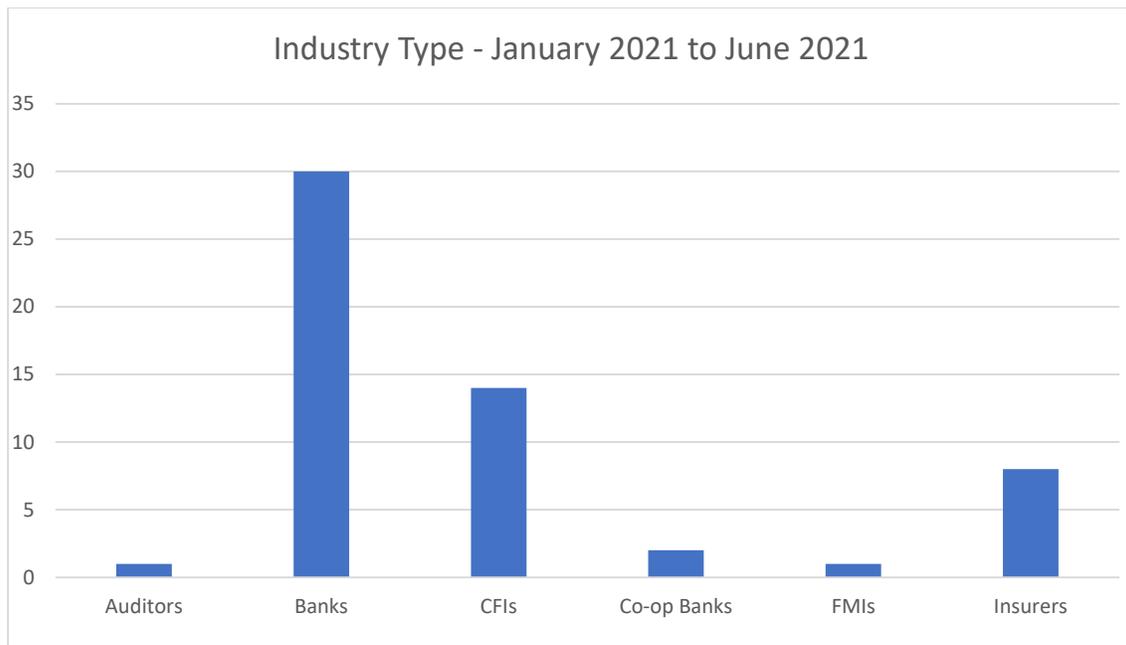


Enforcement matters

The statutory objective of the Prudential Authority (PA) is best achieved by combining supervisory activities with well-targeted regulatory actions, where necessary, to address non-compliance or suspected non-compliance with the Financial Sector Regulation Act 9 of 2017 (FSR Act), the Financial Intelligence Centre Act 38 of 2001, as amended (FIC Act) and financial sector laws. Regulatory actions can be imposed by the heads of department and divisional heads responsible for the relevant matters, in accordance with the Regulatory Action Blueprint Delegation of Powers. Alternatively, the matter can be tabled at the Prudential Authority Regulatory Action Committee (PARAC) with a recommendation to the Chief Executive Officer (CEO) of the PA.

Between January and June 2021, the PARAC held two meetings to discuss and consider recommendations made to the CEO of the PA in relation to matters of non-compliance. The PA considered 56 matters of non-compliance in respect of the financial institutions regulated and supervised by the PA, as depicted in Figure 1.

Figure 1: Non-compliance referrals per industry type



The PA has noted that the majority of matters of non-compliance related to reporting, which included the late submission of returns and annual financial statements as well as incorrect reporting. Non-compliance relating to governance requirements included concerns relating to the independence of the board of directors (board), failures to notify the PA of the appointment of key persons, vacant key person positions, and failures to hold the required board meetings or annual general meetings. Furthermore, non-compliance relating to prudential requirements have also been identified.

While, in the main, the PA granted extensions and condonations, and issued cautions/reprimands in respect of the contraventions, the following enforcement actions were taken:

- a financial penalty in terms of section 167 of the FSR Act;
- two administrative sanctions in terms of section 45C of the FIC Act;
- a directive issued in terms of section 143 of the FSR Act; and
- the de-registering of two institutions.

The total size of the financial penalties amounted to approximately R43 million, of which R12.5 million was suspended. Of this amount, R38 million, of which R10 million was suspended, was imposed on banks and R5 million, of which R2.5 million was suspended, was imposed on insurance entities.

The PA regards non-compliance of financial sector laws in a serious light and non-compliance may lead to the PA imposing regulatory action(s) deemed necessary under the circumstances. The PA therefore urges financial institutions to strengthen and enhance their internal controls and compliance procedures to prevent any occurrence and recurrence of such non-compliance. Furthermore, financial institutions should be proactive and discuss any potential areas of non-compliance, when detected, with the PA's frontline supervisory teams.