

**FSCA imposes R1.1 million administrative sanction on Mika Finansiële Dienste (Pty) Ltd (FSP 2046)**

The Financial Sector Conduct Authority (FSCA) has imposed an administrative sanction of R1.1 million on Mika Finansiële Dienste (Pty) Ltd (MFD) for failing to comply with certain provisions of the Financial Intelligence Centre Act, No. 38 of 2001 (FIC Act).

MFD is a licensed Financial Services Provider (FSP) under the Financial Advisory and Intermediary Services Act, No. 37 of 2002 (FAIS Act) and an accountable institution under the FIC Act. The FSCA is responsible for supervising and enforcing compliance of 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.

On 30 August 2022, the FSCA conducted an inspection of MFD as part of its ongoing supervisory activities in terms of section 45B of the FIC Act. The inspection revealed MFD to be in breach of the following provisions of the FIC Act:

- **Sections 42(1) and (2):** Accountable institutions must develop, document, maintain, and implement a risk management and compliance programme (RMCP) for anti-money laundering and counter-terrorist financing. Although MFD had developed an RMCP, it was found to be defective in that it failed to outline processes to comply with various provisions of the FIC Act. Additionally, MFD did not implement the RMCP effectively by failing to risk rate most of its customers.
- **Section 21B:** For clients that are legal entities, trusts, or similar arrangements between natural persons, an accountable institution must establish the nature of the client's business and the ownership and control structure of the client. At the time of the inspection, MFD had failed to establish and verify the beneficial owner of one client.

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**Executive Committee:**

The FSCA views the above as serious violations of the FIC Act. The requirement to understand and mitigate money laundering and terrorist financing risks through the 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.

Proper due diligence of clients, especially in respect of beneficial ownership, is also crucial to help identify and mitigate against suspicious and criminal elements from infiltrating the financial system.

The FSCA acknowledges MFD's commitment to addressing its shortcomings in respect of anti-money laundering and terrorist financing risks and notes its efforts to remediate the identified non-compliance issues. In recognition of these efforts, R600 000 of the total imposed penalty is suspended for three years, provided that MFD fully complies with a directive to address the identified deficiencies and remains fully compliant with sections 42(1) and (2) and section 21B of the FIC Act during this period.

This sanction serves as a reminder that the FSCA will not tolerate non-compliance with the FIC Act. All accountable institutions are reminded to continually review and enhance their anti-money laundering and terrorist financing controls 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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