

FSCA Press Release

8 July 2021

The FSCA imposes administrative sanctions on Momentum Wealth (Pty) Ltd and Momentum Collective Investments RF (Pty) Ltd

The Financial Sector Conduct Authority (FSCA) has imposed administrative sanctions on Momentum Wealth (Pty) Ltd (Momentum Wealth) and Momentum Collective Investments RF (Pty) Ltd (MCI) and has issued a directive for the entities to take remedial actions. The FSCA found weaknesses in Momentum Wealth and MCI's money laundering/terrorist financing control measures following an inspection conducted in terms of the Financial Intelligence Centre Act, 38 of 2001, as amended (FIC Act).

The FIC Act imposes certain duties and obligations on institutions who may be used for money laundering purposes and the financing of terrorist and related activities. The FIC Act, in terms of section 45, mandates the FSCA 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 FSCA, inter alia, inspects AIs to assess whether they have appropriate and adequate anti-money laundering and countering of terrorist financing controls and measures in place that would enable them to effectively mitigate the risks of money laundering and terrorist financing and to comply with the provisions of the FIC Act.

For clarity and emphasis, the administrative sanctions were imposed as a result of weaknesses identified in Momentum Wealth and MCI's money laundering/terrorist financing controls, and not because the entities were found to have facilitated transactions involving money laundering/terrorist financing. The measures in place were found to not effectively comply with the provisions of the FIC Act.

In view of the seriousness of the non-compliance with the provisions of the FIC Act, the administrative sanctions imposed on these institutions which are part of the Momentum Group, is a total financial penalty of R11,100,000.00 (excluding an amount of R100,000.00 which is suspended for three years).

The financial penalties imposed stem from the following FIC Act breaches:

Momentum Wealth

- (a) Momentum Wealth failed to comply with cash threshold reporting (CTR) requirements in terms of section 28 of the FIC Act on historic transactions. The FSCA imposed a financial penalty of R4,800,000.00 in terms of section 45C(3)(e) of the FIC Act.
- (b) Momentum Wealth failed to identify, verify, and risk rate a beneficiary in terms of section 21B of the FIC act. A financial penalty of R100,000.00, suspended for three years, was imposed on Momentum Wealth in terms of section 45C(3)(e) of the FIC Act.

MCI

- (a) MCI failed to comply with cash threshold reporting (CTR) requirements in terms of section 28 of the FIC Act on historic transactions. The FSCA imposed a financial penalty of R4,400,000.00 in terms of section 45C(3)(e) of the FIC Act.
- (b) MCI failed to risk rate 38 clients in line with its Risk and Management Compliance Programme (RMCP) as required in terms of section 21 of the FIC Act. The FSCA imposed a financial penalty of R1,900,000.00 on MCI in terms of section 45C(3)(e) of the FIC Act.

Momentum Wealth and MCI have duly cooperated with the FSCA and have already started to remediate the identified compliance deficiencies and control weaknesses. With these sanctions the FSCA wants to send a strong message to all institutions regulated by it that non-compliance with the FIC Act will not be tolerated, and that harsh sanctions will be imposed.

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