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Assessing the effects of the Twin Peaks regulatory model in combating financial crimes in South Africa

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Orientation: The *Financial Sector Regulation Act (FSRA) of 2017* resulted in the adoption and implementation of the Twin Peaks Regulatory (TPR) model. This represented a significant shift in the financial regulatory approach within financial sector in South Africa (SA). One of the objectives of this model is to enhance the combating of financial crimes.

Research purpose: The purpose of the study is to assess the effectiveness of the TPR model in combating financial crimes in SA.

Motivation for the study: Despite the efforts of regulators in SA, financial crimes are still prevalent. A preliminary literature review revealed a paucity of literature on the effectiveness of the TPR Model in combating crimes in SA. This study was conducted to review the identified literature gap on the effectiveness of the TPR model in combating financial crimes within the financial sector.

Research design, approach and method: The study employed a qualitative study approach. Data were collected through in-depth, semi-structured interviews in the financial sector from regulators and service providers. The thematic analysis informed the data analysis.

Main findings: The study revealed that the TPR model has led to improvements in combating financial crimes in SA. There is robust collaboration among state agencies in combating financial crime. Public–private partnership has also improved; however, challenges persist because of a lack of expertise in the prosecution of sophisticated financial crimes in institutions and agencies tasked with combating financial crimes.

Practical/managerial implications: The study's conclusions may lead to the formulation of policy recommendations aimed at enhancing the combating of financial crimes in SA.

Contribution/value-add: This article contributes to the body of knowledge in the financial sector on the effectiveness of the TPR model in combating financial crimes in SA.

Keywords: financial crimes; illicit flows of finances; fraud; money laundering; greylisting.

Introduction

Combating financial crimes is a priority for all nations in today's highly globalised and interlinked financial systems (De Koker & Goldbarsht 2024:9). For instance, financial crimes costed global economies an estimated USD 3.1 trillion in 2023 (Nasdaq Verafin 2024:9). Without doubt, combating such crimes is a challenging task in the face of rampant poor governance, corruption, sophisticated transnational criminal syndicates and digital fraud (International Institute of Certified Forensics Investigation Professionals [IICFIP] 2025:11). As a result, governments and international organisations like the Organisation for Economic Cooperation and Development (OECD), Financial Action Task Force (FATF), International Monetary Fund (IMF), United Nations Office on Drugs and Crime (UNODC) and the World Bank (WB) usually earmark considerable amounts of resources and collaborate through multi-partnership platforms to combat financial crimes (Deloitte 2023:2). Financial crimes are known to thrive in an environment with inadequate or ineffective policy and regulatory frameworks (Platt 2015:9). In particular, criminals exploit existing regulatory weaknesses to perpetrate various financial crimes. The most prevalent financial crimes reported in many parts of the world are money laundering, fraudulent transactions, cybercrimes, illicit financial flows (IFFs) and terror financing (INTERPOL 2024:5). Many of these crimes have direct and indirect adverse impacts on national and international economies, development initiatives, political stability, human rights and the well-being of people (Chowla & Falcao 2016; Davies, 2020 and Malhotra 2025). Examples of negative consequences include financial losses by businesses and decreased confidence in financial service providers (FSPs) and their legitimacy. A very good example in South Africa is the Steinhoff accounting scandal (2017). The multinational retailer disclosed massive financial irregularities. This act saw

the wiping of its share value by more than 90%; people lost billions of rand in market value from the stock market (Johannesburg Stock Exchange 2020; Van der Linde 2022). Effective combating of financial crimes is underpinned by organisational transparency, strategic intelligence gathering and high levels of inter-departmental or agency cooperation (Nasdaq Verafin 2024:1). These approaches encapsulate cost-effective resource allocation and pooling of intelligence, resources and expertise needed for the detection and prosecution of financial crimes (Nasdaq Verafin 2024:7). As such, this study assessed the extent to which the TPR model is helping public and private stakeholders to combat financial crimes in South Africa's financial sector. In particular, the study gathered qualitative data from a purposive sample made up of individuals from both regulatory and regulated entities. The qualitative data were aimed at gaining valuable insights into participants' perceptions of the effectiveness of anti-crime mechanisms that have been put in place by the TPR model.

