

## FSCA Press Release

11 December 2024

### **FSCA imposes administrative sanctions on Prime Collective Investment Scheme Management Company (RF) (Pty) Ltd (CIS 28) and Wealth Portfolio Managers (Pty) Ltd (FSP 180)**

The Financial Sector Conduct Authority (FSCA) has imposed administrative sanctions on Prime Collective Investment Scheme Management Company (RF) (Pty) Ltd (Prime) and Wealth Portfolio Managers (Pty) Ltd (Wealth) for failing to comply with certain provisions of the Financial Intelligence Centre Act, No. 38 of 2001 (FIC Act).

Prime is a licensed collective investment scheme (CIS) manager under the Collective Investment Schemes Control Act, No. 45 of 2002 and Wealth is a licensed financial services provider (FSP) under the Financial Advisory and Intermediary Services Act, No. 37 of 2002. Both entities are accountable institutions under the FIC Act. The FSCA is responsible for supervising and enforcing compliance of CIS managers and FSPs with the FIC Act. The objective of the FIC Act is, among other things, to help combat money laundering, the financing of terrorism and other related criminal activities. All accountable institutions designated under the FIC Act must comply fully with its requirements.

The FSCA conducted inspections on both Prime and Wealth as part of its ongoing supervisory activities. The inspections revealed the entities to be in breach of the following provisions of the FIC Act:

- **Sections 42(1) and (2) read with section 21(1):** Accountable institutions must develop, document, maintain, and implement a risk management and compliance programme (RMCP) for anti-money laundering and counter-terrorist financing. Although both institutions had developed RMCPs, they were found to be deficient and failed to outline how the respective institutions would comply with various FIC Act requirements. Additionally, neither institution could demonstrate that its RMCP was implemented effectively.
- **Sections 21B, 21C, 21F and 21G:** The FIC Act requires accountable institutions to conduct customer due diligence which include, *inter alia*, obtaining beneficial ownership information, establishing if the clients or beneficial owners of clients are politically exposed persons and conducting ongoing customer due diligence. Both institutions failed to conduct the requisite customer due diligence. Prime failed to establish and verify beneficial owners of clients who

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#### **Executive Committee:**

**Commissioner:** U. Kamlana | **Deputy Commissioners:** A. Ludin | K. Gibson | F. Badat

are legal persons and trusts. Wealth failed to conduct ongoing due diligence and to verify client information to determine whether or not certain clients are politically exposed persons.

- **Section 28A read with sections 26A – 26C:** Accountable institutions are required to scrutinise their client information to determine if any of their client are listed on targeted financial sanctions lists. Wealth failed to scrutinise client information against the United Nations Security Council Targeted Financial Sanctions Lists (TFSL) published under the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, No. 33 of 2004 (POCDATARA Act), as required.
- **Section 42A:** The highest levels of authority within the entity must ensure that an accountable institution and its employees comply with the provisions of the FIC Act and the RMCP. Wealth's senior management failed to meet this obligation.

The FSCA imposed administrative sanctions of R1.6 million on Prime and R200,000 on Wealth respectively. A portion of the sanction imposed on Prime, totalling R600,000, was conditionally suspended for three years. Additionally, the FSCA issued directives to both institutions to remediate the identified deficiencies. Wealth also received a caution and a formal reprimand.

The FSCA considers Prime and Wealth's compliance deficiencies to be serious breaches of the FIC Act. The requirement to understand and mitigate money laundering and terrorist financing risks through effective implementation of an RMCP is vital not only because it assists accountable institutions to protect and maintain the integrity of their own businesses but also because it helps contribute to the integrity of the South African financial system as a whole.

Additionally, proper due diligence of all clients is crucial to help identify and mitigate against suspicious and criminal elements from infiltrating the financial system.

The above sanctions serve as reminders that the FSCA will not tolerate non-compliance with the FIC Act. All accountable institutions are urged to continually review and enhance their anti-money laundering and terrorist financing controls at the highest levels and to conduct thorough risk assessments on a regular basis. Failure to do so will result in firm regulatory action.

**ENDS**

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