual, difficult to verify or presenting a recognised risk indicator |

With 15 questions:

| Total | Classification |
|---|---|
| **15–22** | Low risk |
| **23–32** | Medium risk |
| **33–45** | High risk |

Where a question is genuinely not applicable, exclude it and calculate:

**Average risk score = total marks ÷ number of answered questions**

Use these average-score bands:

- Below 1.50: Low
- 1.50 to 2.19: Medium
- 2.20 to 3.00: High

The final classification should not be completely automatic. The responsible person must review the result and record reasons for accepting or changing it.

## 2. Mandatory overrides

The following should not be dealt with merely by adding three marks.

**Confirmed sanctions match**

A confirmed match against the targeted financial sanctions list requires the practice to stop, freeze relevant property and submit the appropriate report. It is not simply a "high-risk client". See the FIC targeted financial sanctions requirements.

**Suspicion of ML, TF or PF**

Where there is knowledge or suspicion of money laundering, terrorist financing or proliferation financing:

- Classify the relationship as high risk.
- Do not apply simplified due diligence.
- Apply enhanced due diligence.
- Consider an STR or SAR under section 29.
- Follow the practice's escalation procedure.

**Identity or beneficial ownership cannot be established**

If the practice cannot identify and take reasonable steps to verify:

- The client.

- The beneficial owners.
- The person acting for the client.
- That person's authority.
- The ownership and control structure.

The practice should not proceed merely because the numerical score is acceptable. The FIC requires beneficial owners to be natural persons and expects evidence of the identification process. FIC beneficial ownership guidance.

---

## A. Individual client questionnaire

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| 1 | Can the person's identity be verified? | Valid ID/passport independently verified | Minor discrepancy resolved with additional evidence | Document cannot be verified, appears altered or information conflicts |
| 2 | Where is the person resident and ordinarily based? | South African or established low-risk jurisdiction | Foreign residence with reasonable connection and adequate information | High-risk jurisdiction, conflict area or unexplained multiple residences |
| 3 | Is the person's occupation or business understood? | Stable employment or transparent business | Variable, commission-based or cash-intensive occupation | Occupation unclear, unverifiable or inconsistent with activities |
| 4 | Is the purpose of the relationship clear? | Routine tax, accounting or secretarial service with clear purpose | More complex advisory or structuring service | Purpose is vague, unusual or lacks an apparent commercial reason |
| 5 | Can the source of funds be established? | Own bank account; salary or business income supported | Multiple sources or third-party funding, reasonably explained | Unexplained cash, crypto, foreign funds or unrelated third-party payments |

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| 6 | Is the person's source of wealth reasonable? | Wealth consistent with age, occupation and known history | Partly explained or dependent on inheritance, sale or foreign interests | Wealth substantially inconsistent or unsupported |
| 7 | Are expected transactions understood? | Low-volume, predictable domestic transactions | Higher-value or occasional cross-border transactions | Complex, rapid, circular or unexplained international transactions |
| 8 | Who will pay the practice or fund transactions? | Client pays from own account | Family member or connected entity pays with explanation | Repeated payments from unrelated or unidentified third parties |
| 9 | Is the person a PEP, prominent influential person, family member or close associate? | No identified connection | Domestic PEP/PIP with limited risk and transparent circumstances | Foreign PEP or high-risk domestic PEP/PIP, family member or close associate |
| 10 | What is the TFS screening result? | No match or false positive conclusively resolved | Similar-name result requiring documented manual review | Unresolved possible match—pause and escalate; confirmed match is an override |
| 11 | How was the client introduced and onboarded? | Face-to-face or reliable electronic verification | Remote onboarding with adequate compensating controls | Remote through an unknown intermediary with weak verification |
| 12 | What is the relationship history? | Long-standing relationship with consistent conduct | New client with sufficient reliable information | Previously refused or terminated by another institution, without explanation |
| 13 | Is there adverse information? | No relevant adverse information | Unverified or historic information requiring monitoring | Credible allegations, investigations or |

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| | | | | findings involving financial crime |
| 14 | Is the client cooperative and consistent? | Supplies information promptly and consistently | Delays or minor inconsistencies are satisfactorily resolved | Refuses information, changes explanations or creates artificial urgency |
| 15 | What service is requested? | Routine tax, bookkeeping or statutory submission | Company/trust establishment or more complex advisory work | Nominee arrangement, opaque structure, control of assets or unexplained restructuring |

**Individual example**

An individual is remotely onboarded, lives in another country, wants a company formed and will pay through a relative.

Possible scoring:

- Identity: 1
- Geography: 2
- Occupation: 1
- Purpose: 2
- Source of funds: 2
- Source of wealth: 1
- Expected transactions: 2
- Third-party payment: 2
- PEP: 1
- TFS: 1
- Delivery channel: 2
- Relationship history: 2

- Adverse information: 1
- Cooperation: 1
- Service risk: 2

Total: **23—Medium risk**

The practice should obtain the relative's identity, relationship, reason for payment and evidence of the source of funds.

---

## B. Company client questionnaire

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| 1 | Can the company's existence be verified? | Current CIPC or reliable foreign registry information | Older or incomplete documents resolved through additional checks | Entity cannot be independently verified or appears dormant/front-like |
| 2 | Is the business activity genuine and understood? | Clear trading activity, premises, staff and customers | New or holding company with a reasonable purpose | No apparent operations, substance or commercial purpose |
| 3 | Is the ownership structure simple and transparent? | Direct ownership by identifiable natural persons | One or two holding-company layers with a clear explanation | Multiple jurisdictions, circular ownership or unexplained layered entities |
| 4 | Have all beneficial owners been identified? | Natural persons with controlling ownership identified and verified | Some indirect ownership requiring additional documentation | Beneficial owners cannot be established or client refuses information |
| 5 | Who exercises effective control? | Directors and controllers correspond with documents and operations | Power of attorney or external influence is disclosed and explained | Undisclosed person appears to control decisions, accounts or transactions |
| 6 | Are nominees or similar | No nominee arrangement | Nominee disclosed with transparent | Undisclosed nominee, unexplained |

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| | arrangements involved? | | underlying owner and purpose | proxy director or hidden shareholder |
| 7 | What geographical exposure exists? | South African operations and counterparties | Legitimate operations in several ordinary-risk countries | High-risk jurisdictions, secrecy jurisdictions or unexplained offshore links |
| 8 | What sector does the company operate in? | Transparent, regulated or ordinary commercial business | Cash-intensive, high-value goods, property or international trade | High-risk or poorly regulated activity with limited supporting evidence |
| 9 | Why does the company require the service? | Routine and consistent with its business | Restructuring or company-service work with a valid commercial reason | Unnecessarily complex structure or no plausible commercial rationale |
| 10 | What is the source of capital and funds? | Trading income or shareholder funding supported by evidence | Loans or foreign investment adequately explained | Unexplained capital, unrelated third parties or funds disproportionate to activity |
| 11 | Are expected transactions reasonable? | Predictable transactions matching the business | Higher-value or international transactions consistent with operations | Rapid pass-through, round-number, circular or inconsistent transactions |
| 12 | Are directors, controllers or beneficial owners PEPs/PIPs? | None identified | Domestic PEP/PIP with transparent circumstances | Foreign or high-risk PEP/PIP, close associate or family member |
| 13 | What are the TFS screening results? | All relevant parties clear | Potential false positive manually investigated and resolved | Unresolved match—pause and escalate; confirmed match is an override |

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| 14 | How was the company introduced and verified? | Direct contact with authorised representatives | Reputable intermediary or remote onboarding with reliable verification | Unknown intermediary, no direct access to controllers or weak documents |
| 15 | Are information and conduct consistent? | CIPC, tax, banking and client information agree | Minor differences satisfactorily explained | Conflicting ownership, addresses, directors or unexplained adverse information |

## Company beneficial ownership test

For company clients, the FIC recommends a process of elimination:

1. Identify natural persons holding a controlling ownership interest. The FIC recommends identifying persons with **5% or more** ownership.
2. If ownership does not reveal the controller, identify persons exercising control by other means.
3. If still unresolved, identify the natural persons controlling management.

