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South African Reserve Bank imposes administrative sanctions on Discovery Life Limited

The South African Reserve Bank (SARB) has imposed administrative sanctions on Discovery Life Limited (Discovery Life) and directed the life insurer to take remedial actions. The SARB found weaknesses in the life insurer's money laundering control measures following an inspection conducted in April 2019 in terms of the Financial Intelligence Centre Act 38 of 2001 (FIC Act).

The FIC Act, in terms of section 45, mandates the Prudential Authority (PA) within the SARB to supervise and enforce compliance with the provisions of the FIC Act in respect of the accountable institutions (AIs) it supervises. Flowing from these responsibilities, the PA, inter alia, inspects AIs to assess whether they have appropriate and adequate measures and money laundering/terrorist financing controls in place that would enable them to effectively comply with the provisions of the FIC Act.

It should be noted that the administrative sanctions were imposed because of weaknesses identified in Discovery Life's compliance with the provisions of the FIC Act, and not because the said life insurer was found to have facilitated transactions involving money laundering or the financing of terrorism.

The administrative sanctions imposed in terms of section 45C(3) of the FIC Act is a total financial penalty of R1.5 million (excluding an amount of R500 000 which is suspended for three years).

The financial penalty imposed on Discovery Life stems from the following FIC Act breaches:

- a. Discovery Life failed to comply with cash threshold reporting (CTR) requirements in terms of section 28 of the FIC Act. The PA imposed a caution not to repeat the conduct which led to the non-compliance in terms of section 45C(3)(a) of the FIC Act. In addition, a financial penalty of R500 000, suspended for three years, was imposed on Discovery Life in terms of section 45C(3)(e) of the FIC Act.
- b. Discovery Life failed to comply with the risk management and compliance programme (RMCP) requirements in terms of section 42 of the FIC Act. The PA imposed a caution not to repeat the conduct which led to the non-compliance in terms of section 45C(3)(a) of the FIC Act. The PA also imposed a financial penalty of R500 000 on Discovery Life in terms of section 45C(3)(e) of the FIC Act.
- c. Discovery Life failed to comply with the anti-money laundering/countering the financing of terrorism (AML/CFT) training requirements in terms of section 43 of the FIC Act. The PA imposed a caution not to repeat the conduct which led to the non-compliance in terms of section 45C(3)(a) of the FIC Act, as well as a financial penalty of R500 000 on Discovery Life in terms of section 45C(3)(e) of the FIC Act.

- d. Discovery Life failed to comply with the governance of AML/CFT compliance requirements in terms of section 42A(2) of the FIC Act. The PA imposed a caution not to repeat the conduct which led to the non-compliance in terms of section 45C(3)(a) of the FIC Act. In addition, a financial penalty of R500 000 was imposed on Discovery Life in terms of section 45C(3)(e) of the FIC Act.

Discovery Life is cooperating with the SARB and has agreed to the necessary measures to address the identified compliance deficiencies and control weaknesses.

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