Definition of financial crimes

Financial crimes refer to non-violent illegal acts or practices that are perpetrated to gain access to people's or organisations' assets (Premrl, Dobovšek & Slak 2025:5). Mostly profit-oriented, these crimes are perpetrated through deception, fraud, corruption and cyber breaches to contravene regulations and gain access to people's assets (Department of Statistics, 2022). Common examples of financial crimes, according to Arthur et al. (2024) include money laundering, embezzlement, insider trading, tax evasion and avoidance, terror financing, identity theft, kickbacks, extortion, asset misappropriation or theft, infringement of intellectual property or copyright and antitrust laws, misleading credit and interest packages, commercial espionage, predatory lending and IFFs.

Literature review

Policy frameworks for combating financial crimes

The combating of financial crimes under the TPR model is undertaken within several national and international policy frameworks (Botha 2018:10). Table 1 and Table 2 provides an overview of these frameworks.

The codebook (Table 4) and Thematic matrix (Table 5) demonstrates the analytic flow from raw data to final themes to enhance transparency.

Legislative frameworks

South Africa's financial oversight landscape comprises the Twin Peaks regulators like the Prudential Authority (PA), Financial Sector Conduct Authority (FSCA), South African Reserve Bank (SARB) and National Credit Regulator (NCR) (Momentum 2017:3). Twin Peaks regulators actively collaborate with the South African Revenue Service (SARS), South African Police Services (SAPS), the National Prosecuting Authority (NPA), the directorate for priority crime investigation, commonly known as the Hawks, the Financial Intelligence Centre (FIC) and the Financial Service Board (FSB). All financial crime prevention activities by the aforementioned stakeholders are sanctioned by section 199(1) of the *Constitution of the Republic of South Africa Act No. 108 of 1996* (Constitution of the Republic of South Africa 1996:78). Table 1 provides an overview of key policy framework that guide the combating of financial crimes in South Africa.

TABLE 1: Policy frameworks that guide the combating of financial crimes.

Policy	Description
2030 National Development Plan (NDP)	The Twin Peaks regulators are guided by Chapter 12 of the NDP in enforcing FSPs' compliance with good governance, robust prudential and market conduct oversight, and the use of public–private partnerships and conducting consumer awareness programmes in order to combat financial crimes within South Africa.
United Nations' Sustainable Development Goals (SDGs)	The combating of financial crimes under the TPR model is anchored within the UN's SDG 8, SDG 10, SDG 16 and SDG 17. These insist on FSPs' adherence to principles of good governance.
UN Economic Commission for Africa (UNECA)	This rationalised Twin Peaks regulatory collaboration with international stakeholders like the African Union and FATF for the purpose of combating financial crimes across the African continent

Source: Adapted from Montesh, M., 2014, 'Chapter 12 of the national development plan 2030: A comparative analysis', *Journal of Public Administration* 49(1), 229–246, viewed 05 June 2025, from https://hdl.handle.net/10520/EJC153626; Zulu, B.M., 2022, 'National development plan: Analysis of South African police service vision for 2030 to build safer communities', PhD thesis, University of KwaZulu-Natal, viewed 05 June 2025, from https://researchspace.ukzn.ac.za/items/476b8e94-3cc4-4dcb-8bad-19dbcc20a38d; Asongu, S.A. & Arthur, K.K., 2024, 'A survey on financial crimes and sustainable development goals (SDGs) in Africa', *Development Finance Agenda* 9(4), 12–13, viewed 15 August 2025, from https://journals.co.za/doi/full/10.10520/ejc-defa_v9_n4_a4; Adebowale, H.I., 2019, 'Overview of the united nations economic commission for Africa', *International Journal of Arts Humanities and Social Sciences Studies* 4(8), 97–110, viewed 10 November 2025, from https://www.ijahss.com/Paper/04082019/1179495094.pdf and Madzima, J., 2024, 'Sharpening the use of financial intelligence to combat complex crimes in Southern Africa', in T. Gwatiwa (ed.), *Contemporary intelligence in Africa*, pp. 238–255, Routledge, London

TPR, Twin Peaks Regulatory; FATF, Financial Action Task Force; UN, United Nations; FSP, financial service provider.

