



INYATHELO
The South African Institute
for Advancement

2nd Floor, The Armoury
Buchanan Square
160 Sir Lowry Road
Woodstock 7925
t +27 21 465 6981
e info@inyathelo.org.za

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The Standing Committee on Finance
Parliament Street
Cape Town
8000

Per email: Mr Allen Wicomb awicomb@parliament.gov.za and Ms
Tehobo Sepanya tsepanya@parliament.gov.za

CC Mr. Peter Netshipale: Deputy Director-
General: PeterN@dsd.gov.za
Mr. Luyanda Mtshotshisa: LuyandaMt@socdev.gov.za
Mr. Luyanda Ngonyama: LuyandaN@dsd.gov.za
Ms. Mpho Mngxitama: Mphomn@dsd.gov.za

Dear Hon. J Maswanganyi, MP
Chairperson: Standing Committee on Finance (National
Assembly)

**GENERAL LAWS (ANTI MONEY LAUNDERING AND COMBATING
TERRORISM FINANCING) AMENDMENT BILL (B18-2022)**

We, the undersigned civil society organisations and concerned individuals, refer to the call for comment by the Standing Committee on the General Laws (Anti money laundering and combating terrorism financing) Amendment Bill dated 18 August 2022 and released on the 27th of September 2022 for comment.

We attach herewith, our comments on the proposed amendments in the General Laws (Anti money laundering and combating terrorism financing) Amendment Bill.

We wish to provide an oral presentation at the public hearing on the 11th of October. The following representatives will be speaking on behalf of the NPO Working Group;

1. Glenn Farred

2. Nicole Copley
3. Ann Bown

Yours sincerely

Feryal Domingo

*Acting Executive Director - Inyathelo
on behalf of the NPO Working Group*

Working Group members

1. Feryal Domingo, Inyathelo
2. Soraya Joonas, Inyathelo
3. Suzanne Solomons, Inyathelo
4. Jocelyn Collins, Inyathelo
5. Boichoko Ditlhake, The Kagiso Trust
6. Jenny Wright, Milk Matters
7. Dee Moskoff, Social Causes
8. Ann Bown, Independent Consultant
9. Fiona Balgobind, Pietermaritzburg Children's Home
10. Zoleka Maphalala, Infinite Family
11. William Bird, Media Monitoring Africa
12. Margaret Grobbelaar, National Coalition for Social Services
13. Noncedo Madubedube, Equal Education
14. Julie Todd, Pietermaritzburg Child Welfare
15. Colleen Douglas, Franschoek Hospice
16. Eltena Rethman, Community Chest of the Western Cape
17. Glenn Farred
18. Lisa Vetten, Researcher & Consultant

The Working Group represents:

19. ACVV and all branches in 4 provinces
20. AFM Executive Welfare Council and all branches and services in 9 provinces
21. Child Welfare South Africa and all its branches in 9 provinces
22. Council for Church Social Services and all branches and services in 9 provinces
23. Epilepsy SA and all its branches and services in 8 provinces
24. FAMSA and all its members and services in 9 provinces
25. Free State Care in Action and all branches and services in the Free State
26. Khulisa Solutions and all its branches and services in 9 provinces

27. National Adoption Coalition of SA and all its members and services in 9 provinces
28. Rand Aid Association and all its services in Gauteng
29. Rata Social Services and all branches and services in 4 provinces
30. Residential Foundation and all branches and services in 5 provinces
31. Salvation Army and all its branches and services in 9 provinces
32. SA Federation for Mental Health and all branches and services in 9 provinces
33. SA National Council for Alcohol and Drug Dependence and all branches and services in 9 provinces
34. SAVF and all branches and services in 5 provinces
35. SOS Children's Villages and all branches and services in 9 provinces
36. Witbank Council for the Aged and all its services in Mpumalanga
37. Abalindi Child and Youth Care Centre - Inanda, Durban
38. Vanessa Wortmaan – Benjamin Generation
39. Sharon Ekambaram – Refugee and Migrant Rights Programme
40. Mandy Goble – Durban Child and Youth Care Centre

Other supporters and contributors of this joint submission:

