



Prudential Authority imposes administrative sanctions on HSBC Bank Plc Johannesburg Branch

The Prudential Authority (PA) (formerly known as the Office of the Registrar of Banks), operating within the South African Reserve Bank (SARB), has imposed administrative sanctions on HSBC Bank Plc Johannesburg Branch (HSBC) for non-compliance with aspects of the Financial Intelligence Centre Act 38 of 2001, as amended (FIC Act).

The FIC Act mandates the PA, in terms of section 45, to supervise and enforce compliance with the provisions of the FIC Act insofar as accountable institutions regulated or supervised by it are concerned. Flowing from these responsibilities, the PA, inter alia, inspects pertinent accountable institutions to assess whether they have appropriate and adequate measures and controls in place which would enable them to effectively comply with the FIC Act.

The administrative sanctions were imposed because certain weaknesses were identified in HSBC's processes which inhibited HSBC from proactively detecting potential money laundering and the financing of terrorism. It should be noted that the administrative sanctions were not imposed because HSBC was found to have facilitated transactions involving money laundering or the financing of terrorism.

In respect of the failure to formulate and implement adequate processes and working methods as per section 42(1)(d) of the FIC Act, read with regulation 27 of the Regulations relating to Banks,¹ which would enable HSBC to detect and report suspicious and unusual transactions in terms of section 29 of the FIC Act, the administrative sanctions imposed on HSBC are as follows:

1. a directive to take remedial action in terms of section 45C(3)(c) of the FIC Act to be implemented in accordance with the stipulated timelines; and
2. a financial penalty of R15 million, of which R7.5 million is suspended in terms of section 45C(4)(c) of the FIC Act for a period of three (3) years, subject to HSBC adhering to certain conditions.

HSBC is cooperating with the PA and has taken the necessary measures to address the identified compliance deficiencies and control weaknesses.

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¹ Subsequent to the inspection conducted by the PA, section 42(1)(d) and regulation 27 were amended in terms of the Financial Intelligence Centre Amendment Act 1 of 2017.