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South African Reserve Bank imposes administrative sanctions on Deutsche Bank AG - Johannesburg Branch

The South African Reserve Bank (SARB) has imposed administrative sanctions on Deutsche Bank AG - Johannesburg Branch (Deutsche Bank) and directed the bank to take remedial actions. The SARB found weaknesses in the bank's money laundering control measures following an inspection conducted in 2019 in terms of the Financial Intelligence Centre Act 38 of 2001 (FIC Act).

The FIC Act, in terms of section 45, mandates the Prudential Authority (PA) within the SARB to supervise and enforce compliance with the provisions of the FIC Act in respect of the accountable institutions (AIs) it supervises. Flowing from these responsibilities, the PA, inter alia, inspects AIs to assess whether they have appropriate and adequate measures and money laundering/terrorist financing controls in place that would enable them to effectively comply with the provisions of the FIC Act.

It should be noted that the administrative sanctions were imposed because of weaknesses identified in Deutsche Bank's compliance with the provisions of the FIC Act, and not because the said bank was found to have facilitated transactions involving money laundering or the financing of terrorism.

The administrative sanctions imposed in terms of section 45C(3) of the FIC Act is a total financial penalty of R28 million (excluding an amount of R10 million which is suspended for three years).

The financial penalty imposed on Deutsche Bank stems from the following FIC Act breaches:

- a. Deutsche Bank failed to comply with the provisions outlined in section 21B of the FIC Act and in its risk management and compliance programme (RMCP) in terms of section 42 of the FIC Act. The PA imposed a caution not to repeat the conduct which led to the non-compliance in terms of section 45C(3)(a) of the FIC Act relating to customer due diligence and RMCP deficiencies.
- b. Deutsche Bank failed to comply with customer due diligence and enhanced due diligence requirements in terms of sections 21 to 21H of the FIC Act. The PA imposed a caution not to repeat the conduct which led to the non-compliance in terms of section 45C(3)(a) of the FIC Act relating to customer due diligence and enhanced due diligence deficiencies. In addition, a financial penalty of R15 million was imposed on Deutsche Bank in terms of section 45C(3)(e) of the FIC Act.
- c. Deutsche Bank failed to comply with record-keeping requirements in terms of sections 22 to 24 of the FIC Act. The PA imposed a caution not to repeat the conduct which led to the non-compliance in terms of section 45C(3)(a) of the FIC Act relating to record-keeping requirements. In addition, a financial penalty of R20 million was imposed on

Deutsche Bank in terms of section 45C(3)(e) of the FIC Act; however, R10 million of the said financial penalty is suspended for a period of three years.

- d. Deutsche Bank failed to comply with the governance of anti-money laundering and countering the financing of terrorism (AML/CFT) compliance requirements in terms of section 42A(2) of the FIC Act. The PA imposed a reprimand in terms of section 45C(3)(b) of the FIC Act in relation to the governance of AML/CFT compliance requirements. In addition, a financial penalty of R3 million was imposed on Deutsche Bank in terms of section 45C(3)(e) of the FIC Act.

Deutsche Bank is cooperating with the SARB and has agreed to the necessary measures to address the identified compliance deficiencies and control weaknesses.

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