41. Bharti Patel – South African Federation for Mental Health
42. Roger Weimann - Director - SANCA Central Eastern Cape
43. Ann Slater – iCare
44. Corlett Letlojane – Human Rights Institute of South Africa
45. Bloodline
46. Blue Sky Foundations
47. Philippa Manning - Director - Pietermaritzburg Mental Health
48. Jenny Pereira - Siphakeme
50. Zama Nzimande - Ekujabuleni
51. Debbie Bowes - Principal, St Theresa's Home
52. Wanda Serena Petterson - Home Manager, Emma Barter Victoria Home for the Aged
53. Futhi Ntshangase - Director, SANCA
54. Rowan Wortmann - Director, Benjamin Generation Child Care Centre



DETAILED SUBMISSIONS ON ANTI-MONEY LAUNDERING AND COMBATting TERRORISM FINANCING AMENDMENT BILL

Sections	Current NPO Act	The Bill	Our proposal	Our motivation and comments
Section 1	<p>Definitions of "constitution"</p> <p>'constitution' includes a trust deed and memorandum and articles of association</p>	<p>The AML-CTF Bill includes no proposed changes to this definition, but they are needed to align with the intent of the Bill and other legislation.</p>	<p>The substitution in subsection 1(iv) for the definition of "constitution" the following definition:</p> <p>“'founding document' includes a constitution, trust deed, memorandum of incorporation or, in the case of a foreign organisation, its founding document”</p> <p>*all other references in the Act to 'constitution' would have to be changed to read 'founding document'.</p>	<ol style="list-style-type: none"> 1. The current definition of the founding document as 'constitution' creates wide and deep confusion in the non-profit sector, as organisations which are in fact trusts and non-profit companies think they have to have a constitution, draft and adopt them, and inadvertently set up a second legal entity being a voluntary association. Changing the definition to a more generic "founding document" would make a big difference in providing clarity around this issue. 2. Although we do not support the compulsory registration of foreign non-profits, this definition should be amended to include their (various) founding documents, as these might not otherwise fit within the definition. 3. The definition needs to be updated to refer to the new name for a company founding document, under the new Companies Act. 4. Compensation for office bearers is misleading as many board members join NPO Boards and then source tenders for their own companies. How will conflict of interest be managed? 5. The practice in the sector is such that there is no remuneration for boards. Although you can, it needs to be reasonable. It is not good practice to appoint service providers as governing body members. 6. Making NPO registration compulsory could lead to huge challenges to CBOs who do not have the capacity to meet these expectations. It can squash community philanthropy.

Sections	Current NPO Act	The Bill	Our proposal	Our motivation and comments
Section 1	<p>Definition of ‘office bearer’</p> <p>“Office bearer means a director, trustee or person holding executive position”</p>	<p>The AML-CTF Bill includes no proposed changes to this definition, but it needs to be changed to align with the intent of the Bill and other legislation.</p>	<p>Substituting the definition of office bearer with the following wording:</p> <p>Definition of ‘office bearer’</p> <p>Office bearer means a director, trustee or person holding executive position elected to the committee or governing board of the organisation”</p>	<p>This amendment proposed is in line with FICA, the Companies and Trust Property Control Acts.</p> <p>Directors of non-profit companies and trustees of trusts are those responsible for governance, who sit on the governing board and who have ultimate fiduciary responsibility for the organisation. In Voluntary Associations, those who govern and have ultimate fiduciary responsibility are those who are elected by the members to serve on the committee governing body.</p> <p>The reference in the current definition to ‘executive’ position is to those who manage/administer- the management team employed by the organisation. The correction is required to ensure that it is the same functional group or status being referred to and tracked across all three types of legal entities. If the amendment is not made then Voluntary Associations would not have to disclose details of their board, but those of their CEO and senior managerial staff.</p>
Section 2	<p>Provides for the objects of the Act</p>	<p>The objects of the Act are to encourage and support nonprofit organisations in their contribution to meeting the diverse needs of the population of the Republic by</p> <p>(b) - establishing an administrative and regulatory framework within which nonprofit organisations can must conduct their affairs</p> <p>(c) - encouraging requiring nonprofit organisations to maintain adequate standards of governance, transparency and accountability and to improve those standards;</p>	<p>No amendments should be made to this section, as the amendment proposed would make NPO registration compulsory for all organisations defined as NPOs, which exceeds FAFT requirements.</p> <p>NPCs and Trusts are hit twice by the provisions which is not necessary as these provisions are already taken care of under the Trust Property Control Act and Companies Act.</p>	<p>Note, the NPO Act defines as ‘nonprofit organisation’s</p> <p>“All trusts, company or other association of persons</p> <ul style="list-style-type: none"> - (a) established for a public purpose and - (b) the income and property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered. <p>This proposed amendment turns what is currently a voluntary registration into a compulsory one.</p> <p>We cannot support legislation which would make registration compulsory for all, as this is not an appropriate and reasonable response to the risk seeking to be averted.</p> <p>It is a major legal shift which would require extensive consultation.</p>