Evidence that these steps were followed must be retained.

## Company example

A newly incorporated South African company has a foreign holding company, two ownership layers and one identifiable ultimate natural-person owner. The business purpose, investment and ownership are adequately documented.

The structure should not automatically be high risk merely because a foreign company is present. It may score medium for ownership complexity and geography, but low for beneficial-owner transparency if the natural person has been properly established and verified.

## C. Trust client questionnaire

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| 1 | Can the trust and trustees' authority be verified? | Signed deed and current letters of authority verified | Administrative irregularity resolved with the Master's records | Deed, amendments or trustee authority unavailable or contradictory |
| 2 | Is the trust's purpose clear and legitimate? | Ordinary family, employee or estate-planning purpose | Asset-holding or investment purpose requiring more explanation | No clear purpose or structure appears designed to conceal ownership |
| 3 | Can the founder or donor be identified? | Founder identified and verified | Deceased, foreign or corporate founder with reliable supporting records | Founder obscured, nominee-like or source of settlement unclear |
| 4 | Is the source of the trust property established? | Documented donation, sale, inheritance or investment | Multiple contributions or loans adequately explained | Unexplained assets, cash, foreign transfers or disproportionate contributions |
| 5 | Are all trustees identified and verified? | All trustees verified and authority confirmed | Foreign or professional trustee with adequate documentation | Undisclosed trustee, conflicting authority or unexplained control by non-trustee |
| 6 | Are the beneficiaries properly identified? | Named beneficiaries or clear class with supporting records | Broad beneficiary class requiring additional monitoring | Beneficiaries deliberately obscured or changed without explanation |
| 7 | Is there a protector or another person exercising control? | None, or role transparently documented | Protector/adviser has limited, disclosed powers | Undisclosed person controls trustees, investments or distributions |

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| 8 | Have all trust beneficial owners been identified? | Founder, trustees, named beneficiaries, protector and controllers identified | Complex class or foreign parties requiring additional verification | Natural persons linked to ownership or control cannot be established |
| 9 | Is the structure geographically straightforward? | South African trust, assets and parties | Foreign assets or parties with a reasonable purpose | Multiple high-risk jurisdictions or unexplained offshore structure |
| 10 | Are the trust's assets understood? | Ordinary property, investments or family assets | Diverse or higher-value assets with supporting schedules | Crypto assets, unexplained movable assets or assets inconsistent with purpose |
| 11 | Are contributions, loans and distributions reasonable? | Supported and consistent with deed and purpose | Large or irregular amounts with reasonable explanation | Circular loans, unrelated contributors or unexplained distributions |
| 12 | Are any connected persons PEPs or PIPs? | None identified | Domestic PEP/PIP with transparent circumstances | Foreign or high-risk PEP/PIP, family member or close associate |
| 13 | What are the TFS screening results? | All relevant parties clear | Potential false positive investigated and resolved | Unresolved match—pause and escalate; confirmed match is an override |
| 14 | What service will the practice provide? | Tax return or accounting based on trustee-approved information | Trust creation or professional trusteeship with transparent controls | Control of trust assets, nominee-like arrangements or unexplained restructuring |

| No. | Question | 1 mark—low | 2 marks—medium | 3 marks—high |
|---|---|---|---|---|
| 15 | Are conduct and information consistent? | Cooperative trustees and consistent records | Delays or minor deficiencies satisfactorily resolved | Missing records, conflicting instructions, secrecy or unexplained urgency |

### Trust beneficial ownership test

The practice should identify and verify all relevant natural persons, including:

- Founder, donor or settlor.
- Every trustee.
- Named beneficiaries.
- Members of beneficiary classes where applicable.
- Protector, if any.
- Any person exercising effective control.
- Natural persons behind a corporate trustee or corporate founder.

A trust should not automatically be classified high risk merely because it is a trust. The purpose, control, assets, parties and transactions determine the risk.

---

## 3. Action required for each risk result

| Rating | Recommended treatment |
|---|---|
| **Low** | Basic or standard identification and verification; simplified measures only where the RMCP permits and there is no suspicion |
| **Medium** | Standard CDD plus additional evidence for the factors producing the medium score; management review where appropriate |
| **High** | Enhanced due diligence, senior approval, stronger source-of-funds/source-of-wealth evidence, increased monitoring and shorter review periods |
| **Override** | Stop or pause onboarding/transaction; follow the relevant statutory procedure and consider FIC reporting |

Guidance Note 7B makes it clear that an under-served or low-income person must not automatically be treated as low risk. It also states that simplified due diligence cannot be applied where suspicion exists. FIC Guidance Note 7B.

## 4. Recommended review periods

These are recommended operational periods, not fixed FIC-prescribed deadlines:

- Low risk: every 24 months.
- Medium risk: every 12 months.
- High risk: every six months.

A review should also be triggered immediately by:

- A change in directors, trustees or beneficial owners.
- A new service or significant transaction.
- A change in country exposure.
- A new PEP/PIP or sanctions result.
- Unusual activity.
- Adverse information.
- Doubt about previously obtained information.

## 5. Records Sky FIC should retain

For each answer, Sky FIC should record:

- The selected answer and mark.
- A short reason.
- Supporting documents.
- Person completing the assessment.
- Reviewer and approval date.
- Total and average score.
- System-calculated rating.
- Final approved rating.
- Reason for any manual override.
- Enhanced due-diligence requirements.

- Next review date.
- Trigger events and risk-rating history.

The best approach is to build three separate questionnaires—individual, company and trust—but retain the same scoring structure so that the results are consistent, explainable and auditable.

# AFTER THE INITIAL KYC: WHAT TRIGGERS THE NEXT DUE DILIGENCE REVIEW?

## Introduction

Completing KYC when a client is first accepted is not the end of the Financial Intelligence Centre Act compliance process. It is the beginning of an ongoing relationship in which the accountable institution must continue to understand its client, the client's ownership and control, the nature of the business relationship and whether the client's activities remain consistent with what the institution knows about that client.

For an accounting or company secretarial practice, this is particularly important because the practice often becomes aware of changes in a client's affairs before many other service providers do.

The accountant may discover a dramatic increase in turnover, an unexplained director's loan, new foreign income or unusual payments.

The company secretarial practitioner may be instructed to change directors, transfer shares, introduce a nominee shareholder, amend a trust deed or alter the beneficial ownership of a company.

These events should not merely be processed administratively. They may be **due diligence triggers**.

The correct approach is therefore:

**Initial KYC → Initial Risk Assessment → Ongoing Monitoring → Trigger Event → Appropriate Due Diligence → Revised Risk Assessment where necessary.**

The FIC identifies customer due diligence, beneficial ownership, PEP controls, targeted financial sanctions, monitoring and client-level risk assessment as central elements of an accountable institution's compliance framework. A client-level risk assessment determines whether simplified, normal or enhanced due diligence is appropriate.

## 1. KYC is not a once-off exercise

A common mistake is to regard FICA compliance as:

Obtain the documents, identify the beneficial owner, complete the risk questionnaire and put the file away.

That approach misses the purpose of ongoing due diligence.

The risk attached to a client today may be very different from the risk attached to that same client two years from now.

A company may acquire foreign shareholders.

A trust may receive substantial offshore assets.

An individual may become a politically exposed person.

A previously simple company structure may become layered through several companies.

A client whose transactions previously matched its business may suddenly start receiving large amounts from unrelated third parties.

The purpose of ongoing due diligence is therefore to determine whether the information and risk assessment on which the practice originally relied **remain valid**.

