



Media Statement

Friday, 4 August 2017

South African Reserve Bank imposes administrative sanctions on VBS Mutual Bank

The South African Reserve Bank (SARB) has imposed administrative sanctions on VBS Mutual Bank (VBS) for non-compliance with the Financial Intelligence Centre Act 38 of 2001, as amended (FIC Act) and has directed VBS to take remedial action. This was after the SARB conducted an inspection in terms of the FIC Act and found weaknesses in VBS's anti-money laundering and combating the financing of terrorism control measures.

The FIC Act mandates the SARB to ensure that banks have adequate controls in place to combat acts of money laundering and the financing of terrorism. Flowing from these responsibilities, the SARB inspects banks to assess whether they have appropriate measures in place as required by the FIC Act.

It should be noted that the administrative sanctions were not imposed because VBS was found to have facilitated transactions involving money laundering or the financing of terrorism but because of weaknesses in VBS's control measures.

The administrative sanctions imposed on VBS are a financial penalty of R2.5 million and a directive to take remedial action in the following areas:

- identifying and verifying customers' details (better known as *know-your-customer* or KYC requirements);
- failure to comply with cash threshold reporting requirements in terms of section 28 of the FIC Act;
- failure to formulate and implement adequate processes and working methods to detect and report property associated with terrorist and related activities in terms of section 28A of the FIC Act.
- failure to formulate and implement adequate processes and working methods which would enable VBS to detect and report suspicious and unusual transactions in terms of section 29 of the FIC Act.

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media@resbank.co.za

+27 12 399 7432

However, R2 million of the financial penalty is suspended, in terms of section 45C(4)(c) of the FIC Act, for a period of one (1) year from 7 June 2017, subject to VBS adhering to certain conditions imposed by the SARB.

VBS is cooperating with the SARB and has taken measures to address the identified compliance deficiencies and control weaknesses.

Issued by:

Jabulani Sikhakhane
Head: Communications
media@resbank.co.za
Tel: +27 12 399 7432