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				<p>It would impose a burden on the sector and the Registrar without any useful result.</p> <p>The universal and compulsory registration of an unknown (but large) number of currently unregistered voluntary associations across SA will create a deluge of data which will break the NPO Directorate systems (such as they are) and which will bury the data on illegal flows of funds so deep that it will never be found.</p> <p>The (fascist) history of compulsory non-profit registration during the apartheid regime under the 1978 Fundraising Act and the unconstitutional impinging on the rights of freedom of association, expression etc will provoke vehement and public protests from the sector which will undermine the intent of the Bill and possible itself lead to Grey- Listing</p>
section 12(1)	(1) Any nonprofit organisation that is not an organ of state may apply to the director for registration.	<p>(1) (a) A nonprofit organisation that is not an organ of state including a foreign nonprofit organisation, that intends to operate within the Republic must be registered in terms of this Act before it commences operations, subject to paragraph (b), and in accordance with prescribed registration requirements.</p> <p>(b) a nonprofit organisation that is operating but is not registered in terms of this Act on the date of commencement of this provision, must register within the period determined by the Minister by notice in the Gazette, in accordance with the prescribed transitional</p>	No amendments to be made for the reasons given above	<p>First important note here is that NPO status is an additional registration available to an existing legal entity and is not a type of legal entity.</p> <p>The first hurdle for the proposed mandatory NPO registration of foreign organisations operating in SA is that there is no local legal entity which is able to apply to the NPO Directorate to be registered.</p> <p>The foreign founding document contents will not also comply with the provisions of the NPO Act. What will happen, in fact, is that if a foreign organisation had to be registered under the NPO Act, the NPO Directorate (most of whose staff seem not to understand the legal nature of voluntary associations and NPO status) would in all likelihood supply it with a standard form constitution. The foreign entity would then sign that document, unknowingly set up a new South African voluntary association and create a whole lot of confusion.</p> <p>Registration of foreign entities, their officers and companies is dealt with in the following pieces of legislation already in force:</p> <ul style="list-style-type: none"> • <i>s23 of the Companies Act</i> • <i>s 8 of Trust Property Control Act</i> • <i>21b. Financial Intelligence Centre Act No. 38 Of 2001</i>

Sections	Current NPO Act	The Bill	Our proposal	Our motivation and comments
		arrangements and registration requirements.		<p>Section 23 of the Companies Act already provides that any external non-profit company must register with CIPC within 20 business days after it first began to conduct non-profit activities within South Africa.</p> <p>Section 23 goes on to specify that certain activities do not qualify as non-profit activities (those applicable to non-profits are holding meetings, opening a bank account or purchasing any interest in any property). So, these activities will not require registration with CIPC.</p> <p>However, being a party to an employment contract OR, over the course of 6 months engaging in a course of conduct or pattern of activities which would lead a person to reasonably conclude that the company intended to continually engage in non-profit activities within SA does give rise to the need to register the foreign entity in SA.</p> <p>It should be noted that the definition of ‘foreign company’ in the Companies Act refers to an ‘entity incorporated outside of the Republic’ - it could therefore be any sort of formally established entity, and not necessarily a company, for it to be required to register under section 23.</p> <p>It should also be noted that, at the point at which an external non profit company must legally be registered, the foreign entity often chooses, instead, to establish an SA NPC or SA charitable trust, for various reasons.</p> <p>A legal mechanism therefore already exists in the Companies Act to require a local registration (and, <i>ipso facto</i>, inclusion in the SA Financial Intelligence Centre Agency and tax systems) for foreign entities which cross the lines laid down in the Companies Act.</p> <p>Section 8 of the Trust Property Control Act already requires that</p> <p><i>“When a person who was appointed outside the Republic as trustee has to administer or dispose of trust property in the Republic, the provisions of this Act shall apply to such trustee in respect of such trust property and the Master may authorise such trustee under section 6 to act as trustee in respect of that property.”</i></p> <p>This means that foreign trusts which wish to operate in SA are required to register with the Master of the High Court, so trusts are taken care of.</p>

