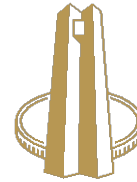


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SOUTH AFRICAN RESERVE BANK
Financial Surveillance Department

14/6/2_2022

2022-09-20

Exchange Control Circular No. 19/2022

Agent requirements

The Financial Surveillance Department has introduced amendments to the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with limited authority (ADLA Manual) with a view to strengthen the regulation and supervision of the Authorised Dealer in foreign exchange with limited authority (ADLA) industry.

The following amendments to the ADLA Manual are outlined:

Section A.1

The following definition has been added:

Field agent means a natural person who is employed by an ADLA or employed by a service provider contracted by an ADLA on a full time or on a contractual and/or commission basis to introduce potential clients and/or collect client identification and verification documentation on behalf of the ADLA for the purposes of onboarding a client of the ADLA.

Section B.2(B)

The entire section has been deleted and replaced as follows:

(B) Agent requirements

(i) Local referral agents and travel agents

- (a) ADLAs who want to deal with local referral agents and travel agents acting on behalf of individual and corporate clients who want to buy and

sell foreign currency from/to the ADLA concerned, must apply to the Financial Surveillance Department for prior approval to enter into a business relationship with the local referral/travel agent(s) and provide, inter alia, the following information:

- (aa) full name(s) and address of the local referral/travel agent(s) concerned;
 - (bb) copies of the CDD documents of the local referral/travel agent(s) with whom the ADLA is entering/concluding the relative agreement;
 - (cc) copies of the CDD documents of the local referral/travel agent's authorised representatives concerned;
 - (dd) details of the type of business activities that the local referral/travel agent will provide;
 - (ee) the draft agreement entered into between the local referral/travel agent and the ADLA. The draft agreement should make provision for the anti-money laundering and combatting the financing of terrorism roles and responsibilities of the two parties, including a provision that the Financial Surveillance Department may engage with the local referral/travel agent on matters of an anti-money laundering and combatting the financing of terrorism and exchange control nature;
 - (ff) a description of the internal control mechanisms that will be used by the local referral/travel agent in order to comply with their compliance obligations under the FIC Act, the ADLA Manual and the Regulations; and
 - (gg) details of the exchange control training and training in terms of the FIC Act provided by the ADLA to the local referral/travel agent.
- (b) Should the relationship with the local referral/travel agent be terminated, the Financial Surveillance Department should be advised by way of an application together with the reason for such termination.

- (c) Information on directors and persons responsible for management of the local referral/travel agent must be made available to the Financial Surveillance Department on request.
- (d) The ADLA remains responsible for its compliance obligations in terms of the FIC Act, the ADLA Manual and the Regulations in respect of the use of local referral and travel agents.
- (e) The ADLA's Risk Management and Compliance Programme must include details of its money laundering and terrorist financing risk assessment on the use of local referral/travel agents and include details pertaining to the management and monitoring of the local referral/travel agents and related transactions.

(ii) Field agents

- (a) ADLAs must apply for prior approval to the Financial Surveillance Department to make use of field agents. The application must provide, inter alia, the following information:
 - (aa) an overview of the services to be provided by the field agents;
 - (bb) whether the field agents will be employed on a contractual basis or permanent basis;
 - (cc) how the transactions will be concluded by clients using the service, including information pertaining to the end-to-end process, starting with the onboarding of clients to the transfer of funds. The role and responsibilities of the field agent in respect of the process should be clearly outlined;
 - (dd) client information collected by field agents may not be retained or reused by field agents. The application should provide a description of internal control mechanisms that will be implemented by the ADLA to ensure that client information collected by field agents is safeguarded against abuse;

- (ee) confirmation that field agents will not have access to CIV information of clients after the client has been onboarded by the ADLA;
- (ff) confirmation that no transactions may be concluded by the field agent on behalf of the client;
- (gg) confirmation that field agents are not allowed to collect, receive or have access to client funds;
- (hh) a description of the internal mechanisms that will be implemented by the ADLA to ensure that prospective field agents are deemed to be fit and proper;
- (ii) details of the exchange control training and training in terms of the FIC Act to be provided by the ADLA to the field agent, including refresher training;
- (jj) the draft employment agreement (template) to be entered into between the ADLA and the field agent(s). The draft employment agreement should include anti-money laundering and combatting the financing of terrorism roles and responsibilities of the parties, including a provision that the Financial Surveillance Department may engage with the agent on matters of an anti-money laundering and combatting the financing of terrorism and exchange control nature. The Financial Surveillance Department must be informed of any changes to the draft employment agreement by way of an application;
- (kk) a description of any other internal control mechanisms that will be used by the ADLA in order to comply with the obligations under the FIC Act. This should include the roles and responsibilities of the field agent in relation to anti-money laundering and combatting the financing of terrorism related obligations of the ADLA in terms of the FIC Act and should also include the onboarding of clients, record keeping arrangements, client transaction monitoring, adequate risk management practices in line with the ADLA's risk appetite and risk mitigation practices; and

- (II) a description of the measures to be implemented by the ADLA to ascertain whether a specific field agent was involved in a specific transaction or involved in the onboarding of a specific client.

- (b) Where an ADLA wishes to contract with a service provider to make use of field agents, an application must be submitted to the Financial Surveillance Department for prior approval.

- (c) The ADLA remains responsible for their compliance obligations in terms of the FIC Act, the ADLA Manual and the Regulations in respect of the use of field agents including field agents employed by a service provider contracted by the ADLA.

- (d) The ADLA must maintain an up to date schedule of field agents employed by their institution or field agents employed by a service provider contracted by the ADLA. The schedule must be made available to the Financial Surveillance Department on request and must include full names, the date of employment, the residential address and the identity number or passport number of the field agent. Supporting documentation confirming the aforementioned information should also be available.

- (e) The ADLA must ensure that all field agents are adequately trained and maintain an up to date training register of field agents which must be made available to the Financial Surveillance Department on request.

- (f) Copies of the signed employment agreements entered into between the ADLA and the respective field agents must be retained by ADLAs and made available to the Financial Surveillance Department on request.

- (g) An ADLA's RMCP must include details of the money laundering and terrorist financing risk assessment by the ADLA on the use of field agents and the details pertaining to the management and monitoring of field agents and field agent related transactions.

- (h) The ADLA must, on a six-monthly basis (during January and July), furnish the Financial Surveillance Department with an up to date

schedule of field agents employed by the ADLA by completing the field agents return attached hereto as Annexure D.

Annexure D – field agents return

A new annexure has been added.

ADLAs that already make use of field agents must conform to the amendments to the ADLA Manual by 2022-11-31.

The amended ADLA Manual may be accessed on the South African Reserve Bank's website, www.resbank.co.za by following the links: Home > What we do > Financial Surveillance > Financial Surveillance documents.

Head of Department: Financial Surveillance