SAMLIT
2020 Annual Review
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The country and its citizens, private institutions and the public sector are suffering intense economic, social and reputational hardship due to the impact of widespread corruption and money laundering perpetrated by criminals. This situation has called for regulatory authorities such as the Financial Intelligence Centre (FIC), and the South African Reserve Bank’s Prudential Authority and Financial Surveillance department to advocate extraordinary responses. One solution has been to establish the South African Anti-Money Laundering Integrated Task Force (SAMLIT), a financial information sharing partnership between the banking community and the public sector. The partnership has the endorsement and support of the principals of the Justice, Crime Prevention and Security cluster. Private sector members of SAMLIT include 22 domestic banks as well as additional international banks, banking industry representatives in the form of the South African Banking Risk Information Centre and the Banking Association of South Africa. SAMLIT is premised on the banking sector being at the coalface of the transactional environment. This optimally positions it to identify the modus operandi of criminality in the transaction environment and, to share this knowledge with other banks and the regulators. At its core, SAMLIT is a financial information exchange partnership between these customer-facing entities and the public sector. The basis for the partnership is to help detect, prevent, and disrupt financial crime, including money laundering and terrorist financing. SAMLIT’s objectives are to increase efficiency and effectiveness in combating financial crime. The partnership also has the objective of enhancing role players’ understanding of national and international crime trends and, ensuring they are at the forefront of asset recovery in domestic and foreign jurisdictions. Across the globe, these types of partnerships have increasingly been hailed as a best suited response to address financial crimes. The Financial Action Task Force, the international anti-money laundering and combating of terrorist financing policy and standards setting body, cites these partnerships as central to creating greater understanding on how financial crime occurs and how to fight this scourge.

Through the sharing of knowledge and expertise, the work of SAMLIT paves the way for linkages with law enforcement and other members of the criminal justice value chain, so that rapid action can be taken to address financial crime. In this, its first year of operation, SAMLIT members have worked hard at fine tuning work modes, information flows, developing processes for fast tracking delivery to ensure solid foundations and a platform upon which future activities will be based. Already the two research and implementation arms of SAMLIT, the expert working groups (EWGs) and task operational groups (TOGs) are up and running, enabling a deeper insight into crime trends and developing indicators of criminal behaviour. This will enrich the work of the private and the public sector in a trusted environment. December 2020 brought to a close the first year of the private-public partnership. Altogether the steps taken, and work done will enhance and assist in the fight against crime and we look forward to these linkages bearing fruit in the future.

This has been a year like no other and cannot be likened to anything any of us experienced before. All of us have been and will continue to be, impacted in one way or another by the coronavirus pandemic. The impact of nationwide lockdown measures which were put in place to support the health, safety and livelihood of citizens will continue to reverberate for a long time. It is significant that SAMLIT was birthed in this turbulent and uncertain time. However, this start has prepared SAMLIT’s members and will help us to face the next period with sleeves rolled up and ready to take further action in the fight against crime. This first year of partnership has provided us with deeper insights on criminality and strengthened our resolve to combat financial crime. I take this opportunity to thank each member, associate, and partner of SAMLIT for their dedication and contribution to the good work that has been done so far. I look forward to 2021 with the expectation that together, we will make further inroads in the fight against financial crime.
Banks are at the frontline of identifying suspicious transactions. In 2019, banks filed 192,890 suspicious and unusual transactions with the Financial Intelligence Centre.

While banks have a duty to report suspicious transactions, they cannot undertake criminal investigations. The successful investigation and prosecution of those involved in financial crime requires effective collaboration and cooperation between all those stakeholders who have a responsibility to prevent the abuse of the South African and global financial system.

SAMLIT has paved the way for the first public-private partnership, between the banks and government, to fight financial crime by enhancing collaboration and combining the resources of the regulatory authorities and financial institutions. The Banking Association South Africa (BASA) and its members are excited about the work being done and results being achieved by SAMLIT. We are committed to continuing to play our role in combating financial crime.

In 2020, the South African Banking Risk Information Centre (SABRIC) was mandated by banks to expand its mission to include combating financial crime.

SABRIC recognises that the benefits of this public-private sector partnership will empower individual banks and enable them to benefit from a collective response to financial crime.

SABRIC will work with SAMLIT to improve the effectiveness of the industry’s response to anti-money laundering and the combating terrorist financing. SABRIC will partner with SAMLIT to enable information exchange between nodal points, including the banks, to enhance risk identification and facilitate suspicious transaction reporting by improving the ability to identify individuals and entities for analysis and investigation, co-creating strategic intelligence and participating in research projects.

