



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Media release

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South African Reserve Bank imposes administrative sanctions on State Bank of India

The South African Reserve Bank (SARB) has imposed administrative sanctions on the State Bank of India, South Africa (SBI) 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 May 2020.

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 administrative sanctions imposed on SBI are as a result of its failure to comply with certain provisions of the FIC Act and consists of four cautions and a total financial penalty of R10 million, of which R4.5 million was conditionally suspended for 36 months as from 13 July 2023.

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

- a. SBI failed to comply with its customer due diligence (CDD) obligations in terms of sections 21(1) and 21A of the FIC Act, in that it failed to conduct basic and enhanced due diligence on the sampled client files.

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 was conditionally suspended for 36 months.

- b. SBI failed to comply with its cash threshold reporting (CTR) obligations in terms of section 28, read with section 42 and regulations 22B and 24 of the FIC Act, in that it failed to report and timeously report CTRs to the Financial Intelligence Centre (FIC).

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

- c. SBI failed to comply with section 42 of the FIC Act, read with FIC Directive 5/2019, in that:

- i. its money laundering and terrorist financing risk assessment failed to provide a rationale for the different risk rating scores allocated to the assessed risk factors, no rationale for risk mitigating decisions was undertaken, no rationale for the controls was applied, and there was a failure to evidence that all the requisite risk factors were being considered, including, inter alia, consideration of in-country specific risk factors and institution-specific risk factors;
- ii. its Risk Management and Compliance Programme (RMCP) did not document the governance structures responsible for approving the RMCP framework (risk assessment and methodology), as well as the process thereof and the different levels of management approval that would be required to make amendments or updates to the RMCP; and
- iii. the Automated Transaction Monitoring System (ATMS) employed ineffective transaction monitoring rules, and there were deficiencies linked to the timeous closure of the alerts as well as deficiencies linked to the closure of alerts without adequate reasons being provided.

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 R1.5 million was conditionally suspended for 36 months.

- d. SBI failed to comply with section 42A of the FIC Act, in that it failed to ensure compliance with sections 28, 29 and 42(2) of the FIC Act.

The PA imposed a caution not to repeat the conduct which led to the non-compliance and a financial penalty of R1 million.

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

The PA iterates that the administrative sanctions imposed on SBI are not due to it having any involvement in and/or facilitating any transactions relating to money laundering or the financing of terrorism.

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