

## South African Reserve Bank imposes administrative sanctions on banks

**5 August 2016** - The South African Reserve Bank (SARB) has imposed administrative sanctions on five banks and directed them to take remedial actions. This was after it conducted routine inspections in terms of the Financial Intelligence Centre Act (FIC Act) and found weaknesses in each of the banks' control measures.

The five banks are GBS Mutual Bank, Habib Overseas Bank Limited, Investec Bank Limited, The South African Bank of Athens Limited, and Standard Chartered Bank - Johannesburg Branch.

The inspections were conducted in terms of the FIC Act which mandates the SARB to ensure that banks have adequate controls in place to combat money laundering and the financing of terrorism. Flowing from these responsibilities, the SARB inspects banks to assess whether they have appropriate measures in place as required by the FIC Act.

The administrative sanctions were not imposed because these banks were found to have facilitated transactions involving money laundering or the financing of terrorism but because of weaknesses in each of the banks' control measures.

The administrative sanctions imposed on the five banks are as follows:

**GBS Mutual Bank:** A financial penalty of R500 000, a reprimand and a directive to take remedial action to address deficiencies in the following areas:

- identifying and verifying customers' details (better known as know-your-customer or KYC requirements);
- training of employees to enable them to comply with the provisions of the FIC Act and the bank's internal rules; and
- failure to implement adequate processes and working methods in relation to the sanctions screening of customers to ensure that the bank complies with its reporting duties.

**Habib Overseas Bank Limited:** A financial penalty of R1 million and a directive to take remedial action to address deficiencies in the following area:

- inadequate controls and working methods pertaining to the reporting of suspicious and unusual transactions.

**Investec Bank Limited:** A financial penalty of R20 million and a directive to take remedial action to address deficiencies in the following area:

- failure to implement adequate processes and working methods in relation to the sanctions screening of related parties of customers to ensure that the bank complies with its reporting duties.

**The South African Bank of Athens Limited:** A financial penalty of R3 million, a reprimand and a directive to take remedial action to address deficiencies in the following areas:

- identifying and verifying customers' details; and
- failure to implement adequate processes and working methods in relation to the sanctions screening of customers to ensure that the bank complies with its reporting duties.

**Standard Chartered Bank – Johannesburg Branch:** A financial penalty of R10 million, a reprimand and a directive to take remedial action to address deficiencies in the following areas:

- identifying and verifying customers' details; and
- failure to report certain cash transactions above R24 999.99 to the Financial Intelligence Centre.

Each bank must pay the financial penalty imposed into the Criminal Assets Recovery Account as required by the FIC Act. All banks are co-operating fully with the SARB to remediate the identified shortcomings within agreed timeframes.

Source: <http://www.resbank.co.za/Publications/Detail-Item-View/Pages/Publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblast=21b5222e-7125-4e55-bb65-56fd3333371e&sarbitem=7425>