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				<p>For foreign voluntary associations or equivalent, we suggest that the provisions of section 23 of the Companies Act are broadened to reach these and please see proposed amendments in the relevant section of this submission.</p> <p>Since a mechanism already exists for a local registration in South Africa of organisations which do more than hold meetings, open bank accounts or hold property, we suggest that the proposed changes be dropped and that those who deal with applications are trained in the correct response to foreign organisations carrying out non profit activities in South Africa, which is that section 23 of the Companies Act compels them to register with CIPC and that, once that registration is accomplished, they may choose to register as an NPO.</p>
section 12(1)	(1) Any nonprofit organisation that is not an organ of state may apply to the director for registration.	Added: c) A nonprofit organisation whether registered in terms of the Act or not, must comply with the requirements of this Act		<p>Here again, please note that the NPO Act defines as ‘nonprofit organisation’s</p> <p style="padding-left: 40px;">“All trusts, company or other association of persons</p> <ul style="list-style-type: none"> - (a) established for a public purpose and - (b) the income and property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered. <p>This sweeping proposed addition is shocking and deeply impractical and does not take account of the size and variety of the unregistered voluntary associations in South Africa.</p> <p>As soon as any group of people working together on an outward facing (public purpose) project signs a founding document with the three essential clauses that protect those involved from personal liability, a voluntary association is formed, and one which falls under the definition of “NPO” in the NPO Act. Every residents association, street committee, clean-up initiative, birder group, addiction support group, choir, dance club, running club, meditation group -the list is endless- is</p>

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				<p>not only compelled to register (which we have already argued against in the previous section) but, even if they do not register, even if they do not realise that they have set up a voluntary association and have never heard of the NPO Act, they are compelled to comply with it and to be subject to criminal sanctions for non-compliance. This is clearly an abrogation of their rights, and an abuse of power for no discernible or justified purpose.</p> <p>The requirements of the NPO Act are not only the new (laudable) ones added, such as those who are disqualified from holding office, but also include the annual requirement to lodge reports with the NPO Directorate (financial statements and a narrative report). If section 1(c) is added, all of the organisations we have mentioned will be subject to criminal sanction for not filing reports that they did not know were required.</p>
Section 12(2)	(2) Unless the laws in terms of which a nonprofit organisation is established or incorporated make provision for the constitution of a nonprofit organisation that intends to register.	(2) Unless the laws in terms of which a nonprofit organisation is established or incorporated make provision for the constitution of a nonprofit organisation that intends to register .	Do not adopt	For reasons as above
Section 12(3)	(3) The constitution of a nonprofit organisation that intends to register, may make provision for matters relevant to conducting its affairs, including matters that-	(3) The constitution of a nonprofit organisation that intends to register , may make provision for matters relevant to conducting its affairs, including matters that-	Do not amend	For reasons as above

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Sections 24 to s25A	The director must keep a register in the prescribed form of - a) all nonprofit organisations that have been registered b) all nonprofit organisations whose registrations have been cancelled; and c) all nonprofit organisations that have voluntarily deregistered or have been wound up or dissolved	NEW provisions regarding disqualification of 'office bearers' and measures to be taken to enforce their removal from office		The amending and correcting of the definition of 'office bearer' is crucial for this to function as it should, and have the intended effect. The NPO Directorate would need to have a searchable database to locate relevant 'office bearers' and notify. This data base will be incredibly large and the annual uploading of relevant data would be very time consuming if mandatory universal registration were implemented. Note that these provisions have been made consistent across the Trust and Companies Act as well, so no need to make these types of organisation register as NPOs, as they already have these checks and standards in place. There is a concern that the criminalisation of office bearers would be unfairly implemented due to noncompliance. Especially when noncompliance is not necessarily their fault.

