



Financial Sector  
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ENQUIRIES:	Themba Manganyi	D. DIALLING NO.:	(012) 422 2908
OUR REF:	FSP 13413	FAX:	
DATE:	6 April 2020	E-MAIL:	Themba.manganyi@fsca.co.za

Econo Group Schemes CC  
Block 1, 1<sup>st</sup> Floor  
Boardwalk Office Park  
Faerie Glen  
Pretoria  
0043

By email: bets@econogroup.co.za

Dear Mrs. E van Niekerk

## **NOTICE OF ADMINISTRATIVE SANCTION**

1. The Financial Sector Conduct Authority (FSCA) is satisfied on available facts and information, in particular the factors mentioned in section 45C(2) of the FIC Act and representations received, that Econo Group Schemes CC, an authorised financial services provider and an accountable institution as envisaged in terms of item 12 of schedule 1 of the FIC Act, has failed to comply with the Financial Intelligence Centre Act 38 of 2001 (FIC Act). Accordingly, the FSCA hereby issues this Administrative Sanction Notice (the Notice).

### **2. Nature of Non-compliance:**

2.1. In terms of section 24(3) of the FIC Act, if an accountable institution appoints a third party to perform the duties imposed on it by section 22 and 22A, the accountable institution must forthwith provide the Financial Intelligence Centre (the Centre) and the supervisory body concerned with the prescribed particulars regarding the third party.

2.2. Econo Group Schemes CC failed to comply with section 24(3) of the FIC Act, in that it was found that Econo Group Schemes CC appointed RubiBlue to maintain clients records and customer due diligence records. Econo Group Schemes failed to provide the Centre and the FSCA with the details of

RubiBlue. Econo Group Schemes CC claims that they have subsequent to the inspection provided the Centre with information regarding RubiBlue.

- 2.3. In terms of section 42(1) read with guidance note 7 issued by the Centre, an accountable institution must develop, maintain and implement a program for anti-money laundering and counter-terrorist financing risk management and compliance (RMCP).
- 2.4. Econo Group Schemes CC has failed to comply with section 42(1) of the FIC Act, in that it has not provided evidence that it implemented its RMCP in respect of risk rating its clients. Econo Group Schemes CC has over 140 000 clients. This is also applicable to clients onboarded after the RMCP was approved on 28 March 2019. Econo Group Schemes CC fails to address this non-compliance identified in their representations, but merely states that they have updated their RMCP whilst the non-compliance raised by the FSCA is that Econo Group Schemes CC has failed to risk rate its clients.
- 2.5. In terms of section 43 of the FIC Act an accountable institution is required to provide ongoing training to its employees to enable them to comply with the FIC Act and the RMCP.
- 2.6. Econo Group Schemes CC has failed to comply with section 43 of the FIC Act, in that It was found that on 16 September 2019 Econo Group Schemes CC trained only eight out seventy-six juristic representatives. There are seventy-six juristic representatives appointed on Econo Group Schemes CC license. Econo Group Schemes CC, in their representations, failed to address this non-compliance, but merely indicates that they have updated their training manual.
- 2.7. In terms of section 28(b) of the FIC Act an accountable institution must, within the prescribed period, report to the Centre the prescribed particulars concerning a cash transaction that is in excess of R24 999.99.

- 2.8. Econo Group Schemes CC failed to comply with section 28(b) of the FIC Act, in that whilst sampling the bank statements for Absa Bank, Account Number 4061705746 held in the name of Econo Group Schemes CC dated 1 August 2016 to 31 August 2019 it was found that on 23 January 2018 and 30 March 2019 Econo Group Schemes CC received a cash deposit for R33 000 from Red Cliffs and R25 000 from Mzinoni Funeral. The afore-mentioned cash deposits should have been reported to the Centre as required by the FIC Act, however, Econo Group Schemes CC failed to report these transactions.
- 2.9. In addition, the FSCA established that there are sixty-three reportable cash threshold transactions which were not reported by Econo Group Schemes CC to the Centre. The unreported CTRs were from juristic representative: Bakgwadiba Funeral Undertakers CC (Bakgwadiba) for the period dated 1 December 2018 to 30 April 2019. Mr. van Niekerk advised FSCA inspectors about the unreported CTRs during the inspection. The total value of the unreported CTRs from Bakgwadiba is R4 356 441.
- 2.10. Econo Group Schemes CC, in their representations, indicated that these transactions were not reported to the Centre, as the owner of Bakgwadiba passed away in February 2017 and no executor is currently appointed to the estate. Econo Group Schemes CC contacted the Centre via email regarding this issue, but they did not receive an answer from the Centre as they were uncertain how to report these transactions. Econo Group Schemes CC provided the FSCA with an e-mail dated 24 March 2019 from Nelda de Jager, external compliance officer of Econo Group Schemes CC, to Johan of Econo Group Schemes CC indicating that she has lodged a query with the Centre on how to report transactions from Bakgwadiba. Nelda de Jager's e-mails to Jonathan Hill of the Centre dated 24 and 25 March 2019 was also supplied. Jonathan Hill, however, resigned from the Centre in August 2018 hence the reason for no response.
- 2.11. Econo Group Schemes CC's explanation on why they have not reported the cash threshold transactions has the following flaws:

- 2.11.1. It does not explain why they have not reported the cash threshold transactions received from Red Cliffs and Mzinoni Funeral;
- 2.11.2. Econo Group Schemes CC only approached the Centre, via their external compliance officer in March 2019, while transactions received from Bakgwadiba span from 1 December 2018 to 30 April 2019.
- 2.11.3. Econo Group Schemes CC have to report the person (natural or legal) from which they receive the cash namely Bakgwadiba. Whether the owner of Bakgwadiba passed away and if a curator is appointed is not relevant for the purpose of reporting the transactions to the Centre.

