



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

Confidential

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G6/08

TO ALL BANKS, CONTROLLING COMPANIES AND BRANCHES OF FOREIGN BANKS

**GUIDANCE NOTE 6/2008 ISSUED IN TERMS OF SECTION 6(5) OF THE BANKS ACT, 1990:
CELL-PHONE BANKING**

EXECUTIVE SUMMARY

Banks Act Circular 6/2007 dated 14 November 2007 regarding consultation with banks, controlling companies and branches of foreign banks in respect of directives, circulars and guidance notes refers.

The purpose of this guidance note is to provide all banks, controlling companies and auditors of a bank or controlling company with related information on cell-phone banking type products.

1. Introduction

In view of recent developments with regard to cell-phone banking, this Office decided to provide guidance on the matter. Developments relating to cell-phone banking products, which are covered by exemption 17 of the exemptions in terms of the Financial Intelligence Centre Act, 2001, made by the Minister of Finance, as detailed in *Government Gazette* Number 24176 of 20 December 2002 (the Exemptions), are explained hereunder.

2. Guidance on cell-phone banking

The cell-phone banking product is covered by exemption 17 of the Exemptions, and is therefore subject to reduced requirements to establish and verify a client's identity. The product is offered to clients via a non face-to-face process which must be followed only on the basis of a minimum set of criteria being met, in order to minimise the risk of abuse of such products for money laundering or terrorist financing purposes. The minimum criteria are as follows:

2.1 The bank account, being subject to exemption 17, must meet all the parameters and conditions of the exemption and may only be offered to natural persons and South African citizens and residents, in other words individuals with a South African identity number.

2.2 The account-opening procedure must include adequate steps to verify the identity of the client, including cross-referencing the prospective clients particulars with third-party databases which include information on the names and identity numbers of persons sourced from the Department of Home Affairs.

2.3 The cross-referencing of client particulars during the account-opening procedure must enable the bank to establish whether the identity number given by the prospective client is valid and relates to the name of the prospective client; that the person to whom the identity number relates is not deceased and has not emigrated from the Republic of South Africa; and that the name and identity number of the prospective client do not appear on a database relating to fraud convictions.

2.4 The non face-to-face process to verify a prospective client's identity in the account-opening procedure, would only be regarded as adequate in respect of low-value transactions and debits from such accounts must be limited to R1 000,00 per day.

2.5 If a client's identity was confirmed through a non face-to-face process and the client wishes to exceed the limit of R1 000,00 per day, a face-to-face confirmation of the clients' identity would be carried out in accordance with the provisions of exemption 17.

2.6 If a client wishes to exceed the limits provided for in exemption 17, the normal verification process will be applied in relation to all the identity particulars of that client as provided for in the Financial Intelligence Centre Act, 2001 and the Money Laundering Control Regulations.

2.7 In addition to the verification process in the account-opening procedure, accounts of this nature must include control measures to prevent a person from opening more than one such account. These may include refusal to open subsequent accounts where a particular identity number is already associated with an existing account.

2.8 Over and above its normal procedures, a bank must apply enhanced measures to scrutinise the transaction activity in relation to such an account, with a view of identifying and reporting suspicious and unusual transactions.

2.9 Banks must continue exploring ways of enhancing the non face-to-face account-opening procedure in order to ensure that the information received from a perspective client in any given case in fact pertains to that person.

This expansion of banking services should not happen to the detriment of control measures that are aimed at facilitating the detection and investigation, or even the prevention, of money laundering and terrorist financing through banks.

Should banks wish to provide cell-phone banking type products, this Office requests to be informed at least six weeks prior to the launch of such products.

3. Acknowledgement of receipt

Two additional copies of this guidance note 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 officer 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 guidance note issued was Guidance Note 5/2008 dated 7 May 2008.