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Section 1(1)	"beneficial owner" in respect of a legal person, means a natural person who, independently or together with another person, directly or indirectly - a) owns the legal person; or b) exercises effective control of the legal person;	"beneficial owner" in respect of a legal person, a) means a natural person who, independently or together with another person, directly or indirectly - a) owns the legal person; or b) exercises effective control of the legal person; i) ultimately owns or exercises effective control of - aa) a client of an accountable institution; or bb) a legal person, partnership or trust that owns or exercises effective control of, as	Add clause 1(1)(c): which reads: "(c) excludes, in the case of non-profit companies or voluntary associations members and others with voting powers if neither they nor any related person derives any benefit from the work of the non-profit company or Voluntary	With-member NPCs and voluntary associations must have members and: <ul style="list-style-type: none"> • Where (as is usually the case) these members have nothing to gain from the work of the company, they do not pose a risk; • Where the members are other organisations (and sometimes the other organisations may have sub-groups as members), the gathering and updating of natural persons details through these layers is impossible,

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		<p>the case may be, a client of an accountable institution; or</p> <p>ii) exercises control of a client of an accountable institution on whose behalf a transaction is being conducted; and</p> <p>b) includes -</p> <p>i) in respect of legal persons, each natural person contemplated in section 21B(2)(a);</p> <p>ii) in respect of a partnership, each natural person contemplated in section 21B(3)(b); and</p> <p>iii) in respect of a trust, each natural person contemplated in section 21B(4)(c)(d) and (e);</p>	<p>Association.”</p>	<p>burdensome and costly; and</p> <ul style="list-style-type: none"> The unintended consequence of forcing the gathering and exposure of ultimate (non-beneficiary) members will be a decrease in good governance and accountability as many with-members NPCs will convert to no-member models and voluntary associations will limit their member base.
Section 1(1)			<p>Adding the definition:</p> <p>“conduit voluntary association”</p> <p>means a voluntary association established in the Republic which primarily receives and distributes funds and which would, if it were a non-profit company, and its gross income were taken into account in Regulation 28(2)(a) of the Companies Act, be required in terms of Regulation 28 of the Companies Act to have its annual financial statements audited.</p>	<p>There may be an easier way to do this, but we are here pegging compulsory registration and the reporting of conduit voluntary associations to the amounts set in the Companies Act regulations, so that they will not get out of synch and will be revised automatically in terms of that Act.</p>

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Section 21B (2) Additional due diligence measures relating to legal persons, trusts and partnerships	<p>(2) If a client contemplated in section 21 is a legal person, an accountable institution must, in addition to the steps required under sections 21 and 21A and in accordance with its Risk Management and Compliance Programme—</p> <p>(a) establish the identity of the beneficial owner of the client by—</p> <p>(i) determining the identity of each natural person who, independently or together with another person, has a controlling ownership interest in the legal person;</p> <p>(ii) if in doubt whether a natural person contemplated in subparagraph (i) is the beneficial owner of the legal person or no natural person has a controlling ownership interest in the legal person, determining the identity of each natural person who exercises control of that legal person through other means; or</p> <p>(iii) if a natural person is not identified as contemplated in subparagraph (ii), determining the identity of each natural person who exercises control over the management of the legal person, including in his or her capacity as executive officer, non-executive director, independent non-executive director, director or manager;</p> <p>and</p> <p>(b) take reasonable steps to verify the identity of the beneficial owner of the client, so that the accountable institution is satisfied that it knows who the beneficial owner is.</p>		<p>Adding 21(2)(c) to read :</p> <p>(c) if the client is a conduit voluntary association establish the gross income in each year of that conduit voluntary association.</p>	<p>Adding the duty to establish the gross income so that reports may be made.</p>