TABLE 2: Key legislation that underpins financial crime prevention in South Africa.

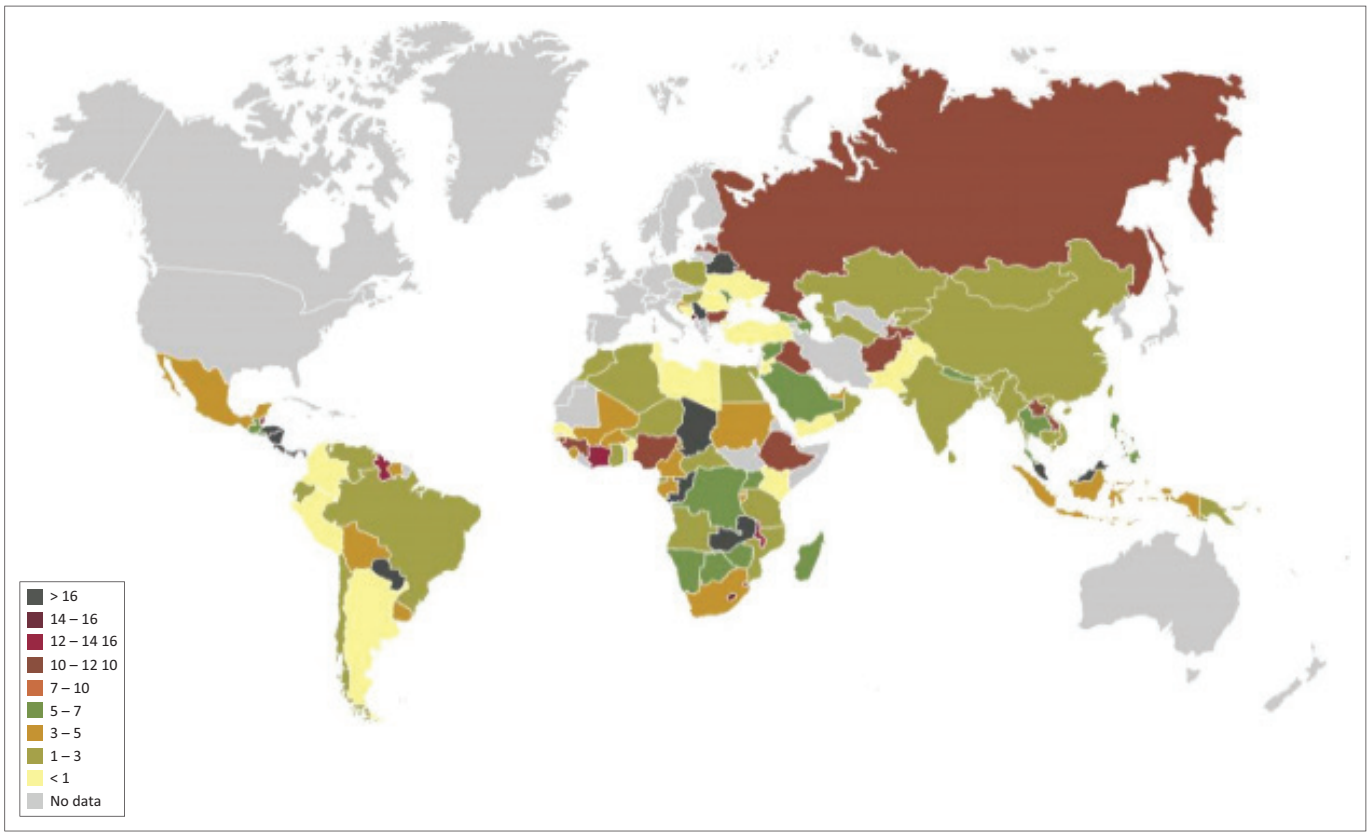
Legislative Act	Description
The Financial Sector Regulatory (FSR) Act No. 9 of 2017	Legitimises the use of the TPR model as an oversight tool for preventing financial crimes.
The Financial Intelligence Centre Act (FICA) No. 38 of 2001	Obligates regulators and FSPs to apply risk-oriented and customer due diligence strategies as part of the pre-emptive combating of financial crimes like money laundering, terrorism financing and fraud.
The Protection of Constitutional Democracy against Terrorist and Related Activities Act No. 33 of 2004 was amended as Act No. 23 of 2022	Legal mandate that allows regulators and FSPs to combat money laundering and financing of terrorism by collaborating with regional and international stakeholders, such as the United Nations (UN) Counter-terrorism Conventions and Protocols and the African Union Convention on the Prevention and Combating of Terrorism
The Regulation of Interception of Communications and Provisions of Communication Related Information Act (RICA) No. 70 of 2002	Compels registered FSPs to gather, record and verify customers' information such as identity numbers and contact details.
The Protection of Personal Information Act (POPIA) of 2013	Guides FSPs on compliance with privacy and security of consumer data in terms of data sharing, storage and access procedures.
The Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Facilitates collaboration between Twin Peaks regulators and South Africa's law enforcement agencies to combat corruption-driven financial crimes

