



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Media release

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South African Reserve Bank imposes administrative sanctions on Capitec Bank Limited

The Prudential Authority (PA), operating within the administration of the SARB, is mandated to supervise and enforce compliance by accountable institutions with the provisions of the FIC Act or any order, determination or directive made in terms thereof.

The South African Reserve Bank (SARB) has imposed administrative sanctions on Capitec Bank Limited (Capitec Bank) as a result of its non-compliance with certain provisions of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), following inspections conducted on Capitec Bank in terms of section 45B of the FIC Act in 2021 and 2022. The inspection in 2021 focused on the retail bank segment and the 2022 inspection focused on the business banking segment of Capitec Bank.

The administrative sanctions imposed on Capitec Bank are due to its failure to comply with certain provisions of the FIC Act. The sanctions consist of seven cautions, one reprimand and a financial penalty totalling R56.25 million, of which R10.5 million is conditionally suspended for a period of 36 months as from 30 July 2024.

The administrative sanctions imposed on Capitec stem from the following non-compliance:

Findings linked to Capitec Bank

- a. Capitec failed to fully comply with sections 21(1) and/or 21A to 21H of the FIC Act in that it failed to adequately conduct customer due diligence, enhanced due diligence and ongoing due diligence in respect of the sampled client files. Aspects of non-compliance inter alia included deficiencies concerning the following:
 - verification of the identity of client;
 - identification of the beneficial owners of legal entities;
 - obtaining and/or verification of the address and source of funds;
 - conducting PEP screening and ongoing due diligence including annual reviews for high-risk clients; and
 - obtaining senior management approval when re-risk rating clients or pertaining to reviews of high-risk clients.

The PA imposed a caution not to repeat the conduct which led to the non-compliance and a financial penalty of R20 million, of which R5 million is conditionally suspended for a period of 36 months for the retail segment, and a financial penalty of R15 million, of which R2 million is conditionally suspended for a period of 36 months for the business bank segment.

- b. Capitec failed to comply with section 28 of the FIC Act terms of Cash Threshold Reporting (CTRs) to the Financial Intelligence Centre (FIC) in that it failed to inter alia ensure timeous reporting of CTRs and CTRAs to the FIC.

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 conditionally suspended for a period of 36 months.

- c. Capitec failed to comply with section 29 of the FIC Act in that it failed to timeously report Suspicious Transaction Reports (STRs) and/or Suspicious Activity Reports (SARs) 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.

- d. Capitec failed to comply with FIC Act Directive 5 of 2019 in that it failed to attend to Automated Transaction Monitoring System alerts within the required 48-hour period.

The PA imposed a caution not to repeat the conduct which led to the non-compliance and a financial penalty of R3 million.

- e. Capitec failed to comply with aspects of section 42 of the FIC Act linked to its Risk Management and Compliance Programme (RMCP) in that it inter alia failed to.

- adequately identify, assess, monitor, mitigate and/or manage its risk associated with CTRs/CTRAs for possible reporting in terms of section 29 of the FIC Act;
- implement its RMCP pertaining to enhanced and ongoing due diligence; and
- obtain timeous approval from its board of directors for aspects of its RMCP; and
- consider certain risk factors at the stage of onboarding e.g. product risk.

The PA imposed a caution not to repeat the conduct which led to the non-compliance, a reprimand and a financial penalty of R8 million, of which R2 million is conditionally suspended for a period of 36 months for the retail segment, and a financial penalty of R3.25 million, of which R500 000 is conditionally suspended for a period of 36 months for the business bank segment.

The PA confirms that Capitec cooperated with the PA and has undertaken the necessary remedial action to address the identified compliance deficiencies and control weaknesses.

Issued by:

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