Sections	Current Financial Intelligence Act	The Bill	Our proposal	Our motivation and comments
<p>Section 21B Additional due diligence measures relating to legal persons, trusts and partnerships</p>	<p>(4) If a natural person, in entering into a single transaction or establishing a business relationship as contemplated in section 21, is acting in pursuance of the provisions of a trust agreement between natural persons, an accountable institution must, in addition to the steps required under sections 21 and 21A and in accordance with its Risk Management and Compliance Programme -</p> <p>c) establish the identity of the founder;</p> <p>d) establish the identity of -</p> <p>i) each trustee; and</p> <p>ii) each natural person who purports to be authorised to enter into a single transaction or establish a business relationship with the accountable institution on behalf of the trust;</p> <p>e) establish -</p> <p>i) the identity of each beneficiary referred to by name in the trust deed or other founding instrument in terms of which the trust is created; or</p> <p>ii) if beneficiaries are not referred to by name in the trust deed or other founding instrument in terms of which the trust is created, the particulars of how the beneficiaries of the trust are determined.</p>	<p>(4) If a natural person, in entering into a single transaction or establishing a business relationship as contemplated in section 21, is acting in pursuance of the provisions of a trust agreement between natural persons, an accountable institution must, in addition to the steps required under sections 21 and 21A and in accordance with its Risk Management and Compliance Programme -</p> <p>c) in respect of the founders of the trust, establish the identity of</p> <p>i) each the founder; and</p> <p>ii) if the founder of the trust is a legal person or a person acting on behalf of a partnership or in pursuance of the provisions of a trust agreement, the beneficial owner of that legal person or partnership;</p> <p>d) in respect of the trustees of the trust establish the identity of -</p> <p>i) each trustee;</p> <p>iA if a trustee is a legal person or person acting on behalf of a partnership, the beneficial owner of that legal person or partnership; and</p> <p>ii) each natural person who purports to be authorised to enter into a single transaction or establish a business relationship with the accountable institution on behalf of the trust whether such person is appointed as a trustee of the trust or not;</p> <p>e) in respect of the beneficiaries of the trust, establish -</p>	<p>Amend 21B(4)(c) to read:</p> <p>(i) each founder or initial donor which is still living; and</p> <p>i) if the initial donor or founder of the trust is a legal person or a person acting on behalf of a partnership or in pursuance of the provisions of a trust agreement, the beneficial owner of that legal person or partnership if that legal person or partnership exists.</p> <p>Add as section 4(e) (iii):</p> <p>(iii) or if there are no identifiable individuals who are or may be beneficiaries, a description of the class or group of persons (or other living organisms) which may benefit from the work of the trust.</p>	<ul style="list-style-type: none"> • Most common to refer to founders of trusts as ‘donors’; • In the case of charitable trusts the initial donor is often deceased or closed down. This proposed amendment stops financial institutions from demanding the impossible. <p>Addition of (iii) reason: Many charitable trusts will never be able to name or identify individuals who benefit from their work. A trust, set up, for instance, to protect the fynbos on Table Mountain, has no namable beneficiaries. A trust set up to develop awareness of and counter gender-based violence will also not be able to identify beneficiaries.</p>

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		<p>i) the identity of each beneficiary referred to by name in the trust deed or other founding instrument in terms of which the trust is created;</p> <p>iA) if a beneficiary referred to by name in the trust deed is a legal person or a person acting on behalf of a partnership or in pursuance of the provisions of a trust agreement, the beneficial owner of that legal person, partnership or trust; and or</p> <p>ii) if beneficiaries are not referred to by name in the trust deed or other founding instrument in terms of which the trust is created, the particulars of how the beneficiaries of the trust are determined.</p>		
<p>To be added: s28B</p>			<p>Add a new section 28B to read:</p> <p>An accountable institution and a reporting institution must, within the prescribed period, report to the Centre the prescribed particulars of</p> <ul style="list-style-type: none"> (1) a conduit voluntary association whose total receipts and accruals in any year meets the requirements for mandatory registration in terms of the Companies Act and Regulations; and (2) all of those conduit 	<p>Building in a reporting duty to facilitate enforcement of mandatory registration.</p> <p>Also to counter voluntary associations from splintering into more than one once registration point is reached.</p>

Sections	Current Financial Intelligence Act	The Bill	Our proposal	Our motivation and comments
			voluntary associations falling into each group of conduit voluntary associations having beneficial owners in common, the aggregate of whose total receipts and accruals in any year meets the requirements for mandatory registration in terms of the Companies Act and Regulations	
Regulation 1, definitions section			Addition of a definition to read: “conduit voluntary association threshold report” Means a report which must be submitted by accountable and reporting institutions in terms of section 28B of the Act.	This definition added to create a mechanism for reporting a conduit voluntary association which has a gross income over R5million a year.

Sections	Current Trust Property Control Act	The Bill	Our proposal	Our motivation and comments
Section 1(b)	Addition	"beneficial owner" - (a)- has the meaning defined in section 1(1) of the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001); and (b)-for the purposes of this Act, in respect of a trust, includes, but is not limited to, a natural person who directly or indirectly ultimately own the relevant trust property or exercises effective control of the administration of the trust, including-	Amend (b)(i) and (ii) as marked: (i)- each initial donor or founder of the trust who is still living; (ii)- if a founder or initial donor of the trust is a legal person or a person acting on behalf of a	The founding party for a South African charitable trust is usually referred to as the donor. The addition of the words ‘initial donor’ is to make it clear who is being referred to here.