Source: Adapted from Botha, A.E., 2018, 'Combating financial crime: Evaluating the prospects of a whole government approach', LLD thesis, University of South Africa, viewed 22 November 2025, from http://hdl.handle.net/10500/24432; Mashida, E., 2023, *What is RICA?*, viewed 20 May 2023, from https://www.polity.org.za/article/what-is-RICA-2013-08-23%20; and Financial Sector Regulation Act (South Africa), 2017, Act 9 of 2017, Government Gazette 626(41060), viewed 22 November 2025, from https://www.treasury.gov.za/legislation/acts/2017/Act%209%20of%202017%20FinanSectorRegulation.pdf

TPR, Twin Peaks Regulatory; FSPs, financial service providers.

Global perspective on financial crimes

The prevalence of financial crimes varies from region to region. Green's heat map in Figure 1 shows that developing



Source: Adapted from Allosh, Y., 2018, 'Exploring innovative financing strategies for illicit flows: A study of current trends and implications', in A. Aziani (ed.), *Illicit financial flows: An innovative approach to estimation*, pp. 1–37, Springer, Cham, viewed 22 November 2025, from https://doi.org/10.1007/978-3-030-01890-0

FIGURE 1: Heat map of financial crimes.

countries in Africa, Latin America and Asia experience high incidences of financial crimes and IFFs as opposed to those in Western Europe and North America. In addition, the Association of Certified Fraud Examiners (ACFE) report (2024:8) revealed that sub-Saharan countries had the second-highest reported incidences of occupational fraud, with 18% (299) of the cases. The high prevalence of financial crimes in these countries can be attributed to several interlinked factors, such as inadequate regulatory rigour, weak governance and socioeconomic vulnerabilities that create loopholes and gaps (Arthur et al. 2024:2).