In addition, SABRIC will design and lead the SAMLIT communication strategy to act as an information facilitator, communicate about work and achievements and drive consumer awareness.
guidance on how members within SAMLIT will communicate with external stakeholders in as far as it relates to SAMLIT work, objectives, and activities. Membership of the steering committee includes the Prudential Authority and 10 elected member banks.

Measures to curtail the spread of the COVID-19 pandemic such as restrictions on large gatherings have limited physical SAMLIT gatherings, including its quarterly forums. However, SAMLIT successfully navigated these challenges by hosting virtual engagements which included the SAMLIT steering committee meeting. The use of audio visual technology such as webinars are expected to play an increasingly important role in fast-tracking communication among members in a safe and convenient manner.

The partnership further supports the marshalling of resources among members to ensure SAMLIT operates successfully and effectively. SAMLIT is governed by its charter which defines its partnership structure and draws on the expertise of its members and capitalising on enhanced mutual co-operation. All processes in SAMLIT operate within the charter and the legal framework which allows information to flow between the FIC, the banks, and other partners as provided for in the FIC Act.

Signatories to the charter are committed to collaboration and the exchange of information to assist in the detection and disruption of financial crime in relation to selected financial crime investigations. Furthermore, SAMLIT members agree to exchange general and specific information at quarterly forums that will enhance the collective understanding of financial crime.
Members have recognised that developing and implementing a FISP, anchored by a data-driven rationale with well-articulated goals, will prove beneficial for the outcomes of SAMLIT.

According to a 2019 comparative analysis on FISPs by the Royal United Services Institute (RUSI) and the Centre for Financial Crime and Security Studies, the benefits of these partnerships include:

- An increase in the number of suspicious reports addressing threats prioritised by the partnership
- More timely and relevant reporting in response to active investigations or live incidents
- Improved quality and utility of suspicious reporting
- Improved law enforcement outcomes supporting investigations, prosecutions, asset recovery or other disruption of criminal networks
- The development of a more collaborative culture between public agencies and regulated entities
- Heightened risk awareness in the private sector
- Increased understanding in the public sector about complex financial issues or services and their vulnerabilities to abuse
In following the internationally recognised financial information sharing partnership approach, SAMLIT focuses primarily on strategic intelligence and tactical information sharing.

On the strategic intelligence sharing side, SAMLIT identifies specific types of behaviours and activities associated with different types of crimes through its expert working groups (EWGs). These typologies are intended to increase knowledge on various types of crimes and help identify, and possibly pre-empt such criminal behaviour.

In terms of strategic intelligence sharing, specific crime threats are identified on a national priority basis and processed through the tactical operations groups (TOGs) mechanism.

Expert working groups (EWGs)

EWGs may be established to focus on specific financial crime trends and/or threats as well as their impact both nationally and internationally. EWGs support and enhance the work of SAMLIT by facilitating information gathering and conducting research to identify and analyse international and local trends and threats.

Typologies and solutions are developed from the research which are then shared with the relevant public and private partners, including law enforcement agencies, to enhance understanding and improve the effectiveness of combating such threats.

In addition, the research papers produced by the EWGs can be utilised to update and enhance both national and sectoral risk assessments.

A SAMLIT EWG is based on proposals received from members and is made up of the proposing SAMLIT member and any other member that volunteers to assist with a given project. The EWG is also free to co-opt any other party outside SAMLIT, that could add value to the process.

The main goals of the TOGs are:

To ensure effective and efficient investigations into specific financial crimes as identified by the EWGs, the FIC or any member of SAMLIT, requiring enhanced co-operation, collaboration and the exchange of timeous information to effectively and efficiently combat specific types of financial crime.

The relevant SAMLIT members appoint suitably qualified and experienced officials to constitute the TOG at the request of the FIC.

The TOGs are mandated by the FIC, in relation to specific financial crime investigations and based on the nature and ambit of the mutual co-operation, collaboration, assistance and exchange of information that is required from each relevant member.

A comprehensive and objective case selection guideline has been developed to assist in the identification and selection of appropriate cases for escalation to the TOGs. The scoring process comprises of six factors. The weighted score allocated to a qualifying case will be used as a guideline to determine the degree of priority that a case should be given by the TOG.

The case selection criteria consist of the following six factors:

1. Number of financial institutions affected
2. Monetary value of alleged crime involved
3. Profile of alleged perpetrator(s) involved
4. Profile of victim(s) involved
5. Public and national interest
6. Actions required by the TOG

To ensure the enhanced sharing of quality and complete intelligence and collaboration.