Sections	Current Trust Property Control Act	The Bill	Our proposal	Our motivation and comments
		<p>(i)- each founder of the trust;</p> <p>(ii)- if a founder of the trust is a legal person or a person acting on behalf of a partnership, the natural person who directly or indirectly ultimately owns or exercises effective control of that legal person or partnership;</p> <p>(iii)- each trustee of the trust;</p> <p>(iv)- if a trustee of the trust is a legal person or a person acting on behalf of a partnership, the natural person who directly or indirectly ultimately owns or exercises effective control of that legal person or partnership;</p> <p>(v)-each beneficiary referred to by name in the trust deed or other founding instrument in terms of which the trust is created;</p> <p>(vi)- if a beneficiary is referred to by name in the trust deed is a legal person or a person acting on behalf of a partnership or in pursuance of the provisions of a trust agreement, the natural person who directly or indirectly ultimately owns or exercises effective control of that legal person, partnership or trust; and</p> <p>(vii)- a person who, through the ability to control the votes of the trustee or to appoint the trustees, or to appoint or change the beneficiaries of the trust, exercises effective control of the trust.</p>	<p>partnership, and that partnership or legal person is still in existence, the natural person who directly or indirectly ultimately owns or exercises effective control of that legal person or partnership;</p>	<p>The balance of the amendments is to take care of the very long life of some trusts and the fact that initial donors may be deceased or no longer exist. The initial donor is a legal requirement for the formation of the trust and the identity of that donor is historical fact, ie is never updated. This proposed change is to stop banks unnecessarily bothering trusts for details of deceased or defunct donors OR banks expecting there to be replacement ones.</p>

Sections	Current Companies Act	The Bill	Our proposal	Our motivation and comments
	Addition of new definition of 'beneficial owner'	<p>"beneficial owner"</p> <p>(a)- has the meaning defined in section 1(1) of the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001); and</p>	<p>Add sub-section (c) to state:</p> <p>(c) in the case of a non-profit company excludes members and</p>	<p>NPC's which work for public benefit are often accountable to members and:</p> <ul style="list-style-type: none"> Where (as is usually the case) these members have nothing to gain from the

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Section 1		<p>(b)- for the purposes of this Act, in respect of a company, includes, but is not limited to a natural person, who, directly or indirectly, ultimately owns or exercises control of a company, including through-</p> <p>(i)- ownership of the securities of the company;</p> <p>(ii)- the exercise or control of the exercise of the voting rights associated with securities of that company;</p> <p>(iii)- the exercise or control of the right to appoint or remove members or the board of directors;</p> <p>(iv)- ownership, or the exercise of control of-</p> <p>(aa)- a holding company of that company;</p> <p>(bb)- a juristic person other than a holding company of that company;</p> <p>(cc)- a body of persons corporate or unincorporate;</p> <p>(dd)- a partnership; or</p> <p>(ee)- any other category or type of entity that may be specified in regulations for this purpose, that owns or is able to exercise control of, as the case may be, that company including through a chain or network of ownership; or</p> <p>(v)- the ability to otherwise materially influence the decision-making or policy of the company.</p>	<p>others with voting powers if neither they nor any related person has or could have any personal financial interest in the activities or outcomes of the activities of the non-profit company.</p>	<p>work of the company, they do not pose a risk;</p> <ul style="list-style-type: none"> • Where the members are other organisations (and sometimes the other organisations may have sub-groups as members), the gathering and updating of natural persons details through these layers is impossible, burdensome and costly; and • The unintended consequence of forcing the gathering and exposure of ultimate (non-beneficiary) members will be a decrease in good governance and accountability as many with-members NPCs will convert to no-member models.
Section 1			<p>Add the following definition to section 1:</p> <p>“conduit voluntary association”</p> <p>means a voluntary association established in the Republic which</p>	<p>This proposed definition of a ‘conduit voluntary association’ refers to the regulations in the Companies Act which would lead to compulsory audit.</p>