Prevalence of financial crimes in South Africa

South Africa is plagued by high levels of financial crimes (Duff & Williams 2024). According to the Secretariat Economic Crime Index (2025:6) and the South African Banking Risk Information Centre (SABRIC 2024:19), South Africa is ranked among the top 10 nations with the most reported financial crimes. Findings from the crime index identified bribery, corruption and digital fraud as the primary causes of financial crimes in this country. The aforesaid crimes harm governments, public and private sector organisations, and individuals (Kingsley et al. 2024). Financial crimes, if unaddressed, create costly, vicious cycles that diminish business profitability, economic growth and people's social welfare (Nasdaq Verafin 2024:7). Further studies by Swanepoel and Meiring (2018) reinforce these concerns and contend that although South Africa has a well-developed and extensive legislative regulatory framework to combat economic crimes, enforcement agencies continue to face resource constraints, limited investigative capacity and inefficiencies in prosecution, all of which have weakened the country's ability to curb financial crimes. Ojukwu-Ogba and Osode (2020) similarly stress that regardless of South Africa's comparatively more advanced regulatory regime, the challenges of enforcement remain persistent due to poor coordination among enforcement institutions and existing gaps in the implementation of laws. These structural weaknesses within the enforcement system have exacerbated the prevalence of bribery, corruption and fraud, enabling criminal networks and activities to exploit regulatory and institutional vulnerabilities (Davis, 2022).

Impact of financial crimes on governments

Financial crimes impact governments in twofold. Firstly, governments with rampant financial crimes run the risk of being censored by international bodies such as FATF, the World Bank and the IMF (National Treasury 2024:4). For instance, South Africa was greylisted by FATF from February 2023 until October 2025. The greylisting was prompted by South Africa's inability to:

- Fully comply with anti-money laundering (AML) and counter-terrorism financing protocols.
- Implement the 2019 findings of FATF.
- Adequately establish the ownership status of companies and trusts.

- Effectively prosecute and convict suspected offenders of financial crimes and monitor high-risk FSPs.

Secondly, legal gaps can weaken democracy, governance, the rule of law and the state's capabilities to provide essential infrastructure and services to citizens (Davidson & Judah 2023:9). As a consequence, the National Treasury and other stakeholders were compelled to make wide-ranging oversight reforms to rectify challenges that led to South Africa's greylisting (National Treasury, 2023).

Economic impact

Financial crimes negatively impact government revenues from taxes, consumer and investor confidence in financial institutions, economic growth, resource allocation and the cost of doing business (Achim & Borlea 2020:24). For instance, in 2024, the financial sector lost at least R2.72 billion from reported financial crimes (SABRIC 2024 and Cressey 1973).