To ensure collection of relevant resources at one location to effectively and efficiently combat specific types of financial crime.

International lessons for tackling financial crime

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Grounded in the spirit of mutual trust, SAMLIT offers banks and the regulatory authorities a safe space to openly and freely share financial intelligence in the pursuit of disrupting financial crime.

SAMLIT has enhanced the trust between the public and private sector, ultimately improving the quality of reporting of financial crime while enhancing levels of expertise and knowledge among partners. Bound by confidentiality requirements, all information is obtained or shared by members through SAMLIT initiatives.

The establishment of SAMLIT forms part of a global growth trend of public-private financial information sharing partnerships to tackle financial crime. The impact of this partnership extends to the public-public co-operation platform that is the Fusion Centre as well as international collaborations.

The Fusion Centre, a public-public collaborative hub of the FIC which consists of a representation of various law enforcement agencies, has been complemented by contributions by SAMLIT members through its private-sector partners. The Fusion Centre coordinates the relationships between various policies and legislative frameworks and facilitates the gathering, analysis and sharing of information and intelligence among multi-disciplinary role players.

The Fusion Centre was well positioned when complaints of fraud and corruption started rolling in following government’s announcement in April 2020 of the introduction of R500 billion to assist with COVID-19 support measures. These measures placed a focus on the poor, provided social relief and health measures. On 15 May 2020, the Fusion Centre was assigned the responsibility of coordinating the law enforcement response to allegations of corruption, or related activities, including maladministration of funds in respect of the relief and containment interventions.

On an international level, the South African experience in the establishment of a financial intelligence sharing partnership has been captured in a report by the Future of Financial Intelligence Sharing (FFIS) programme. The research project was supported by the Royal United Services Institute (RUSI) – the world’s oldest defence and security think tank and research-led institute, producing independent, practical and innovative analysis on financial crime – and the Centre for Financial Crime and Security Studies.

The FFIS surveyed more than 20 countries and public-private financial information sharing partnerships between April and June 2020. The research resulted in a report titled Five years of growth in public-private financial information sharing partnerships to tackle crime. The report provides descriptive summaries of 23 national and transnational financial information-sharing partnerships. South Africa and SAMLIT’s inclusion in the report serves as an important contribution to the global understanding of how these partnerships can succeed in disrupting crime.

From a trans-national information-sharing partnership point of view, individual SAMLIT members from the banking sector – ABSA, Investec and Standard Bank – are among international signatories to the United for Wildlife Illegal Wildlife Trade Financial Taskforce which seeks to make it impossible for traffickers to use private sector infrastructure to finance and transport illegal wildlife trade products with impunity.

The taskforce identified the need to escalate the illegal wildlife trade as a significant financial crime and to create a better understanding of the financial flows associated with wildlife crime to assist in better identification and reporting of suspicious activity. United for Wildlife further aims to build a broad, transnational coalition of members who will work with financial intelligence units and law enforcement to prevent and disrupt the international organised crime networks that fuel trafficking.

SAMLIT will be looking to further strengthen the partnerships among members and will continue to fortify relationships with stakeholders in the public sphere and at a transnational level.
Across the globe, financial information sharing partnerships are increasingly popular and effective models for taking on the fight against financial crime. Carefully constructed private-public partnerships provide early warning systems on criminal behaviour, which assist in identifying and disrupting criminality, helping to bring a short stop to financial crime. In South Africa, SAMLIT is fulfilling this role.

Essentially, SAMLIT’s main purpose is to ensure that banks improve the quality of reports sent to the FIC. In turn, quality and actionable intelligence can be produced for law enforcement agencies. To do this, banks need to provide detailed, information-rich regulatory reports for analysis, which in turn can be converted into intelligence for law enforcement authorities for their investigations and applications for asset forfeiture.

The banking sector is critical to the South African economy as it provides not only financial services, but also stability and viability.

As a tightly regulated sector, the banking environment and infrastructure are well under the spotlight when domestic and foreign investors look for markers of economic and social growth potential.

The banking sector is often abused by criminals looking for opportunities via the banking system to launder the proceeds of their crimes to legitimise their ill-gotten gains.

We believe that in the fight against money laundering and the financing of terrorism, public-private partnerships are one of the most important tools at the disposal of a country seeking to neutralise these treats.

Individually, none of us have the knowledge or expertise to effectively and efficiently combat financial crime or fully understand how crimes are planned and committed. Individually, we cannot anticipate and identify criminal behaviours or know how to accumulate sufficient information and translate it into admissible evidence for law enforcement to use to apprehend and convict these criminals.