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			<p>primarily receives and distributes funds and which would, if it were a non-profit company, and its total receipts and accruals were taken into account in Regulation 28(2)(a), be required in terms of Regulation 28 to have its annual financial statements audited and includes, all of those conduit voluntary associations falling into a group of conduit voluntary associations having beneficial owners in common, the aggregate of whose total receipts and accruals in any year meets the requirements for mandatory audit under Regulation 28</p>	<p>Regulation 28(2)(a) skips the usual calculation of PI score (which would set the bar too high for this exercise, at gross income of R50 million to R90 million) and deals with ‘assets held in a fiduciary capacity’ (interpreted to mean as a bank or insurance company would) and the level currently in the regulation is any which exceed R5 million in a financial year.</p> <p>We feel that, for a conduit funder organisation which is set up as a voluntary association and which is receiving and giving away R5million or more in a year, compulsory registration as an NPC would be appropriate and useful, bringing that organisation under the detailed regulatory requirements of the Companies Act, into the public visibility that the online BizPortal allows, and requiring the annual reporting on financials and details of compliance which the Companies Act and regulations require.</p> <p>We have also added provisions catering for where conduit voluntary associations splinter into more than one, to avoid compulsory registration. In this case, all of them would have to be registered.</p>

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Section 1	<p>"foreign company" means an entity incorporated outside the Republic, irrespective of whether it is—</p> <p>(a) a profit, or non-profit, entity; or</p> <p>(b) carrying on business or non-profit activities, as the case may be, within the Republic;</p>	No proposed amendment in the AML CTF Bill	<p>foreign company" means an entity incorporated or unincorporated entity or organisation outside the Republic, irrespective of whether it is—</p> <p>(a) a profit, or non-profit, entity; or</p> <p>(b) carrying on business or non-profit activities, as the case may be, within the Republic;</p>	<p>Foreign non-profit companies and foreign trusts are already required to register in South Africa under section 23 of the Companies Act and section 8 of the Trust Property Control Act.</p> <p>This proposed amendment requires the registration with CIPC also of the foreign equivalents of voluntary associations (unincorporated or unregistered bodies and organisations) which may be carrying out non-profit activities in South Africa.</p> <p>This proposed amendment replaces the AML-CTF Bill proposal to make registration as an NPO compulsory for these entities.</p> <p>As the Companies Act already has well defined parameters for registration and the systems and processes to cope with these registrations (and the NPO Directorate does not) and also the oversight capacity, data searching capacity and reporting requirements in terms of the Companies Act are more effective and appropriate, it makes so much more sense to register the foreign voluntary associations with CIPC.</p>
Section 8 Categories of Companies	<p>(3) No association of persons formed after 31 December 1939 for the purpose of carrying on any business that has for its object the acquisition of gain by the association or its individual members is</p>		<p>Add 8(4) to read:</p> <p>Any association of persons which is or becomes a 'conduit voluntary association' shall, within one year of so becoming, convert to being a non-profit company under this Act.</p>	<p>This proposed addition to the Companies Act makes mandatory the registration of a non-profit company where a voluntary association which primarily receives and makes donations has its PI score go over the level at which an audit become compulsory for an NPC.</p> <p>The CIPC would have to institute a process for this 'conversion' as it does with the conversion of PtyS to NPCs, provided that the name is approved and an NPC registration number would be allocated.</p>

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	<p>or may be a company or other form of body corporate unless it—</p> <p>(a) is registered as a company under this Act;</p> <p>(b) is formed pursuant to another law; or</p> <p>(c) was formed pursuant to Letters Patent or Royal Charter before 31 May 1962.</p>			<p>The process would have to ensure continuity of legal existence, so SARS would have to continue the tax ref number, for example, and deeds office updates of details would be permitted (instead of transfer of property). Likewise banking and accounting history would have to continue intact.</p>
<p>Section 8 Categories of Companies</p>			<p>Add 8(5) to read:</p> <p>Any association of persons which wishes to convert to a non-profit company under this Act, shall make application in the prescribed manner.</p>	<p>We very often encounter voluntary associations which wish to fall under the more credible, transparent and highly regulated CIPC and Companies Act, but there currently is no legal mechanism in place for conversion. A voluntary association which wishes to ‘convert’ has to start a new NPC, obtain tax exemption for it, then transfer everything across from the voluntary association to the new NPC. This process can take years, as the two organisations need to be run side by side for some time to allow the new NPC to develop a history which will be acceptable to donors.</p> <p>Providing a mechanism for voluntary conversion would allow these organisations to continue their operations with their financial history, bank accounts, employment contracts, SARS history and status etc all intact, but under the auspices and heft of the Companies Act.</p> <p>If we are to amend the Companies Act to enforce mandatory registration for conduit voluntary associations, it makes sense to take this as a positive opportunity to allow voluntary associations to make this</p>

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				transition. Many would be very pleased to be able to do so.