Social impact

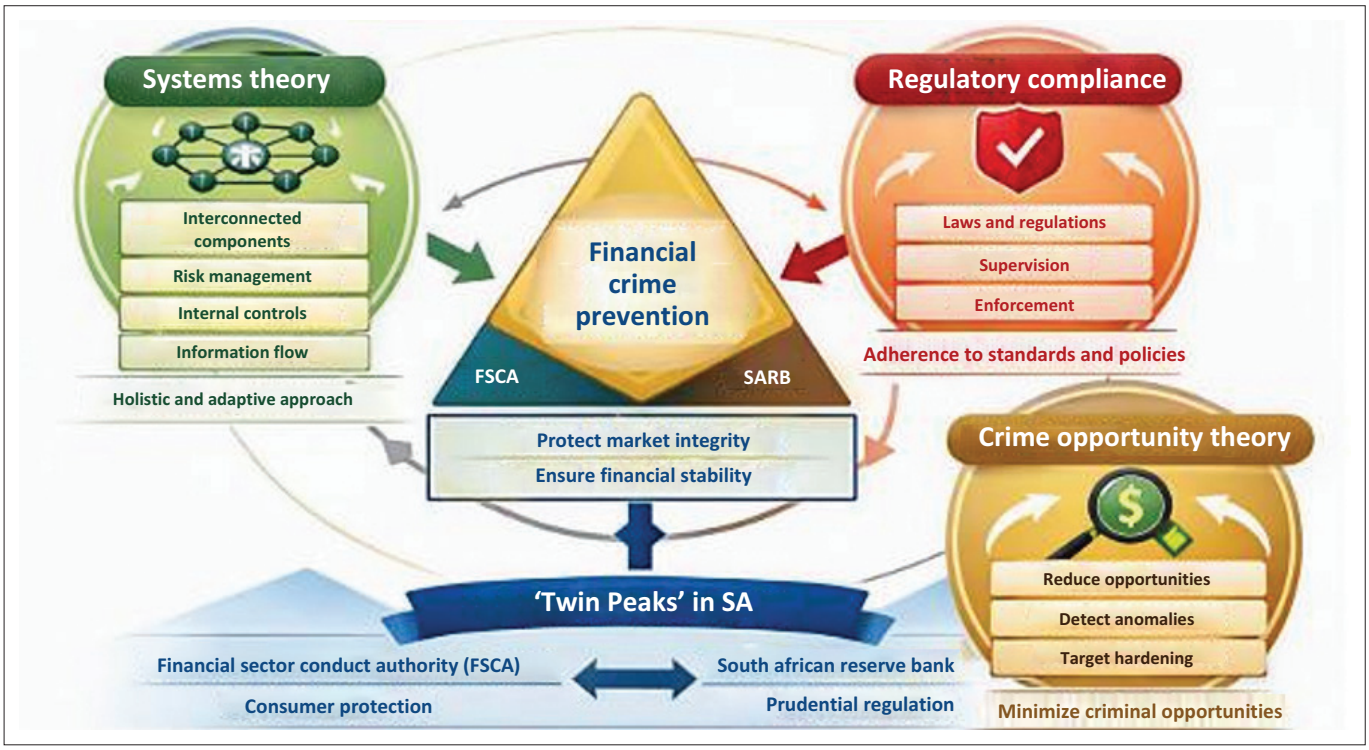
A high prevalence of financial crimes, according to research studies, undermines democratic institutions, law and order, and good governance mechanisms within nations (Allosh 2018). In the context of South Africa, rampant financial crimes weaken the government's capability to achieve certain safety and security goals linked to the National Development Plan (NDP) and United Nations Sustainable Development Goals (SDGs) (Arthur et al. 2024:28). In essence, financial crimes not only weaken safety and security but also increase marginalisation and vulnerabilities within society (Anser et al. 2020). For instance, financial crimes result in the diversion of vital resources earmarked for service delivery, financial inclusion and safety, thereby increasing vulnerabilities and marginalisation among low-income, informal settlement and rural-dwelling consumers (OECD, 2024)

Theoretical conceptual framework

Decisions on policy and legislative frameworks put in place to combat financial crimes in financial sectors incorporate insights from systems theory, the theory of regulatory compliance (TRC) and crime opportunity theory (COT). These theories are embedded in prudential and market conduct regulatory measures aimed at combating financial crimes, as shown in Figure 2.

Systems theory

The systems theory emerged in the mid-20th century from the seminal works of various scholars like Ludwig von Bertalanffy, Daniel Katz and Robert Kahn. These scholars proposed the systems theory to replace the reductionism that viewed organisations as separate and independent entities. By proposing the systems theory, the scholars acknowledged that organisations do not exist in a vacuum but are part of complex and interlinked relationships (Mele, Pels & Polese, 2010; Newman-Enyioko 2025). The systems theory is therefore highly applicable in the context of the regulation of South Africa's financial sector. Notably, the success and effectiveness of policy and legislative frameworks, like the TPR model, are dependent on levels of interrelationships and interactions between stakeholders (Corbett 2015:3–5). To enhance effectiveness, the TPR model is supposed to promote collaboration and coordination among various stakeholders



TPR, Twin Peaks Regulatory; SA, South Africa.

FIGURE 2: Financial crime prevention under the Twin Peaks Regulatory model.

within the financial sector (Goodspeed 2017:2–4). For instance, the enforcement of prudential and market conduct regulations aimed at preventing and mitigating financial crimes is dependent on information, expertise and resource sharing by the SARB, PA, FSCA, NCR, FIC, NPA, SAPS and financial service providers (FSPs). As such, this study used participants' views to establish the breadth and depth of collaboration among the aforementioned stakeholders in combating financial crimes within the country's financial sector.