The FIC's current RMCP guidance emphasises that accountable institutions must identify, assess, monitor, mitigate and manage ML, TF and PF risk and that their compliance documentation must be maintained on an ongoing basis.

---

## 2. There are two principal reasons for another due diligence review

### A. Periodic review

The institution's Risk Management and Compliance Programme should prescribe how frequently clients are reviewed according to their risk.

For example, an institution might decide that:

- Low-risk clients are formally reviewed every 24 months.
- Medium-risk clients are reviewed every 12 months.
- High-risk clients are reviewed every six months.

These periods are examples of an institution's own risk-based policy. They should not be presented as prescribed FIC periods.

The more important concept, however, is the **event-driven review**.

### B. Trigger-event review

A due diligence review should occur when information comes to the practice's attention which could materially affect:

- the identity of the client;
- beneficial ownership;
- control;
- the purpose of the business relationship;
- the client's risk profile;
- geographic exposure;
- PEP status;
- sanctions exposure;
- source of funds;
- source of wealth;
- expected transactions; or
- the legitimacy or commercial rationale of transactions or structures.

The practitioner should not wait until the next annual review if a significant event occurs today.

---

## 3. Trigger 1 — A change in ownership or beneficial ownership

This should be one of the most important triggers in an accounting or secretarial practice.

**Example**

A company was originally owned:

- John — 50%
- Mary — 50%

The company was assessed as Low Risk.

Six months later, the secretarial practitioner receives instructions to transfer Mary's 50% to an offshore company.

That should immediately trigger further due diligence.

**Steps**

1. Identify the new shareholder.
2. Determine whether the shareholder is a natural person or legal entity.
3. If it is a legal entity, trace the ownership and control structure to the relevant natural persons or persons exercising effective control.
4. Verify the relevant beneficial owners.
5. Establish the reason for the ownership change.
6. Assess any new geographic exposure.
7. Perform the required PEP and sanctions screening.
8. Consider the source of funds used to acquire the shares where relevant.
9. Recalculate the client's risk.
10. Record the change and the outcome of the review.

A change from two straightforward South African individual shareholders to an offshore layered structure could materially change the client's risk.

---

## 4. Trigger 2 — A change in directors, trustees or persons exercising control

A change in management or control may be just as important as a change in ownership.

**Company example**

Two long-standing South African directors resign and are replaced by two foreign residents.

**Trust example**

Two trustees resign and new trustees are appointed.

**Steps**

The practitioner should:

1. Identify and verify the new persons.
2. Determine their authority and role.
3. Screen them for relevant PEP and targeted financial sanctions concerns.
4. Consider their country of residence.

5. Determine whether the change has altered effective control.
6. Consider whether the beneficial ownership information requires amendment.
7. Reassess the client risk where the change is material.

The fact that a director changed does not automatically make a client high risk. It is the **nature and implications of the change** that matter.

---

## 5. Trigger 3 — A nominee arrangement appears

Nominee arrangements deserve particular attention in company secretarial work.

PCC 6A confirms that Item 2 trust and company service provider activities include acting as, or arranging for another person to act as, a nominee for a client.

**Example**

A client says:

“Transfer the shares into my employee's name, but he is only holding them for me.”

This should not merely be processed as a share transfer.

**Steps**

1. Identify the nominee.
2. Establish for whom the nominee is acting.
3. Identify the true beneficial owner.
4. Establish the reason for the nominee arrangement.
5. Obtain supporting documentation.
6. Determine who actually exercises control.
7. Reassess the beneficial ownership risk.
8. Recalculate the overall client risk.

An unexplained nominee arrangement may justify enhanced due diligence.

---

## 6. Trigger 4 — The client's business changes materially

An accountant is particularly well placed to identify this.

**Example**

At onboarding the client operates an IT consulting company with local customers.

Two years later the accountant discovers that the company is primarily trading crypto assets and receiving funds from several foreign jurisdictions.

The original risk assessment is no longer an adequate description of the client.

**Steps**

1. Establish the client's new business activity.
2. Determine why the business changed.
3. Identify new products and services.
4. Consider new jurisdictions.
5. Review the expected transaction profile.
6. Review source of funds where appropriate.
7. Consider whether ownership or control has also changed.
8. Perform a new risk assessment.

The FIC's RMCP guidance specifically requires institutions to consider client, product/service, delivery and geographic risks and to update product/service risk assessments when new services are introduced.

---

## 7. Trigger 5 — A material change in turnover, assets or transactions

A large increase is not necessarily suspicious. It is, however, something that may require explanation.

**Example**

The client previously had:

Annual turnover: R5 million.

The current financial statements show:

Annual turnover: R45 million.

**Steps**

1. Determine the reason for the increase.
2. Compare it with contracts, invoices and business activity.

3. Determine whether the new transactions are consistent with the client's stated business.
4. Consider whether there are new customers, countries or payment channels.
5. Identify unexplained third-party receipts.
6. Update the expected client profile.
7. Reassess risk where necessary.

A major new contract may explain everything.

An unexplained R40 million increase may require a very different response.

---

## 8. Trigger 6 — A material new loan or unexplained source of funds

**Example**

Last year a director's loan account was R100,000.

This year it is R8 million.

The accountant asks where the funds came from and receives no satisfactory answer.

That is a clear due diligence trigger.

**Steps**

1. Identify the person who provided the funds.
2. Determine the source of those funds.
3. Establish whether the amount is plausible given what is known about that person.
4. Obtain appropriate supporting documentation.
5. Consider whether a third party is actually funding the company.
6. Consider whether ownership or control has effectively changed.
7. Reassess source-of-funds risk.
8. Escalate the matter where the explanation remains unsatisfactory.

---

## 9. Trigger 7 — New foreign activity

Foreign involvement should not automatically mean High Risk, but a material new geographic exposure should trigger reconsideration.

**Accounting example**

An individual previously disclosed only South African salary and investment income.

The next tax return contains substantial foreign business income.

**Secretarial example**

A South African company introduces a foreign holding company or foreign beneficial owner.

**Steps**

1. Identify the jurisdiction.
2. Establish the commercial purpose.
3. Identify the relevant foreign persons or entities.
4. Establish beneficial ownership.
5. Assess geographic risk under the practice's RMCP.
6. Consider source of funds and source of wealth where relevant.
7. Perform applicable screening.
8. Reassess the client's overall risk.

---

## 10. Trigger 8 — PEP status changes

A person who was not politically exposed when the relationship began may later become one.

**Example**

A long-standing client is appointed to a prominent public position.

**Steps**

1. Record the change in status.
2. Determine whether the client or relevant related person falls within the applicable PEP category.
3. Apply the practice's PEP procedures.
4. Establish or refresh source of wealth and source of funds where required by the applicable risk and legal framework.
5. Obtain the appropriate approval where required.

6. Apply enhanced monitoring where necessary.
7. Reassess the client's risk.

The FIC identifies controls relating to politically exposed persons as a specific part of an effective RMCP.

---

## 11. Trigger 9 — A sanctions or targeted financial sanctions concern arises

Targeted financial sanctions should be treated separately from ordinary risk scoring.

The FIC identifies scrutiny against targeted financial sanctions lists as a distinct compliance obligation.

**Steps**

Where a possible match is identified:

1. Stop treating it as an ordinary risk-rating question.
2. Establish whether the match is genuine or a false positive.
3. Escalate internally in accordance with the RMCP.
4. Follow the applicable FIC Act requirements for a confirmed match.
5. Do not allow an ordinary Low/Medium/High score to override the sanctions process.

A sanctions match is not simply another five points on a risk questionnaire.

---

## 12. Trigger 10 — Information obtained by the accountant contradicts the KYC file

This is a particularly important trigger.

**Example**

The KYC records say:

John Smith is the 100% beneficial owner.

The accountant later sees repeated funding from a foreign company described in correspondence as the “parent company”.

