



Impact of Covid-19

As the COVID-19 pandemic continues, it has been observed internationally by the Financial Action Task Force (FATF) that criminals are evolving in their activities in an attempt to profit from the pandemic as it may provide new opportunities for criminals to generate and launder illicit proceeds in the following ways:

1. The increase in online banking due to closure of financial institutions or reduction of opening hours has given rise to:
 - i. fraudulent schemes as customers may be unfamiliar with online platforms.
 - ii. the misuse of online financial services to move and conceal illicit funds.
2. Limited access to online financing options may move assets to the informal economy making it more difficult to regulate and detect ML/TF. As individuals move money out of the banking system due to financial instability, this may lead to an increased use of the unregulated financial sector, creating additional opportunities for criminals to launder illicit funds.
3. Criminals and terrorists may exploit COVID-19 and the associated economic downturn by:
 - i. moving into new cash-intensive and high-liquidity lines of business in developing countries, both for the laundering of proceeds as well as to fund their operations.
 - ii. investing in real estate or “troubled” businesses which can be used to generate cash and mask illicit proceeds.
 - iii. fraudulently claiming to be charities to raise funds online.
4. Online sales of counterfeit medicines and medical supplies, such as testing kits and personal protective equipment, and other related scams.
5. Illicit proceeds can also be introduced to the system as customers look for new ways to restructure loans and lines of credit.
6. Criminals finding ways to bypass CDD measures by exploiting temporary challenges in internal controls caused by remote working situations, in order to conceal and launder funds.

Recommendations

Given the potential increase in financial crimes during the COVID-19 pandemic, it is advised that the following be taken into consideration:

1. Financial Institutions and Non-Regulated Service Providers (NRSPs) should continue to vigilantly apply Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) measures where necessary as well as ongoing monitoring to ensure that accounts are reviewed for unusual and suspicious activity.
2. Given the increase in non-face to face transactions, financial institutions and NRSPs should apply additional checks and measures pursuant to section 15 of the Anti-Money Laundering and Terrorist Financing Regulations 2014, as amended by Act No.25 of 2017 and pages 134 – 138 of the Anti-Money Laundering and Terrorist Financing Code No.24 of 2017.
3. Financial Institutions and NRSPs should strive to understand the new risks posed by COVID- 19 and adapt operational responses. They should apply a risk-based approach when dealing with customers/clients to address the new challenges posed by COVID-19 while remaining alert to the emerging illicit financial risk. In adopting a risk-based approach, it will ensure that legitimate activities/transactions are not unnecessarily delayed, disrupted or discouraged, especially within the Non-Profit Organisation (NPO) sector, which plays a pivotal role in combatting the effects of COVID-19 through the provision of crucial charitable services around the world.