Theory of regulatory compliance

The TRC is a brainchild of Richard Fiene. According to Baldwin, Cave and Lodge (2011) and Sutinen and Kuperan (1999), Fiene's proposition represented a paradigm shift from the traditional 'one size fits all' regulatory approach. Instead, Fiene posited that regulatory compliance is a dynamic and non-linear process shaped by legal, economic, social and psychological factors. Insights from the TRC are key in the enactment or amendment of legislative acts or regulations (Fiene 2016). Policymakers and lawmakers are required to prioritise quality over quantity and thus ensure more positive consequences rather than negative ones (Fiene 2016:1). The TRC applies to the TPR model because it facilitates unity between the FSCA and PA on market conduct regulations and combating financial crimes (Chitimira & Munedzi 2024). Under the TPR model, these regulators prioritise not only reactive strategies but also proactive ones to combat various financial crimes (Chitimira & Munedzi 2024). In particular, the FSCA priorities are pre-emptive, risk-based and technology-driven strategies aimed at curbing serious crimes, such as money laundering, terrorism financing and fraud (Mavhuru & Chitimira, 2025:8).

Crime opportunity theory

The COT is a collective outcome of works by several theoreticians (Farrell & Tilley 2026). Notable examples of such works are the 1979 'Social change and crime rate trends: A routine activity approach' by Lawrence Cohen and Marcus Felson, the 1971 'Crime prevention through environmental design' by C. Ray Jeffery and the 1992 'Situational crime prevention: Successful case studies' by Ronald Clarke. The COT postulates that criminality is driven by opportunity for potential offenders, the presence of potential victims and a lack of effective deterrent mechanisms (Clarke 2012; Rafay 2021). This study explored how regulators and FSPs have incorporated insights from the COT into strategies that minimise opportunities for potential offenders and enhance deterrent mechanisms.

Exploring financial crime under the Twin Peaks Regulatory model through theoretical framework lenses

This study is anchored in an integrated theoretical framework that combines systems theory, the TRC and COT to explain how and why the TPR model operates in preventing financial crimes. These theories combined provide a multi-layered explanatory lens that clarifies the relationships, behaviours and crime prevention mechanisms reflected in the study's findings. The interconnectedness in the financial industry between regulators and other stakeholders in the Twin Peaks ecosystem was explained using the system theory in the study. The law enforcement agencies, FSCA, PA, SARB, FIC, FSPs and private sector stakeholders all function together in the TPR ecosystem. In order for institutions within the TPR model to solve crimes efficiently, they need to have strong collaboration, partnerships, coordination and information sharing. The systems theory demonstrates how these structured collaborative systems can improve law enforcement by making it easier to promote compliance, solve problems and elevate detection. In explaining how the behavioural and institutional factors drive compliance under the TPR model, the study used the TRC. The TRC explains why internal compliance teams, external supervisory mechanisms, governance practices and penalties for non-compliance are essential for shaping compliant behaviour within FSPs. The findings on internal and external compliance, governance and enforcement align with TRC's view that regulatory adherence is a dynamic process influenced by legal, organisational and psychological factors. TRC, therefore, explains why proactive, risk-based and deterrence-driven strategies used by the FSCA and PA are effective in promoting compliance. The COT highlights a criminological aspect by explaining how regulation assists in reducing available opportunities for committing financial crime. Market integrity, technological surveillance, consumer awareness and deterrent mechanisms show how the TPR model reduces crime opportunities for offenders while increasing the perceived risk of detection. The role of monitoring tools, regulatory controls and criminal enforcement activities in reducing the possibility of criminal activities in the financial industry was explained by the COT. Combining these theories produces a coherent explanatory framework that accounts for the strengths and limitations observed in the findings on financial crimes under the TPR model. Systems theory highlights how important the collaboration is; TRC clarifies the behavioural and institutional drivers of compliance; and COT illuminates regulatory measures and how they reduce opportunities for financial crime. This integrated framework enhances the explanatory power of the study by showing that the TPR model's effectiveness is dependent on coordinated systems, dynamic compliance processes and continuous reduction of crime opportunities. Figure 2 illustrates how the theories interact with the TPR model.