Globally, financial intelligence units such as the FIC rely heavily on the information contained in regulatory reports provided by the banking sector. In the 2019/20 financial year, the FIC received close to 6 million cash threshold reports. Of these, the banking sector provided more than 5.1 million cash threshold reports. Furthermore, the banks provided 192,890 suspicious and unusual transaction reports out of a total of 299,256 the FIC received in 2019/20.

These regulatory reports are central to the analysis the FIC conducts and the financial intelligence it develops and disseminates to law enforcement authorities, both locally and internationally, for further investigations and asset forfeiture action.

Since SAMLIT’s establishment, the FIC has been able to support law enforcement agencies by:

- Sharing 3,014 high quality financial intelligence reports
- Blocking R523.2m being the proceeds of crime in 158 bank accounts
- Shared financial intelligence to enable the recovery of the proceeds of crime to the value of R165.7m
Being at the coalface of the transactional environment makes the banking sector an invaluable source of customer and transactional information. Banks can provide timeous, relevant and current data-rich information to regulatory and law enforcement authorities tasked with combating financial crimes. As such, the banking sector may be the most effective means for helping to identify, prevent and assist in combating financial crime.

Tackling financial crime is always of the essence, so the intersect of the banking industry with regulatory authorities must yield early warning systems.

The effectiveness and impact of SAMLIT’s work positively impacts delivery of another partnership, that of the Fusion Centre, a public-public collaboration of the FIC and representation of various law enforcement agencies. This partnership already demonstrated tangible results in 2020 and are reflected elsewhere in this review report.

The collaboration and partnership endeavours of SAMLIT have been formally established through the SAMLIT Charter, which has been signed by all members.

Secondly, there is common understanding among members that the financial system must be secure and sustainable, and that criminals must not have opportunities to exploit it.

Over and above this, the most important feature of SAMLIT is that it offers a safe and trusted environment where members can exchange knowledge and experiences on the latest criminal trends and typologies. This has proven to be an overwhelmingly positive driver in SAMLIT’s first year.

SAMLIT allows for an organised and collective effort to combat money laundering and terrorist financing and proliferation financing through responsible and timeous financial information sharing. This will also help increase joint understanding of the complex nature of financial crime transactions, as well as the speed and the sophistication with which they are performed.

In addition, this will help develop a deeper understanding of predicate offences within SAMLIT and allow for continuous monitoring and revision of threats and risks while working with law enforcement to deliver tangible impacts in the disruption of criminal activity. To this end, law enforcement pledged to prioritise matters referred to them by the FIC following meetings with national heads.

Under the aegis of SAMLIT, bright, eager, dedicated and sharp-minded representatives from the private and public sectors are investing time and energy in important initiatives aimed at identifying and curbing money laundering, terrorist financing and other financial crimes.

We are deeply grateful to the chief executives of the banks and to the regulatory authorities for enabling the work of their teams. None of SAMLIT’s success thus far would have been possible without the commitment of these teams. Our efforts are bearing fruit and more will come to light in the period ahead.

I am also happy to say that despite it being the early days in the life of SAMLIT, it has received recognition from the Royal United Service Institute (RUSI) featuring in its report on public-private financial information sharing partnerships which was published on 21 July 2020. In November 2020 the United for Wildlife Taskforce requested to partner with SAMLIT to counter traffickers’ abuse of private-sector infrastructure to finance and transport illegal wildlife trade products. We truly trust in the value of this partnership and model upon which it is based and encourage the formation of similar partnerships across the African continent.

To date, SAMLIT has approved the following expert working groups (EWGs):

- **EWG ON ILLEGAL WILDLIFE TRADE** – to identify typologies and red flags regarding illegal wildlife trade in the Southern African region and to inject such information back into the financial sector’s financial crime monitoring and investigation processes to enhance the identification of wildlife syndicates that would ultimately lead to their arrest and prosecution.

- **EWG ON TERRORISM FINANCING IN MOZAMBIQUE** – to assess and understand the risks and financial flows associated with the increase levels of terrorism in Mozambique.

- **EWG ON MODERN SLAVERY AND HUMAN TRAFFICKING** – to identify and understand typologies, red flags and financial flows associated with human trafficking and modern slavery activities in South Africa.
Ultimately, we want to break the cycle where criminals use the financial system for purposes of money laundering. We want early detection systems to equip the banks so that they can warn each other and law enforcement about active or pending crimes that would lead to arrests and bring criminals to justice.

