

NEW TAXATION ENGAGEMENT CONSIDERATIONS

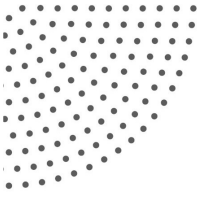
Tax Practitioners have an obligation to report suspicious or illegal transactions to the FIC. This reporting responsibility necessitates that a Tax Practitioner evaluates the client before:

1. Accepting a new engagement, or
2. Continuing with an existing engagement.

It is recommended that the tax practitioner give due consideration to the following matters:

- Comments or statements by the client that raises questions or suspicions about their involvement in criminal activities.
- Client does not want correspondence sent to home address.
- Client appears to have accounts with several financial institutions in one area for no suitable explanation.
- Client conducts transactions which they do not want to disclose, for instance they have different physical locations and process business transactions through another location to avoid detection of the transactions.
- The client's address stays the same, but they frequently change the names involved.
- Client is on high security alert and seems to be accompanied and/or watched.
- Client shows uncommon curiosity about internal systems, controls, and policies.
- Client vaguely answers questions about transactions and seems to avoid providing further detail, for example when they are questioned about a deposit.
- Client presents confusing details about the transaction.
- Client appears to informally record large volume transactions, using unconventional bookkeeping methods or "off-the-record" books.
- Client over justifies or explains the transaction.
- Client is secretive and reluctant to meet in person.
- Client is nervous, not in keeping with the transaction.
- Client is involved in transactions that are suspicious but seems blind to being involved in money laundering activities.
- Client's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client.
- Normal attempts to verify the background of a new or prospective client are difficult.
- Client appears to be acting on behalf of a third party but does not tell you.
- Client is involved in activity out-of-keeping for that individual or business.
- Client insists that a transaction be done quickly without adequate reason.
- Inconsistencies appear in the client's presentation of the transaction.
- The transaction does not appear to make sense or is out of keeping with usual or expected activity for the client.
- Client appears to have recently established a series of new relationships with different financial entities.
- Client attempts to develop close rapport with staff.
- Client uses aliases and a variety of similar but different addresses.
- Client spells his or her name differently from one transaction to another.
- Client uses a post office box or General Delivery address, or other type of mail drop address, instead of a street address when this is not the norm for that area.
- Client provides false information or information that you believe is unreliable.
- Client offers you money, gratuities, or unusual favours for the provision of services that may appear unusual or suspicious.

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- Client pays for services or products using financial instruments, such as money orders or traveller's cheques, without relevant entries on the face of the instrument or with unusual symbols, stamps or notes.
- You find transactions that involve a suspected shell entity (that is, a corporation that has no assets, operations or other reason to exist).
- You don't see a correlation between the client's business activities and the financial information provided and start to feel uncomfortable and have suspicious thoughts.
- You are aware or you become aware, from a reliable source (that can include media or other open sources), that a client is suspected of being involved in illegal activity.
- A new or prospective client is known to you as having a questionable legal reputation or criminal background.
- You come across money laundering transactions.

REPORTING REQUIREMENTS TO FIC

When a person in a business suspects that a client is using funds that could have come from unlawful activities, this must be reported to the FIC.

Reports are categorised in accordance with the FIC Act:

- Section 28 - Cash Threshold Reporting
- Section 28A - Terrorist Property Reporting
- Section 29 - Suspicious and Unusual Transaction Reporting

Guidance on filing the reports is provided on the FIC website:

<https://www.fic.gov.za/Compliance/Pages/Reporting.aspx>