



Media Release

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South African Reserve Bank imposes administrative sanctions on Grindrod Bank Limited

The South African Reserve Bank (SARB) has imposed administrative sanctions on Grindrod Bank Limited (GBL) 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 institutions¹ (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 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 GBL's failure to comply with certain provisions of the FIC Act, and not because GBL 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*, reprimands, cautions and a financial penalty totalling R10.73 million, of which R5 million is conditionally suspended for 24 months as from 13 July 2023.

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

- a. GBL failed to comply with its risk management and compliance programme (RMCP) obligations in terms of sections 42(1), 42(2) and 42(2A) of the FIC Act in that it failed to:
 - Document and implement customer due diligence (CDD) requirements for GBL's customers, shared clients, and customers onboarded by an agent in accordance with the FIC Act;
 - Document and implement the identification and verification of ultimate beneficial owners (UBOs) in accordance with the FIC Act for all customers, including in instances of elevated money laundering and terrorist financing (ML/TF) risks;
 - Document the rationale and calibrate GBL's client ML/TF risk scoring model in line with GBL's risk profile; and
 - Apply GBL's RMCP processes and procedures to independently assess, understand, and monitor the ML/TF risks in relation to GBL's shared clients and underlying clients of agent relationships.

The PA imposed a reprimand and a financial penalty of R1.5 million, of which R900 000 is conditionally suspended for 24 months as from 13 July 2023.

¹ Schedule 1 of the FIC Act provides details of all entities subject to the FIC Act.

- b. GBL failed to comply with aspects of its customer due diligence and enhanced due diligence (EDD) obligations in terms of sections 21 to 21H of the FIC Act based on sampled customer relationships.

The PA imposed a caution not to repeat the conduct which led to the non-compliance and a financial penalty of R4 million, of which R2 million is conditionally suspended for 24 months.

- c. GBL failed to comply with its record keeping obligations in terms of sections 22 to 24 of the FIC Act based on sampled (terminated) customer relationships.

The PA imposed a caution not to repeat the conduct which led to the non-compliance, a reprimand, and a financial penalty of R5 million, of which R2 million is conditionally suspended for 24 months as from 13 July 2023.

- d. GBL failed to comply with section 42 of the FIC Act and the Financial Intelligence Centre Directive 5/2019 in that GBL's automated transaction monitoring system (ATMS) rules did not effectively monitor and generate alerts on unusual and potentially suspicious activity through scenarios (peer profiling) and threshold values and amounts reasonably designed to detect potential ML/TF. GBL also inappropriately placed reliance on a third party to conduct ongoing monitoring of its shared client relationships.

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

- e. GBL failed to comply with governance obligations in terms of sections 42A(2), 42A(3) and 42(1) of the FIC Act specific to:

- Adherence to GBL's documented CDD-related processes and controls;
- Record keeping associated with suspicious transaction reports/suspicious activity reports (STRs/SARs) filed with the FIC;
- Closed terrorist property reporting (TPR) alerts within required timeframes;
- Detection and identification of domestic prominent influential person (DPIPs) and foreign prominent public officials (FPPOs), including family members and known close associates;
- Remediation of documented deficiencies specific to GBL's reliance on a third-party accountable institution to perform certain FIC Act obligations; and
- Oversight of agent relationships in line with GBL's risk acceptance and appetite, and GBL's RMCP documented processes.

The PA imposed a reprimand and a financial penalty of R230 000, of which R100 000 is conditionally suspended for 24 months as from 13 July 2023.

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

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