The accounting information now conflicts with the existing KYC information.

**Steps**

1. Identify exactly what information is inconsistent.
2. Ask the client for an explanation.
3. Obtain current ownership documents.
4. Re-establish beneficial ownership and control.
5. Verify the relevant persons.
6. Update the KYC information.
7. Reassess risk.

The practitioner should never knowingly leave contradictory KYC information on file merely because the initial assessment was completed previously.

---

## 13. Trigger 11 — A trust receives a major new contribution, loan or asset

**Example**

A family trust previously owned a residential property valued at R3 million.

It suddenly receives R40 million from an offshore company.

That is a significant change.

**Steps**

1. Identify the source of the funds.
2. Identify the payer and its beneficial owner.
3. Determine whether the payment is a loan, contribution, donation, distribution or other transaction.
4. Establish its commercial and legal purpose.
5. Determine whether it is consistent with the trust deed and purpose.
6. Review the trust's beneficial ownership and control.
7. Consider geographic risk.
8. Reassess the trust's client risk.

---

## 14. Trigger 12 — New trust beneficiaries or changes to the trust structure

**Example**

A family trust originally benefits the founder's spouse and children.

An amendment introduces an unrelated foreign beneficiary.

**Steps**

1. Obtain the amended trust deed or other authority.
2. Identify the new beneficiary or beneficiary class as required.
3. Establish the reason for the amendment.
4. Consider geographic and PEP risk.
5. Determine whether control has changed.
6. Update the beneficial ownership information.
7. Reassess the trust risk.

---

## 15. Trigger 13 — The person giving instructions is not the recorded controller

**Example**

All company records identify A and B as directors.

However, every instruction concerning banking, share transfers and company transactions comes from C, who is neither a director nor shareholder.

Similarly, trustees may simply sign whatever an unrelated person instructs them to sign.

This may indicate an undisclosed person exercising effective control.

**Steps**

1. Identify the person giving the instructions.
2. Establish their authority.
3. Determine why the recorded directors or trustees are not exercising apparent control.
4. Reconsider beneficial ownership.
5. Verify the controlling person where applicable.

6. Reassess the client's risk.

---

## 16. Trigger 14 — Unusual third-party payments

The FIC identifies payments from unrelated or unknown third parties, atypical cash payments, use of multiple accounts or foreign accounts without good reason, complex structures and unexplained changes in transaction behaviour as examples of risk indicators.

**Example**

A company with R2 million annual turnover receives R15 million from an unrelated person and almost immediately transfers R14.8 million elsewhere.

**Steps**

1. Identify the payer.
2. Identify the recipient.
3. Establish the relationship between the parties.
4. Determine the commercial reason.
5. Obtain supporting documents.
6. Compare the activity with the client's normal profile.
7. Reassess client and transaction risk.
8. Consider whether the circumstances create a reporting obligation.

---

## 17. Trigger 15 — The client starts behaving differently

Behaviour itself can be a trigger.

Examples include:

- refusing to provide information previously supplied without difficulty;
- suddenly changing transaction instructions;
- demanding unusual urgency;
- insisting on unnecessary complexity;
- introducing unexplained intermediaries;
- asking the practitioner to conceal ownership;

- refusing to explain where funds came from.

The FIC specifically identifies unexplained changes in transaction methods or instructions that make little economic sense as possible risk indicators.

---

## 18. Trigger 16 — Adverse information becomes available

Long-standing clients are not exempt.

A credible new development involving:

- fraud;
- corruption;
- organised crime;
- money laundering;
- terrorist financing;
- proliferation financing;
- serious tax evasion; or
- other significant criminal activity

may require the practice to reconsider the client's risk.

An allegation should not automatically be treated as proven fact. The reliability, seriousness and relevance of the information must be assessed.

---

## 19. Trigger 17 — Suspicious or unusual activity

A suspicious event is more serious than an ordinary risk-rating change.

The FIC explains that suspiciousness must be considered in context. Several facts that appear insignificant individually may collectively create suspicion.

Where the required suspicion arises, the FIC Act reporting obligations must be considered. The FIC states that reporting can be required where transactions have no apparent lawful or business purpose, may involve proceeds of unlawful activity, may conceal such proceeds or may be relevant to possible tax evasion.

A suspicious event should therefore trigger:

1. Internal escalation.
2. Review of the relevant facts.

3. Consideration of the client's risk.
4. Consideration of the section 29 reporting obligation.
5. Appropriate ongoing due diligence.
6. Careful observance of the prohibition against tipping off.

This process should be kept separate from an ordinary client-facing KYC review.

---

## 20. Trigger 18 — The client refuses to update KYC information

**Example**

The practice discovers that beneficial ownership information is outdated and asks the client for the new information.

The client says:

“You FICA'd us three years ago. We are not supplying anything further.”

That refusal is itself significant.

**Steps**

1. Explain the information required.
2. Record the request.
3. Record the client's refusal or failure.
4. Determine whether the practice can still satisfy its CDD obligations.
5. Increase the client's risk where appropriate.
6. Escalate the matter under the RMCP.
7. Consider whether the relationship can continue and whether any reporting obligation arises.

---

## 21. Not every trigger requires a complete new KYC exercise

This is important.

The system should distinguish between three levels of response.

**Level 1 — Information refresh**

Example:

Client changes residential address.

Action:

Update and verify the relevant information.

A full new risk assessment may not be necessary.

**Level 2 — Partial or full risk reassessment**

Example:

A foreign company acquires 40% of the shares.

Action:

Refresh ownership information, identify beneficial owners, assess geographic exposure and recalculate risk.

**Level 3 — Compliance escalation**

Example:

An unexplained offshore beneficial owner, suspicious third-party payment and refusal to provide source-of-funds information arise together.

Action:

Immediate compliance review, enhanced due diligence where appropriate and consideration of regulatory reporting obligations.

---

## 22. The practical due diligence process after a trigger

Every trigger event should follow a disciplined process:

**Step 1 — Identify the trigger**

Record exactly what changed.

**Step 2 — Compare it with existing KYC**

Ask:

Is the information still correct?

**Step 3 — Determine the scope of the review**

Does the event require:

- information refresh;
- KYC refresh;

- beneficial ownership review;
- source-of-funds review;
- PEP review;
- geographic review;
- partial risk reassessment;
- full reassessment; or
- compliance escalation?

**Step 4 — Obtain supporting information**

Do not simply change the answer in the system.

Obtain evidence where appropriate.

**Step 5 — Reassess the relevant risks**

Consider the client's:

- identity;
- ownership;
- control;
- business;
- service;
- geography;
- delivery channel;
- transactions;
- source of funds;
- source of wealth;
- PEP status; and
- sanctions exposure.

**Step 6 — Recalculate the risk rating**

Record:

Previous Risk: LOW
New Risk: MEDIUM

or:

Previous Risk: MEDIUM
New Risk: HIGH

**Step 7 — Apply the appropriate due diligence**

The revised risk should determine whether normal or enhanced measures are required. The FIC confirms that client-level risk assessment is used to determine the appropriate level of due diligence and associated controls.

**Step 8 — Record the decision**

The file should show:

- what triggered the review;
- what was investigated;
- documents obtained;
- explanations received;
- previous risk;
- new risk;
- reviewer;
- action taken; and
- next review date.

---

## 23. A trigger register is therefore essential

For an accounting and secretarial practice, the compliance system should maintain a **Due Diligence Trigger Register**.

A typical record should contain:

**Client:** ABC (Pty) Ltd
**Date:** 14 August 2026
**Trigger:** Shareholding change
**Previous structure:** Two South African individuals
**New structure:** 40% foreign corporate shareholder
**Action:** Beneficial ownership and geographic-risk review
**Documents obtained:** Share register, corporate documents, BO declaration
**Previous risk:** Low
**New risk:** Medium

**Reviewed by:** Compliance officer
**Next review:** 12 months or earlier upon another trigger

This creates evidence that ongoing due diligence is actually taking place.

