

# Compliance officer's report 08

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Capitec has established a dedicated compliance function in the bank as prescribed by regulation 49 of the Banks Act, 1990 (Act 94 of 1990), as amended (the Banks Act). The compliance function manages the bank's compliance risk, which is defined as "the risk that the controls implemented by the bank to facilitate compliance with the applicable statutory and regulatory requirements are inadequate or inefficient". The compliance universe of the bank consists of all the statutory and regulatory requirements of relevant legislation, regulations and industry codes applicable to the business and sound management of the bank.

The compliance function consists of a team of seven individuals. The head of compliance reports directly to the chief executive officer.

A compliance management system, which consists of a combination of a compliance champion structure and dedicated compliance management software, is in place and functioning. The compliance champions are senior managers who report to the executives of the different divisions of the bank. The compliance management software contains a core selection of legislation that is considered the most relevant for the bank. The software is utilised to assist with the identification of compliance objectives and assessment of compliance risks as well as the capturing and documenting of key controls and monitoring activities. The compliance function performs independent

compliance monitoring on a continuous basis through independent compliance monitoring officers, in accordance with an annual board-approved compliance monitoring coverage plan.

The compliance officer reports to the audit committee at every meeting of this committee, and submits compliance reports to the audit and directors' affairs committees as required by the Banks Act. All material events of non-compliance are reported to the audit and directors' affairs committees and the board of directors where necessary. For the period under review the compliance officer submitted a report which indicated a good level of compliance by the bank to statutory and regulatory requirements, and the events of non-compliance listed were all non-material and either rectified or are in the process of being addressed through system and process changes.

There were no material regulatory sanctions or penalties issued against the bank as a result of non-compliance during the period under review.

The Capitec group and the bank have a good relationship with its regulators, which are the bank supervision department of the South African Reserve Bank and the National Credit Regulator. Detection and prevention of money laundering and financing of terrorist-related activities are the responsibility of the money laundering control function, which forms part of the compliance function. In this regard, a good

relationship with the Financial Intelligence Centre is also maintained. A healthy compliance culture is fostered through the implementation of key compliance risk controls in systems, processes, and training of employee initiatives. The board has approved a formal compliance and anti-money laundering policy.

The Banks Act, Companies Act, Security Services Act, National Credit Act, National Payment System Act and Financial Intelligence Centre Act have all been identified as key statutes that are focused on in terms of compliance management system activities. This approach and focus achieve a healthy balance of proper compliance and efficient interaction relative to the bank's business activities. The focus in the coming year will also be on the introduction of the new Companies Act, Consumer Protection Act and the Protection of Personal Information Bill.

Requests for access to information in relation to bank activities in terms of the Promotion of Access to Information Act 2000 (Act 2 of 2000) are referred to the head of compliance. There have been no requests for access to information during the period under review.



Head: compliance