In an effort to streamline and enhance SAMLIT’s activities, the following protocols and procedural frameworks have been adopted:

**SAMLIT STRATEGIC FRAMEWORK** – sets out the rationale, purpose, and goals of SAMLIT as a public-private financial information sharing partnership.

**SAMLIT EWG OPERATING PROCEDURE** – sets out the process for initiating an expert working group project that will gather information and conduct research to identify and analyse international and local trends and threats. Typologies relating to financial crime, in particular money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction are developed which will be shared with SAMLIT members, law enforcement agencies and other partners.

**SAMLIT TACTICAL OPERATIONS GROUP (TOG) OPERATING PROCEDURE** – sets out the process for initiating a tactical operations group in respect of a specific financial crime requiring enhanced co-operation, collaboration, and the exchange of timeous information.

**SAMLIT CASE SELECTION CRITERIA** – sets out the case selection process and criteria which will ensure that cases which would have a tangible impact on serious specific financial crime matters are selected and prioritised via a TOG.

**SAMLIT COMMUNICATION PROTOCOL** – defines a process that will enable effective communication between SAMLIT, its members, stakeholders and government regulatory authorities to fulfil its overall strategic objectives to combat financial crime, money laundering and terrorist financing.

At all times, we hold dear the strategic goals of SAMLIT:

- **Be impactful**
- **Prevent, detect and disrupt financial crime**
- **Build capacity in skills and knowledge**
- **Develop collective insight of risks, trends and mitigation**
- **Prompt arrest and dissuasive civil and criminal sanctions**
- **Develop typologies to influence policy and strategic direction**
- **Mutual trust based proactive targeting of criminals and assets**
Case Studies

OPERATIONAL SUCCESS WITH THE ASSISTANCE OF SAMLIT:
Fraudulent transfers from the Unemployment Insurance Fund

- The FIC was made aware of suspicious transactions and activities potentially involving a payment of R5.6 million which was allegedly fraudulently transferred from the Unemployment Insurance Fund (UIF) in relation to the Temporary Employer Relief Scheme (TERS) funding for employees on a company’s payroll.
- Quick action by law enforcement agencies in the Fusion Centre, with the support of SAMLIT members, led to the freezing of 28 bank accounts, identification of the criminal actors and recovery of over R2 million in cash and assets purchased with the proceeds of crime.
- Five suspects are appearing in the Specialised Commercial Crime court, facing charges of fraud and money laundering related to the matter.

OPERATIONAL SUCCESS:
Collaboration between SAMLIT and Fusion Centre on fraud matter

- The UIF was examining payments to a company which claimed UIF Relief Funds. An amount of R111.9 million was paid to the company. Subsequent to enquiries by the UIF, the bank decided to block the funds. When the suspect realised that he could not access the money, he called an official of the UIF and requested the unblocking of the funds.
- The accused offered the official R10 000 and promised the official a further R500 000 upon access to the money in his company’s account. A sting operation led to the arrest of the accused.
- The accused is facing charges of corruption, fraud and money laundering and the matter has been remanded to a future date for further investigation.
- The Asset Forfeiture Unit, using the financial intelligence supplied by SAMLIT, obtained a preservation order for R111.1 million.

FRAUD: Mirror Trading International (MTI)

- The Financial Sector Conduct Authority (FSCA) investigated Mirror Trade Investments (MTI) for the contravention of S7(1) of the FAIS Act, which was operating as a financial service provider, without being licensed to do so.
- MTI used crypto assets to trade on a forex platform and may have contravened S5 of the Collective Investment Schemes Control Act, 2002 (Act 45 of 2002) (CISCA Act) which is a criminal offence in South Africa.
- It was alleged that the investigated parties may be engaged in fraud.
- S27 responses promptly received from various banking institutions indicating at which banks accounts were held by the subject. This assisted FSCA further in the subpoena process in obtaining bank statements for investigation.
- Through the S32 process, two of the banks assisted by providing KYC documents and bank statements that were linked to the subject. This assisted the FIC in obtaining the relevant identifying particulars and addresses linked to the subject and enabled the FIC to conduct bank statement analysis.
- As a result of the assistance received from the banks, a financial profile of the subject was disseminated to FSCA and a referral was made to the National Prosecuting Authority.
- FIC issued a section 39 certificate of STRs, SARs and CTRs received. The STR and CTR reports received from the banking institutions, assisted the FIC in compiling the S39 certificate and highlighting the suspicion that MTI is a Ponzi scheme.
- The S39 certificate assisted FSCA with obtaining a search warrant for MTI’s premises countrywide.