---

## Conclusion

The most important principle is simple:

**KYC should not expire merely because time passes. It should be reconsidered when the facts change.**

The initial KYC establishes who the client is and the initial risk assessment determines the risk at that point in time.

After that, the accounting or secretarial practitioner must remain alert to events that make the original information or risk assessment unreliable.

A change in shareholders, beneficial owners, directors, trustees, beneficiaries, business activities, foreign exposure, PEP status, source of funds, transaction behaviour or control should therefore not merely be regarded as another administrative event.

It should raise the question:

**Does this change trigger further due diligence?**

The strongest compliance system is therefore not simply:

**KYC → Risk Rating → File Closed**

but:

**Initial KYC → Initial Risk Assessment → Ongoing Monitoring → Trigger Detected → Appropriate Due Diligence → Revised Risk → Continued Monitoring.**

That is the approach that turns KYC from a once-off document collection exercise into a genuine risk-based compliance process.

# CDD AND EDD

For an accounting practice, I would make the due-diligence process **two-stage**:

1. **CDD for every client** — compulsory identification checks plus a client risk score.

2. **EDD only where triggered** — a separate investigation questionnaire for high-risk clients.

The FIC requires a client-level risk assessment before establishing a business relationship or conducting a single transaction, and that assessment must determine whether simplified, normal or enhanced due diligence is appropriate. The FIC identifies client, product/service, delivery channel and geographic risk as relevant risk dimensions. It does **not prescribe a statutory numerical scoring system**, so the points below should be expressly adopted in the firm's RMCP as its own methodology.

## 1. Compulsory CDD questions for every client

I recommend that these be **Yes/No questions only**.

### A. Mandatory gateway questions — no numerical score

These are not ordinary risk questions. A failure must be resolved before normal onboarding can be completed.

| No. | Question | Correct answer | Consequence if not satisfied |
|---|---|---|---|
| 1 | Has the client's identity been established and verified from reliable information? | Yes | **CDD failure** |
| 2 | Where the client is an entity, has its legal existence and registration been verified? | Yes | **CDD failure** |
| 3 | Where somebody acts for the client, has that person's identity been verified? | Yes | **CDD failure** |
| 4 | Has that person's authority to act for the client been verified? | Yes | **CDD failure** |
| 5 | Where applicable, have the natural-person beneficial owners been identified? | Yes | **CDD failure / investigate** |
| 6 | Have reasonable steps been taken to verify the beneficial owners? | Yes | **CDD failure / investigate** |
| 7 | Do we understand the purpose and intended nature of the relationship with the client? | Yes | Investigate before acceptance |
| 8 | Do we understand what services the client requires from the accounting practice? | Yes | Investigate |

| No. | Question | Correct answer | Consequence if not satisfied |
|---|---|---|---|
| 9 | Do we understand the client's business/activity and expected financial profile? | Yes | Investigate |
| 10 | Have the client, beneficial owners, representatives and relevant connected persons been screened against the current TFS list? | Yes | **Mandatory** |
| 11 | Is there **no confirmed TFS match**? | Yes | If No: **stop/freeze/report as applicable** |
| 12 | Has FPPO/DPIP status been determined? | Yes | Must be completed |

Beneficial ownership, CDD, TFS screening and politically exposed/prominent-person determination are expressly identified by the FIC as accountable-institution obligations.

A confirmed TFS match must **never simply receive extra risk points**. The FIC requires screening irrespective of the client's ordinary risk rating; designated persons may not be provided financial or other services and applicable property must be frozen and reported.

---

## 2. Risk-scoring questions for ALL clients

Once the mandatory CDD questions above are satisfied, every client should complete the following risk assessment.

I recommend asking them in the form **"Does this risk factor apply?"** Therefore:

**No = 0 points**
**Yes = stated risk points**

**Client risk questionnaire**

| No. | Yes/No question | Yes score |
|---|---|---|
| 1 | Does the client have a complex ownership or control structure that is more complicated than reasonably required for its business? | **+3** |

| No. | Yes/No question | Yes score |
|---|---|---|
| 2 | Is there difficulty independently corroborating a beneficial owner, or is there an unresolved beneficial-ownership discrepancy? | +4 |
| 3 | Does the client, beneficial owner or material activity have exposure to a higher-risk foreign country or geographic area? | +3 |
| 4 | Is the client's business materially cash intensive in a manner that increases ML/TF/PF risk? | +2 |
| 5 | Are significant payments, receipts, loans, funding or distributions made by or to unrelated or unexplained third parties? | +3 |
| 6 | Have there been unusual or unexplained changes to shareholders, members, directors, trustees, beneficiaries or beneficial owners? | +2 |
| 7 | Are nominee shareholders, nominee directors, layered trusts or other arrangements used in a way that reduces ownership transparency? | +3 |
| 8 | Is there credible adverse information concerning financial crime, fraud, corruption, money laundering, terrorist financing, proliferation financing or tax evasion involving the client or related persons? | +3 |
| 9 | Is the client or a beneficial owner a DPIP, family member or known close associate where additional higher-risk factors are present? | +3 |
| 10 | Is the practice being asked to implement, arrange or manage company, trust, ownership or similar structures that create elevated ML/TF/PF exposure? | +2 |
| 11 | Is information obtained from Sky Tax, accounting records, financial statements, SARS records, Sky Secretarial or beneficial-ownership records inconsistent with what the client has told us? | +3 |
| 12 | Is the relationship substantially non-face-to-face, through an intermediary, referral or agent where identity or control is less certain? | +2 |
| 13 | Is the source of the client's material funds, income or financing unusual or inconsistent with what is known about the client? | +3 |
| 14 | Does the client's level of wealth, turnover, assets or transactions appear inconsistent with its known business activities or history? | +3 |

| No. | Yes/No question | Yes score |
|---|---|---|
| 15 | Has the client been reluctant, evasive or unreasonably slow in providing CDD, ownership or supporting information? | **+4** |
| 16 | Does the client use several bank accounts, foreign accounts or payment arrangements without an apparent commercial reason? | **+2** |
| 17 | Are transactions or structures being undertaken without an obvious commercial, legal, tax or economic purpose? | **+3** |
| 18 | Has the client unexpectedly changed instructions, transaction structures or counterparties without a satisfactory commercial explanation? | **+2** |

The FIC itself identifies indicators including anonymity, complex structures, high-risk jurisdictions, unexplained third-party payments, foreign accounts, prominent persons and changes to transaction instructions that do not make economic sense.

## 3. Risk-rating result

I recommend retaining the risk bands we developed for the accounting-practice RMCP:

| Total score | Classification | Required action |
|---|---|---|
| **0–4** | Low | Standard CDD |
| **5–9** | Medium | Standard CDD plus additional corroboration of identified risks |
| **10+** | **High** | **EDD compulsory** |

These numerical bands are **the firm's RMCP methodology**, not FIC statutory scores. The FIC's requirement is that the institution have a documented risk-based methodology capable of determining whether normal or enhanced CDD is required.

**Automatic EDD triggers**

Regardless of the numerical result, I would make EDD compulsory where:

- the client or beneficial owner is an **FPPO**;
- a DPIP, family member or known close associate presents elevated risk;
- beneficial ownership is complex or uncertain;
- the source of wealth/funds is materially unclear;

- there is significant high-risk geographic exposure;
- credible financial-crime or corruption information exists;
- unexplained third-party funding or unusual transactions exist;
- accounting/tax/secretarial information materially contradicts client-provided information;
- Compliance determines EDD is appropriate.

A **confirmed TFS match is not EDD**. It goes into the separate TFS stop/freeze/report procedure.

