SOUTH AFRICAN RESERVE BANK
Prudential Authority

Media release

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Prudential Authority imposes administrative sanctions on Albaraka Bank Limited

The Prudential Authority (PA) is mandated to supervise and enforce compliance by accountable institutions with the provisions of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), and with any order, determination or directive made in terms thereof.

The PA has imposed administrative sanctions on Albaraka Bank Limited (Albaraka) as a result of its non-compliance with certain provisions of the FIC Act following an inspection conducted in 2021 in terms of section 45B of the FIC Act.

The administrative sanctions imposed on Albaraka consist of three cautions not to repeat the conduct that led to the non-compliance, and a financial penalty totalling R1.6 million, of which R440 000 is conditionally suspended for a period of 36 months from 10 June 2024.

These administrative sanctions stem from the following non-compliance by Albaraka:

a. Albaraka failed to comply with section 28 of the FIC Act, read with Regulation 24(4) of the FIC Act Regulations, in that it failed to timeously report 232 Cash Threshold Reports and/or Aggregated Cash Threshold Reports.

   The PA imposed a caution not to repeat the conduct which led to the non-compliance and a financial penalty of R100 000, of which R40 000 is conditionally suspended for a period of 36 months.

b. Albaraka failed to comply with section 29 of the FIC Act, read with Regulation 24(3) of the FIC Act Regulations, in that it failed to timeously report 144 Suspicious Transaction Reports and/or Suspicious Activity Reports.

   The PA imposed a caution not to repeat the conduct that led to the non-compliance and a financial penalty of R500 000.

c. Albaraka failed to comply with section 42 of the FIC Act, in that it failed to:

   - document the rationale regarding risk factors being assessed and the assigned risk weightings;

   - document trigger events that may warrant a review or a change in a customer's risk rating;

   - document industries, activities and business relationships that it prohibits in its Risk Management and Compliance Programme (RMCP);

- provide evidence that it had taken into consideration the local geographical locations it operates in and where its customers are based in its money laundering/terrorist financing risk assessment;

- review and approve its RMCP and related risk assessment and other policy documents; and

- implement its RMCP in relation to its customer due diligence, cash threshold reporting and suspicious transaction reporting obligations.

The PA imposed a caution not to repeat the conduct that led to the non-compliance and a financial penalty of R1 million, of which R400 000 is conditionally suspended for a period of 36 months.

Further to the aforementioned, the PA had also imposed an administrative sanction on Albaraka, consisting of a caution not to repeat the conduct that led to the non-compliance, as well as a financial penalty of R2 million (of which R600 000 was conditionally suspended) for non-compliance with sections 21 and/or 21A, 21C and 21G of the FIC Act in that it failed to adequately conduct customer due diligence in respect of the sampled trade finance clients. This finding was appealed against in terms of section 45D of the FIC Act by Albaraka, and the Appeal Board subsequently set aside the aforementioned administrative sanctions.

Albaraka has cooperated with the PA and has remediated the identified compliance deficiencies and control weaknesses.

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media@resbank.co.za