



## Media releases

08 December 2023

### South African Reserve Bank imposes administrative sanctions on African Bank Limited

The South African Reserve Bank (SARB) has imposed administrative sanctions on African Bank Limited (ABL) as a result of its non-compliance with the provisions of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), following a FIC Act inspection conducted in 2020.

The Prudential Authority (PA) is mandated to supervise and enforce compliance with the provisions of the FIC Act of the accountable institutions<sup>1</sup> (AIs) it supervises. In line with responsibilities, the PA inspects AIs to assess whether they have appropriate and adequate anti-money laundering and counter-financing of terrorism (AML/CFT) measures and controls in place that would enable them to effectively comply with the provisions of the FIC Act.

The administrative sanctions imposed are because of ABL's failure to comply with certain provisions of the FIC Act, and not because ABL was found to have been involved in or facilitated transactions involving money laundering or the financing of terrorism.

The administrative sanctions imposed in terms of section 45C(3) of the FIC Act includes, *inter alia*, cautions, reprimands and a financial penalty totalling R19,750 million, of which R9,250 million is conditionally suspended for 36 months as from 30 November 2023 (date of the Notice of Sanction).

The administrative sanctions imposed upon ABL stem from the following non-compliance with the requirements of the FIC Act:

- a. ABL failed to comply with its customer due diligence (CDD) obligations in terms of sections 21, and/or 21A to 21H of the FIC Act, in that it failed to conduct adequate customer due diligence on the sampled customer relationships.

The PA imposed a caution not to repeat the conduct which led to the non-compliance and a financial penalty of R7 million, of which R2 million is suspended for 36 months on condition that ABL remains compliant with its CDD obligations for the period of suspension, failing which the R2 million suspended penalty becomes immediately payable.

- b. ABL failed to comply with its cash threshold reporting (CTR) obligations in terms of sections 28 of the FIC Act, in that it failed to report, timeously report and reported with incorrect data CTRs and cash threshold aggregation reports to the Financial Intelligence Centre (the FIC).

The PA imposed a reprimand, and a financial penalty of R5 million, of which R3 million is suspended for 36 months on condition that ABL remains compliant with its CTR obligations for the period of the suspension, failing which the R3 million suspended penalty becomes immediately payable.

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<sup>1</sup> Schedule 1 of the FIC Act provides details of all entities subject to the FIC Act.

- c. ABL failed to comply with section 42 of the FIC Act and FIC Directive 5/2019, in that ABL's automated transaction monitoring system (ATMS) alerts were closed beyond the prescribed period of 15 business days and incomplete suspicious and unusual transactions reports (STR) were submitted to the FIC.

The PA imposed a caution not to repeat the conduct which led to the non-compliance and a reprimand.

- d. ABL failed to comply with its suspicious and unusual transactions reporting (STR) obligations in terms of sections 29, read with Regulation 24(3) of the FIC Act, in that it failed to timeously report STRs to the FIC and failed to provide evidence of STRs reported to the FIC.

The PA imposed a caution not to repeat the conduct which led to the non-compliance, and a financial penalty of R5 million, of which R3 million is suspended for 36 months on condition that ABL remains compliant with its STR obligations for the period of suspension, failing which the R3 million suspended penalty becomes immediately payable.

- e. ABL failed to comply with its training obligations in terms of sections 43 of the FIC Act, in that it failed to provide induction and refresher training to its employees.

The PA imposed a caution not to repeat the conduct which led to the non-compliance, and a financial penalty of R750 000, of which R250 000 is suspended for 36 months on condition that ABL remains compliant with its training obligations for the period of suspension, failing which the R250 000 suspended penalty becomes immediately payable.

- f. ABL failed to comply with governance obligations in terms of sections 42A of the FIC Act, in that its compliance function failed to perform adequate oversight and monitoring of its FIC Act obligations and its AML Compliance Officer did not have direct access to the Chief Executive Officer and the board of ABL, to report and advise on FIC Act compliance.

The PA imposed a caution not to repeat the conduct which led to the non-compliance, and a financial penalty of R2 million, of which R1 million is suspended for 36 months on condition that ABL remains compliant with its governance obligations for the period of suspension, failing which the R1 million suspended penalty becomes immediately payable.

ABL cooperated with the PA and undertook the necessary remedial action to address the identified compliance deficiencies and control weaknesses.

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