---

## 4. Separate Enhanced Due Diligence questionnaire

Once EDD has been triggered, I would **not simply repeat the original risk questionnaire**.

EDD is an investigation into **why the client is high risk and whether the identified risk can be understood and appropriately mitigated**.

Again, these can all be Yes/No.

### A. Identity and ownership

| No. | EDD question | Required result |
|---|---|---|
| E1 | Has the client's identity been independently reconfirmed using reliable information? | Yes |
| E2 | Has the complete ownership structure been documented through to the ultimate natural-person beneficial owners? | Yes |
| E3 | Have the beneficial owners been independently corroborated? | Yes |
| E4 | Have all intermediate companies, trusts, partnerships or other entities in the ownership chain been identified? | Yes |
| E5 | Is there a reasonable commercial explanation for the ownership structure? | Yes |
| E6 | If nominees are involved, have the nominator, nominee arrangement and ultimate controlling persons been identified? | Yes |

## B. Source of wealth

| No. | EDD question | Required result |
|---|---|---|
| E7 | Has the source of the client's or beneficial owner's overall wealth been established? | Yes |
| E8 | Is the source of wealth reasonable when compared with the person's known history, occupation, business interests and assets? | Yes |
| E9 | Has appropriate independent evidence supporting the source of wealth been obtained where required by the risk? | Yes |
| E10 | Have material unexplained increases in assets or wealth been satisfactorily explained? | Yes |

Possible evidence can include financial statements, sale agreements, inheritance documentation, investment statements, company information and other reliable corroborating records, depending on the circumstances.

## C. Source of funds

| No. | EDD question | Required result |
|---|---|---|
| E11 | Has the source of the funds involved in the relationship or relevant transaction been established? | Yes |
| E12 | Is the source of funds consistent with the client's known activities and financial profile? | Yes |
| E13 | Where funds are received from a third party, has that party been identified and the relationship to the client established? | Yes |
| E14 | Has the commercial reason for third-party funding been established? | Yes |
| E15 | Have significant loans, capital contributions, distributions or other funding arrangements been satisfactorily explained? | Yes |

### D. Business and economic rationale

| No. | EDD question | Required result |
|---|---|---|
| E16 | Do we fully understand why the client requires the particular service or transaction? | Yes |
| E17 | Does the transaction or structure have a reasonable commercial, legal or economic purpose? | Yes |
| E18 | Is the complexity of the structure proportionate to its stated purpose? | Yes |
| E19 | Have unusual transactions or instructions been satisfactorily explained and corroborated? | Yes |
| E20 | Are the expected transaction volumes and values consistent with the client's business? | Yes |

## 5. Accounting, tax and secretarial EDD

This is particularly important for an accounting practice because the firm may possess substantially more information about the client than another type of accountable institution.

| No. | EDD question | Required result |
|---|---|---|
| E21 | Are the client's accounting records consistent with its stated business activities? | Yes |
| E22 | Are turnover, assets, liabilities and cash flows broadly consistent with the client's known profile? | Yes |
| E23 | Are tax returns and information supplied to SARS consistent with the information supplied for FICA purposes? | Yes |
| E24 | Are shareholder and director records consistent with the information held in the accounting and tax systems? | Yes |
| E25 | Is beneficial-ownership information consistent with shareholder, member, trust and CIPC information available to the practice? | Yes |

| No. | EDD question | Required result |
|---|---|---|
| E26 | Have unexplained shareholder/director/trustee/beneficiary changes been investigated? | Yes |
| E27 | Have unusual shareholder loans, director loans or related-party transactions been explained? | Yes |
| E28 | Have unusual distributions, dividends or trust distributions been explained? | Yes |
| E29 | Have major unexplained changes in turnover, assets, investments or funding been investigated? | Yes |
| E30 | Have material differences identified between Sky Tax, Sky Secretarial, Sky FIC and the accounting records been resolved? | Yes |

This is where I believe an accounting firm's RMCP can be **materially stronger** than a generic FICA questionnaire.

---

## 6. Geography and international exposure

| No. | EDD question | Required result |
|---|---|---|
| E31 | Have all relevant foreign jurisdictions connected with the client been identified? | Yes |
| E32 | Is the reason for each material foreign connection understood? | Yes |
| E33 | Have higher-risk country connections been specifically assessed? | Yes |
| E34 | Have foreign bank accounts and material foreign transactions been explained? | Yes |
| E35 | Is the client's foreign activity consistent with its business and tax profile? | Yes |

---

## 7. FPPO / DPIP enhanced checks

| No. | EDD question | Required result |
|---|---|---|
| E36 | Has the exact prominent position held by the person been identified? | Yes |
| E37 | Has it been determined whether the person is an FPPO, DPIP, family member or known close associate? | Yes |
| E38 | Has the source of wealth been established? | Yes |
| E39 | Has the source of funds been established where applicable? | Yes |
| E40 | Has the relationship between the prominent person and the client/entity been understood? | Yes |
| E41 | Has appropriate senior-management approval been obtained where required? | Yes |
| E42 | Has enhanced ongoing monitoring been established? | Yes |

The FIC specifically publishes PCC 51 dealing with measures relating to FPPOs and DPIPs.

---

## 8. Adverse information and suspicion

| No. | EDD question | Required result |
|---|---|---|
| E43 | Has adverse information concerning the client, beneficial owners and controllers been investigated? | Yes |
| E44 | Has the reliability and relevance of the information been assessed? | Yes |
| E45 | Has the client provided a reasonable explanation where appropriate to seek one? | Yes |
| E46 | Has available independent information been used to corroborate the explanation? | Yes |
| E47 | Has the responsible person specifically considered whether an STR/SAR may be required? | Yes |

| No. | EDD question | Required result |
|---|---|---|
| E48 | Has that reporting decision and the reasons for it been documented internally? | Yes |

Importantly, suspicion does not need to be proven before a suspicious transaction/activity report may arise; FIC guidance describes the test as subjective and says there is no monetary threshold for an STR/SAR.

---

## 9. EDD final decision

At the end of EDD, I would require the Compliance Officer or authorised partner to answer these final five questions:

| Final question | Yes/No |
|---|---|
| Have we satisfactorily identified and verified the client and beneficial owners? | ☐ |
| Do we understand the purpose and nature of the relationship? | ☐ |
| Have the reasons for the high-risk factors been satisfactorily investigated? | ☐ |
| Are we satisfied that the residual ML/TF/PF risk can be appropriately managed? | ☐ |
| Has senior/compliance approval been obtained to establish or continue the relationship? | ☐ |

The final outcome should then be one of only four:

**APPROVE – HIGH RISK**
EDD completed; enhanced ongoing monitoring required.

**APPROVE WITH CONDITIONS**
For example, annual review, particular evidence required, increased transaction monitoring.

**REFER TO COMPLIANCE**
Information remains unresolved and further investigation is required.

**DO NOT ONBOARD / TERMINATE**
CDD cannot be completed or residual risk falls outside the firm's risk appetite. Consider separately whether a section 29 reporting obligation arises.

---

## 10. I would make one important change to the RMCP

I would therefore structure the accounting firm's system as:

**CDD → Risk Score → Trigger → EDD → Approval → Ongoing Monitoring**

rather than mixing ordinary CDD and EDD into one questionnaire.

For **every client**, the system stores:

**Mandatory CDD passed:** Yes/No
**Risk score:** e.g. 7
**Risk classification:** Medium
**EDD required:** Yes/No
**Reason for EDD:** specified
**EDD completed:** Yes/No
**Approval:** Partner/Compliance Officer
**Next review date:** date
**Event-trigger review:** active

That gives the accounting practice a far better audit trail and, importantly, demonstrates the FIC's required connection between **client-level risk assessment and the degree of due diligence applied**.

I would adopt **these exact CDD and EDD questionnaires as annexures to the new RMCP**, because they turn the RMCP from a policy document into an operational procedure that staff can actually follow.