### **3. Reasons for imposing the administrative sanction**

- 3.1. The non-compliance as detailed above are serious violations of the provisions of the FIC Act;
- 3.2. All accountable institutions were given a grace period of 18 months, since the amendments to the FIC Act, too implement the revised provisions;
- 3.3. There are records that Econo Group Schemes CC has previously failed to comply with the FIC Act and FAIS Act;
- 3.4. Econo Group Schemes has to date not remediated the non-compliance identified by the inspectors;
- 3.5. Econo Group Schemes CC has cooperated with the FSCA during the inspection.

### **4. Particulars of the administrative sanction:**

- 4.1. in terms of section 45C(3)(c), read with section 45C(1), 45C(6)(a), 24(3), 42(1), 43 and 28(b) of the FIC Act, Econo Group Schemes CC directed to:
  - 4.1.1. Provide proof that it has since notified that FSCA about the third party (RudiBlue) as required in terms of section 24(3) of the FIC Act read with regulation 20 of the Money Laundering and Terrorist Financing Control Regulations, 2002 by 30 April 2020;

- 4.1.2. Implement its RMCP by risk rating its clients to achieve the requirements of section 42(1) of the FIC Act in line with the approved RMCP by 30 April 2020;
  - 4.1.3. Provide ongoing training to its employees and juristic representatives to enable them to comply with the provisions of the FIC Act and the RMCP which is applicable to them by 30 April 2020;
  - 4.1.4. Report all the unreported CTRs from Bakgwadiba to the Centre by 30 April 2020. Should Econo Brokers Schemes struggle to report the afore-mentioned transactions it may contact the call centre 012 641 6000 for assistance. Queries regarding reporting of cash threshold transactions can also be lodged on the FIC website ([www.fic.gov.za](http://www.fic.gov.za)) by selecting “contact us”, then “compliance queries”.
- 4.2. In terms of section 45C(3)(e), read with sections 45C(1), 45C(6)(a) of the FIC Act, the FSCA hereby imposes the following financial penalty on Econo Group Schemes CC:
- 4.2.1. A reprimand for non-compliance with section 24(3) of the FIC Act;
  - 4.2.2. A financial penalty in the amount of R R10 000 for failing to comply with section 42(1) of the FIC Act.
  - 4.2.3. A financial penalty in the amount of R10 000 for non-compliance with section 43 of the FIC Act.
  - 4.2.4. A financial penalty of R400 000 for non-compliance with section 28(b) of the FIC Act. Econo Group Schemes CC failed to report the CTRs for the value of R4 414 441.
- 4.3. Econo Group Schemes is directed to pay the financial penalty of R420 000 on or before 30 April 2020.

4.4. The financial penalty is payable via electronic fund transfer to:

Account Name : NRF – FIC Act Sanctions  
Account Holder : National Treasury  
Account Number : 80552749  
Bank : South African Reserve Bank  
Code : 910145  
Reference : FIC Sanction – Econo Group Schemes CC

4.5. Proof of payment must be submitted to the FSCA at [Themba.manganyi@fsca.co.za](mailto:Themba.manganyi@fsca.co.za) and copy [Charl.geel@fsca.co.za](mailto:Charl.geel@fsca.co.za).

## 5. Right of appeal:

5.1. In terms of section 45D of the FIC Act, read with Regulation 27C of the Regulations promulgated in terms of GN R1595 in GG 24176 of 20 December 2002 as amended, Econo Group Schemes CC may lodge an appeal within 30 days, from the date of receipt of the Notice. The notice of appeal and proof of payment of the mandatory appeal fee must be:-

### 5.1.1. **hand delivered** to:

The Secretary: The FIC Act Appeal Board  
Byls Bridge Office Park, Building 11  
13 Candela Street  
Highveld Extension  
Centurion

### 5.1.2. **sent via electronic mail** to:

The HOD: Office of General Counsel  
FSCA  
Attention: Stefanus Rossouw ([Stefanus.Rossouw@fsca.co.za](mailto:Stefanus.Rossouw@fsca.co.za)) or  
Charl Geel ([Charl.Geel@fsca.co.za](mailto:Charl.Geel@fsca.co.za))

5.2. Mr Vongani Khoza, Secretary of the FIC Act Appeal Board, may be contacted at [Vongani.Khosa@fic.gov.a](mailto:Vongani.Khosa@fic.gov.a) and telephonically at (012) 641-6241 / 082 437 6371 should Econo Group Schemes CC require further information regarding

the appeal process. Details of the appeal process can also be found on the FIC's website at [www.fic.gov.za](http://www.fic.gov.za).

**6. Failure to comply with the administrative sanction**

6.1. In terms of section 45(C)(7)(b) of the FIC Act, should Econo Group Schemes CC fail to pay the prescribed financial penalty in accordance with this notice and an appeal has not been lodged within the prescribed period, the FSCA may forthwith file with the clerk or registrar of a competent court a certified copy of this notice, which shall thereupon have the effect of a civil judgement lawfully given in that court in favour of the FSCA.

**7. Publication of sanction:**

7.1. The FSCA will make public the decision and the nature of the sanction imposed in terms of section 45C(11) of the FIC Act.

**Manasse Malimabe**

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**For the Financial Sector Conduct Authority**