



South African Reserve Bank
From the Office of
the Registrar of Banks

Confidential

2007-04-17

Banks Act Circular 4/2007

To all banks, branches of foreign banks and mutual banks

Trilateral discussions to be held during the 2007 calendar year

Executive summary

This circular serves to inform all reporting banks of the flavour-of-the-year topic for the trilateral discussions to be held during 2007:

- **Internal audit function in respect of anti-money laundering and combating the financing of terrorism (AML/CFT)**

1. Introduction

In order to assist this Office to discharge its responsibilities, the flavour-of-the-year topic for trilateral discussions to be held during the 2007 calendar year will focus on the activities of the internal audit function *vis-à-vis* AML/CFT.

This Office is of the opinion that the internal audit function should perform a meaningful role in the ongoing monitoring of banks' adherence to the Financial Intelligence Centre Act, 2001 (FICA) and the status thereof. In this regard, feedback is required on the role and involvement of the internal audit function.

2. Format of trilateral discussions

Utilising the format outlined below, all banks will be required to make a presentation on the above flavour-of-the-year topic at the trilateral discussions.

At least one month prior to the date of the trilateral discussions, this Office will provide each institution with a detailed agenda incorporating the additional topic in paragraph 3 below.

3. Functions of internal audit in respect of the implementation of AML/CFT

- 3.1 A high-level overview of internal audit functions in respect of the implementation of AML/CFT.

- 3.2 Key internal audit findings in respect of the previous financial year as well as the current financial year to date.
- 3.3 An overview of reports issued, actions taken and the timing thereof, in order to address the key findings.
- 3.4 Interaction with the audit committee and the anti-money laundering control officer responsible for AML/CFT.
- 3.5 An overview of the internal audit plan for the forthcoming twelve months, including the adequacy of resources.
- 3.6 An overview of the current compliance status with AML/CFT requirements.

4. Attendees and duration

As in the past, all members of the audit committee will be required to attend the trilateral discussions. Furthermore, the external auditors, head of internal audit, head of risk, and head of compliance will, continue to attend. The chief executive officer and financial director will attend in an *ex officio* capacity. The duration of the discussions is expected to be approximately three hours.

5. Acknowledgement of receipt

Two additional copies of this circular are enclosed for the use of your institution's independent auditors. The attached acknowledgement of receipt, duly completed and signed by both the chief executive of the institution and the said auditors, should be returned to this Office at the earliest convenience of the aforementioned signatories.



E M Kruger
Registrar of Banks

The previous circular issued was Banks Act Circular 3/2007 dated 16 April 2007.