# OVERKILL AND THE COMPLICATED RMCP: WHY ACCOUNTING FIRMS MUST STOP OVER-ENGINEERING FICA COMPLIANCE

There is a growing problem in the accounting profession.

Firms are either:

- Under-complying with the Financial Intelligence Centre Act (FICA), or
- Over-engineering their Risk Management and Compliance Programmes (RMCPs) to the point of paralysis.

Both are dangerous.

The regulator, the Financial Intelligence Centre (FIC), does not expect accounting firms to operate like multinational banks. FICA requires a **risk-based and proportionate approach**.

It does not require compliance theatre.

---

## The Overkill Problem

Across the profession we are seeing RMCPs that:

- Require searches of every global sanctions list imaginable
- Mandate annual re-screening of all clients regardless of risk
- Duplicate documentation already held on file
- Force staff to complete 40-page onboarding packs
- Treat every client as high risk

This is not compliance.

This is administrative overkill.

And overkill creates a new risk: **non-implementation**.

If your RMCP is so complicated that your staff cannot follow it consistently, you are exposed.

A regulator would rather see:

- A simple system that is consistently applied
  than
- A complex system that exists only on paper.

---

## What FICA Actually Requires

Under Sections 20, 21 and 42 of FICA, an accounting firm that qualifies as an accountable institution must:

- Register with the FIC
- Identify and verify clients
- Identify and verify beneficial owners
- Assess risk
- Monitor ongoing relationships
- Report suspicious transactions

That is the statutory backbone.

The law says **“reasonable steps.”**

It does not say:

- Search every list in the world.
- Subscribe to every international database.
- Re-verify low-risk clients annually without cause.
- Build a compliance structure designed for cross-border banking institutions.

---

## The RMCP Must Reflect Your Practice

An accounting firm typically services:

- South African individuals
- SMEs
- Private companies
- Trusts

It does not process global wire transfers.

It does not manage sovereign wealth funds.

Your RMCP must reflect your actual risk exposure — not theoretical global exposure.

Proportionality is the governing principle.

---

## Beneficial Ownership — Where Complexity Creeps In

Another area where firms over-engineer is beneficial ownership.

Yes, you must trace through layered structures — even where ownership runs through three or four entities — until you identify the ultimate natural person(s).

But the beneficial owner is not your client.

You do not:

- Open separate compliance files for each shareholder.
- Perform full CDD on every intermediate entity.
- Score every layer as if it is a separate engagement.

You identify, verify, and assess whether beneficial ownership increases the risk of the entity you are servicing.

Complexity increases risk scoring.

It does not change who your client is.

---

## The Real Risk of Complicated RMCPs

Over-engineered RMCPs create:

- Staff fatigue
- Inconsistent application
- Mechanical tick-box behaviour
- False security
- Escalation blindness

When everything is high risk, nothing is high risk.

The objective is to identify genuine red flags — not manufacture administrative noise.

---

**A Structured Alternative: The Accfin Sky FICA Methodology**

The solution is not minimalism.

The solution is structure.

The Accfin Sky FICA methodology is built around:

- Structured onboarding questions
- Weighted risk scoring
- Automatic categorisation
- Escalation triggered by risk indicators
- Proportionate screening
- Use of existing client documentation

Instead of asking staff to exercise vague judgement, the system:

1. Asks defined compliance questions.
2. Assigns weighted scores.

3. Aggregates the result.
4. Classifies risk as low, medium or high.
5. Triggers escalation only where justified.

This creates:

- Consistency
- Defensibility
- Audit trail
- Practical workflow integration

Low-risk clients proceed efficiently.

High-risk indicators trigger enhanced due diligence.

That is how a risk-based RMCP is supposed to function.

---

## Stop Searching Every List in the World

One of the most common misunderstandings is sanctions and PEP screening.

FICA requires reasonable measures.

It does not require:

- Blanket global database subscriptions.
- Continuous re-screening of stable domestic SMEs.
- Screening irrelevant foreign watchlists.

If your firm services predominantly domestic clients, your screening must reflect that exposure.

Relevance is key.

---

## Compliance Is Not About Fear

Many complicated RMCPs are driven by fear — not law.

Fear of inspection.
Fear of penalties.
Fear of being “caught out.”

But fear-driven compliance leads to:

- Over-collection of documentation
- Over-processing of low-risk clients
- Under-analysis of actual high-risk indicators

Intelligent compliance requires professional judgement supported by structured systems.

---

## What Regulators Want to See

In an inspection, the regulator will ask:

- Do you have an RMCP?
- Is it implemented?
- Can you show risk assessment?
- Can you show escalation where justified?
- Can you demonstrate ongoing monitoring?

They will not ask:

“Why didn’t you search 73 international databases?”

They want proportionality and implementation.

---

## The Balanced Approach

An effective RMCP in an accounting practice should:

✓ Be structured
✓ Be risk-based
✓ Be proportionate
✓ Be integrated into workflow
✓ Use existing client data
✓ Escalate only where risk justifies it
✓ Be consistently applied

It should not:

✗ Paralyse onboarding
✗ Duplicate documentation unnecessarily

✗ Treat every client as high risk

✗ Create procedures staff cannot follow

---

## Conclusion

Accounting firms that qualify as accountable institutions must comply with FICA.

But compliance does not mean complexity for its own sake.

An over-engineered RMCP is not stronger compliance.

It is operational risk disguised as diligence.

The correct approach is disciplined, structured and proportionate — supported by intelligent systems such as the Accfin Sky FICA methodology.

Compliance is about identifying real risk.

Not creating artificial paperwork.

And in the accounting profession, simplicity implemented consistently will always outperform complexity ignored in practice.

# ABREVIATIONS

I checked the comprehensive accounting-practice RMCP. It uses a fairly large number of abbreviations across the main document, reporting matrix, annexures and implementation checklist.

I would add the following **"Abbreviations and Definitions"** section near the beginning of the RMCP.

| Abbreviation | Full term | Explanation in the RMCP |
|---|---|---|
| **AI** | Artificial Intelligence | Technology using automated or machine-assisted analysis. In the RMCP it appears in the context of technology risk and AI-assisted review. |
| **AML** | Anti-Money Laundering | Measures designed to prevent, detect and report money laundering. |
| **BO** | Beneficial Owner / Beneficial Ownership | The natural person or persons who ultimately own or exercise control over a client or legal |

| Abbreviation | Full term | Explanation in the RMCP |
|---|---|---|
| | | entity/arrangement. BO information must be identified, verified as appropriate and kept current. |
| **CDD** | Customer Due Diligence | The process of identifying and verifying the client, representatives and beneficial owners; understanding the purpose and intended nature of the relationship; assessing risk; and conducting ongoing monitoring. |
| **CC** | Close Corporation | A South African close corporation. It is one of the entity types that may be encountered by an accounting practice. |
| **CIPC** | Companies and Intellectual Property Commission | The South African authority responsible for company and close-corporation registration and related statutory information. CIPC information can be used as a corroborating source, but the RMCP does not treat it as automatically sufficient CDD evidence. |
| **CPF** | Counter-Proliferation Financing | Measures intended to prevent financing connected with the proliferation of weapons of mass destruction. |
| **CTR** | Cash Threshold Report | A report to the FIC where a qualifying physical-cash transaction meets the prescribed reporting threshold. The RMCP's reporting matrix provides for CTR controls. |
| **CTF** | Counter-Terrorist Financing | Measures designed to prevent and detect the financing of terrorism. |
| **DNFBP** | Designated Non-Financial Business or Profession | A category used internationally and in AML/CFT frameworks for certain non-financial businesses and professions subject to AML/CFT controls. TCSPs fall within this broader type of regulated activity. |
| **DPIP** | Domestic Prominent Influential Person | A South African person who holds, or has held, a prominent influential position of the type contemplated by the FIC Act. DPIP status requires |

