



## national treasury

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National Treasury  
REPUBLIC OF SOUTH AFRICA

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# MEDIA STATEMENT

## NATIONAL TREASURY UPDATE ON VBS MUTUAL BANK

The National Treasury welcomes the conviction and sentencing of Mr Tshifhiwa Matodzi, former Chairperson of VBS Mutual Bank, and kingpin behind the looting of funds, for his role in its collapse. The corruption, money laundering, manipulation and theft of citizens' hard-earned money that led to the eventual and regrettable collapse of VBS Mutual Bank is a blight on our financial system.

The response of our legal and regulatory authorities – the Prudential Authority at the South African Reserve Bank (SARB) and Financial Sector Conduct Authority (FSCA) – is, however, something we should be very proud of. National Treasury and SARB officials worked closely with investigators from the Directorate for Priority Crime Investigation (DPCI) and the National Prosecuting Authority (NPA) to secure this conviction. This is proof of how seriously the government as a whole is working hard to tackle organised crime and money laundering.

It was then Minister of Finance Nhlanhla Nene who approved placing VBS Mutual Bank under curatorship on 11 March 2018, following the recommendation of the then Deputy Governor of the SARB and Registrar of Banks, Mr Kuben Naidoo.

However, long before the curatorship, since 2016 in fact, the National Treasury took concrete steps to end unlawful investments made by municipalities into VBS Mutual Bank.

The steps taken by the National Treasury include:

1. The Office of the Accountant-General (OAG), as part of their oversight over municipal finances, addressed the incidents of municipalities placing deposits with VBS Mutual Bank in contravention of the Municipal Finance Management Act (MFMA). We issued communication to the implicated municipalities clearly drawing their attention to the legal requirements and regulations that do not permit investing in mutual banks such as VBS Mutual Bank. This framework remains in place, with National Treasury not having repealed any of these regulations.
2. When in 2017, VBS Mutual Bank, in response to the actions of OAG to prevent illegal transactions being made by municipalities in favour of VBS Mutual Bank, brought an application to court seeking to interdict the National Treasury from issuing instructions to



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municipalities not to invest in mutual banks, the National Treasury opposed this action by depositing the first of many affidavits in this matter.

3. After VBS Mutual Bank was placed under curatorship, the National Treasury in March 2018 invited affected municipalities to discuss the extent of their investments, clarified the investment framework and highlighted the consequence management framework for financial misconduct contained in the MFMA. Each municipality was requested to complete and submit information on the extent of investments held with the VBS Mutual Bank, including the source of funds for the investment.
4. Following meetings convened by the Department of Cooperative Governance with municipalities, it was resolved that the National Treasury would issue a communication to all affected municipalities confirming the legal framework on investments, budget related implications, accounting requirements on investments in terms of the MFMA as well as how municipalities must implement consequence management. This communication has never been withdrawn by National Treasury.

In the last few days, there have been various media reports regarding the sworn statement of Mr Matodzi wherein he makes allegations of impropriety against Mr Dondo Mogajane, a former Director-General of the department. We note that the veracity of the allegations against Mr Dondo Mogajane have not yet been proven nor tested in any court.

The concrete steps that the National Treasury took since 2016 to end unlawful investments made by municipalities into VBS Mutual Bank should speak for themselves.

The commitment by the National Treasury to hold to account those that committed corruption at VBS Mutual Bank as well as those that have profited from these illegal actions continues today. Our officials will continue to provide evidence, submit affidavits and serve as witnesses in the ongoing prosecutions of those perpetrators implicated in the heist at VBS Mutual Bank.

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