

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 2518 [NW2805E]**  
**DATE OF PUBLICATION: 31 AUGUST 2018**

**2518. Mr K J Mileham (DA) to ask the Minister of Finance:**

- (1) What (a) was the (i) nature and (ii) terms of the directive issued by the Bank Supervision Department of the SA Reserve Bank (SARB) to the VBS Mutual Bank for noncompliance with anti-money laundering and/or combatting the financing of terrorism regulations in the 2016-17 financial year and (b) remedial action was the VBS Mutual Bank instructed to take in terms of the specified directive;
- (2) whether the VBS Mutual Bank took steps to comply with the directive; if so, what are the details of the remedial action taken by the bank to comply with the directive;
- (3) whether the Bank Supervision Department of the SARB took any steps to monitor and enforce compliance with the directive; if not, why not; if so, (a) what steps were taken and (b) how often was monitoring conducted?

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**REPLY:**

The SA Reserve Bank is the authority responsible for the supervision of banks and mutual banks in terms of the FIC Act and has provided the following response:

- (1) Information pertaining to the administrative sanctions imposed on VBS Mutual Bank for its non-compliance with the FIC Act was set out in the SARB's media statement published on 4 August 2017. For the ease of reference, the details as per the media statement have been set out below:

*"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 combatting 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:*

- I. identifying and verifying customers' details (better known as know-your-customer or KYC requirements);*
- II. failure to comply with cash threshold reporting requirements in terms of section 28 of the FIC Act;*
- III. 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.*
- IV. 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.*

*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 was directed to implement several remedial measures to rectify the identified areas of non-compliance by no later than 31 December 2017. VBS subsequently submitted a request to extend the aforementioned implementation date until 31 December 2019. However, after having duly considering the request for an extension received from VBS, the SARB granted an extension in the implementation date until 31 December 2018.

- (2) The inspection report contained timelines for the remediation of all FIC Act non-compliance matters which had been identified during the inspection. VBS was directed to implement the appropriate remedial measures to rectify AML/CFT non-compliance by no later than 31 December 2017 (subsequently extended until 31 December 2018 as detailed in the response to question 1).
- (3) VBS was required to provide the SARB with the quarterly update reports on the progress made with the implementation of the specified remedial measures. VBS submitted progress reports dated 31 March 2017, 20 November 2017 and 31 January 2018. The SARB reviewed the aforementioned reports and provided VBS with feedback where necessary.