| Abbreviation | Full term | Explanation in the RMCP |
|---|---|---|
| | | a risk-based assessment; it does not automatically mean the client is criminal or prohibited. |
| **EDD** | Enhanced Due Diligence | Additional due diligence applied where higher risk exists or additional measures are required. It can include deeper BO verification, source-of-funds/source-of-wealth enquiries, senior approval and enhanced monitoring. |
| **EWRA** | Entity-Wide Risk Assessment | The practice's overall assessment of its exposure to ML, TF and PF risk across services, clients, industries, geography, delivery channels, technology and other risk factors. It must underpin the RMCP. The RMCP specifically requires the EWRA before finalising the firm's risk appetite and controls. |
| **FIC** | Financial Intelligence Centre | South Africa's financial-intelligence authority established under the FIC Act. Accountable institutions register with and make prescribed reports to the FIC. |
| **FIC Act** | Financial Intelligence Centre Act 38 of 2001 | The principal South African legislation governing AML/CFT/CPF obligations relevant to the RMCP. |
| **FICA** | Financial Intelligence Centre Act / FICA compliance | Common shorthand for the FIC Act and its compliance framework. In the RMCP, “Sky FICA” also refers to the Accfin compliance system/product. |
| **FPPO** | Foreign Prominent Public Official | A person who holds, or has held, a prominent public function in a foreign country. The FIC Act requires specified enhanced measures in relation to FPPOs. |
| **ID** | Identification / Identifier | Used in the document particularly in “FIC Org ID”, meaning the organisation identifier associated with the firm's FIC registration. |

| Abbreviation | Full term | Explanation in the RMCP |
|---|---|---|
| **IFTR** | International Funds Transfer Report | A prescribed report under section 31 of the FIC Act for institutions to which the international-funds-transfer reporting obligation applies. The RMCP specifically notes that this should not be configured automatically for an ordinary accounting/TCSP practice unless the statutory category applies. |
| **KYC** | Know Your Customer / Know Your Client | Common industry term for client identification and verification. In the RMCP it is distinguished from the fuller statutory CDD process. |
| **L / M / H** | Low / Medium / High | Risk classifications used in the EWRA and other risk registers. |
| **MI** | Management Information | Compliance information and statistics reported to management, partners or the board—for example overdue CDD, high-risk clients, TFS matches and regulatory reports. The RMCP requires this type of information to be reported to governance. |
| **ML** | Money Laundering | Conduct involving the concealment, movement, conversion or use of proceeds associated with unlawful activity. |
| **MLRO** | Money Laundering Reporting Officer | The person responsible for managing/escalating suspicious matters and regulatory reporting within the practice. The RMCP uses **"Compliance Officer / MLRO"** and assigns this person responsibility for the RMCP, high-risk cases, reporting, sanctions escalation, training and compliance testing. |
| **ML/TF/PF** | Money Laundering / Terrorist Financing / Proliferation Financing | The three principal financial-crime risks addressed by the RMCP. |
| **NPO** | Non-Profit Organisation | An organisation established for non-profit purposes. The RMCP includes NPOs among the entity/client types for which ownership, control, |

| Abbreviation | Full term | Explanation in the RMCP |
|---|---|---|
| | | office bearers and funding may need to be understood. |
| **Org ID** | Organisation Identifier | The identification number/reference allocated in connection with an organisation's FIC registration. The RMCP requires applicable FIC Org IDs to be recorded. |
| **PCC** | Public Compliance Communication | Formal FIC communications providing guidance or interpretation on specific compliance matters. The RMCP refers, among others, to PCC 6A, PCC 44A, PCC 51, PCC 53 and PCC 59. |
| **PF** | Proliferation Financing | Financing connected with the proliferation of weapons of mass destruction and related activities. |
| **QA** | Quality Assurance | Review/checking procedures designed to ensure that a regulatory decision or submission is complete and correct—for example QA of a goAML submission. |
| **RCR** | Risk and Compliance Return | A regulatory risk/compliance return required by the FIC for applicable sectors/categories. The RMCP requires the practice to maintain a compliance calendar for applicable RCR obligations. |
| **RMCP** | Risk Management and Compliance Programme | The documented policies, procedures, systems and controls adopted to identify, assess, monitor, mitigate and manage ML/TF/PF risks. This is the central document itself. |
| **SAR** | Suspicious Activity Report | A section 29 report generally relating to suspicious activity where the concern is not necessarily tied to a completed transaction. |
| **SARS** | South African Revenue Service | South Africa's tax authority. In an accounting practice, SARS and tax information may provide important CDD or ongoing-monitoring triggers where it conflicts with the known client profile. |

| Abbreviation | Full term | Explanation in the RMCP |
|---|---|---|
| **SLA** | Service Level Agreement | The agreed timeframe or service standard for completing an action. In the RMCP annexures it is used for due dates associated with event-trigger workflows. |
| **SOF** | Source of Funds | Where the particular money involved in a transaction or relationship came from—for example salary, sale proceeds, loan funding or business income. |
| **SOW** | Source of Wealth | How a person accumulated their overall wealth—for example business ownership, employment, investments or inheritance. |
| **SOW/SOF** | Source of Wealth / Source of Funds | The combined shorthand used in the RMCP for enhanced enquiries, particularly for higher-risk and prominent-person cases. |
| **STR** | Suspicious Transaction Report | A report under section 29 of the FIC Act concerning a suspicious or unusual transaction. |
| **TCSP** | Trust and Company Service Provider | A provider of specified trust or company services that may fall within **Item 2 of Schedule 1** to the FIC Act. This is particularly important to an accounting practice because ordinary accounting/tax work alone does not necessarily make the firm an accountable institution; the services actually carried on must be assessed. |
| **TF** | Terrorist Financing | The financing, provision or collection of funds connected with terrorism or terrorist activities. |
| **TFS** | Targeted Financial Sanctions | Sanctions applicable to designated persons/entities. The RMCP requires screening of relevant clients, beneficial owners and other relevant persons against the applicable TFS list. |
| **TPR** | Terrorist Property Report | A report under section 28A where the relevant factual terrorist-property/designated-person condition exists. The RMCP distinguishes this from suspicion-based STR/SAR reporting. |

| Abbreviation | Full term | Explanation in the RMCP |
|---|---|---|
| **UNSC** | United Nations Security Council | The UN body whose sanctions designations underpin relevant targeted financial-sanctions measures. The RMCP provides for re-screening when the UNSC/FIC TFS list changes. |
| **VAT** | Value-Added Tax | A South African tax. VAT processing is included in the RMCP as an example of tax information that may reveal new client facts and trigger ongoing CDD. |
| **goAML** | goAML reporting platform | The electronic system used for submitting prescribed regulatory reports to the FIC and retaining associated submission evidence. |

**The important reporting abbreviations**

Because these are easily confused, I would put a small box immediately underneath the abbreviations table:

**STR = Suspicious Transaction Report — section 29**
**SAR = Suspicious Activity Report — section 29**
**CTR = Cash Threshold Report — section 28**
**TPR = Terrorist Property Report — section 28A**
**IFTR = International Funds Transfer Report — section 31, only where applicable**

The existing RMCP already separates STR/SAR, CTR and TPR in its regulatory reporting matrix.

**Prominent persons**

I would also make these two unmistakable:

**FPPO = Foreign Prominent Public Official**
**DPIP = Domestic Prominent Influential Person**

They should not simply be described as “PEPs” in the RMCP because the South African FIC Act uses these more specific categories. The RMCP already specifically includes FPPO/DPIP cases in its monitoring and governance controls.

I recommend inserting this full glossary **immediately after “Document Control and Approval” and before section 1 of the RMCP**. That will also solve the MLRO, STR, SAR and TPR terminology questions for anybody in the accounting firm using the document.