Research methods and design

The study employed a qualitative methodology to gather primary and secondary data, which were analysed to determine the effect of the TPR model in combating financial crimes in the financial sector in South Africa.

Sampling

Study participants were purposively selected from regulatory entities and FSPs. Information richness on the TPR model

was used as an inclusion criterion for sampling. In this case, the sampling method ensured the selection of study participants who were well-positioned to provide valuable insights into the effectiveness of the TPR model in combating financial crimes. After interviewing only 18 participants, the interviews were halted because saturation had been reached. Inclusion and exclusion criteria were used to select this purposive sample. This led to the selection of participants with enough information and experience as regards the regulation of South Africa's financial sector. Anyone who did not meet this criterion was excluded from the sample.

Data collection instrument

This study employed a structured and semi-structured interview instrument to collect primary data. The interview used both structured and unstructured questions; this allowed the study to gather comparable data across participants while still ensuring rich, narrative accounts of their experiences with financial crimes and regulatory enforcement in the financial sector. The structured questions focused on factual and descriptive aspects of participants' roles and exposure to the financial sector and crime prevention (e.g. [1] *What is your role within your organisation?*, [2] *What are your highest qualifications?* and [3] *How many years of experience do you have in the financial sector and crime prevention within the sector?*). These questions provided a consistent baseline for analysis across interviews. The unstructured, open-ended questions were used to collect deeper insights from participants' perceptions, interpretations and lived experiences of the TPR model. Every question was aligned directly to the study's objective, thus assessing the model's effects in combating financial crimes in South Africa. For example, the question *To what extent is the Twin Peaks regulatory model contributing to the prevention and detection of financial crimes, such as money laundering and corruption?* was central to understanding whether the TPR model is actually achieving its intended regulatory objectives. Similarly, the question *How has the Twin Peaks model improved regulatory coordination and information sharing among prudential and conduct regulators?* probed collaboration mechanisms that are theoretically fundamental to the TPR model and therefore highly relevant to assessing its operational effectiveness. The third question asked participants to identify 'key challenges and limitations faced by authorities in implementing the Twin Peaks model' and was essential in uncovering practical constraints that may hinder the performance of the TPR model. Finally, the question on stakeholder perceptions – *To what extent do stakeholders perceive the effectiveness of the Twin Peaks model, and what recommendations do they propose?* – provided insight into how those individuals who are directly involved in financial crime prevention interpret the model's strengths and weaknesses. These questions, collectively, were deliberately crafted to generate data that speak directly to the study's research objectives. All the interview responses were conducted virtually via Microsoft Teams due to the geographical dispersion of participants and the platform's accessibility and reliability. All interviews were audio-recorded with consent and subsequently transcribed verbatim. During analysis, both the structured and unstructured responses were reviewed; however, the thematic development primarily drew on the open-ended questions, as these provided the depth necessary to identify recurring patterns, meanings and insights. Themes were generated inductively by examining participants' narratives for commonalities related to regulatory effectiveness, organisational vulnerabilities, enforcement challenges and perceived gaps in the implementation of the Twin Peaks model.

Data analysis

Participants' responses were analysed thematically with the assistance of the ATLAS.ti software. The software was originally developed by ATLAS.ti Scientific Software Development GmbH in Berlin, Germany, the software underwent a major ownership change in September 2024 when it was acquired by Lumivero, headquartered in Denver, Colorado, United States (US).

- Step 1 – As part of data familiarisation, the researcher reviewed all the qualitative data gathered during interviews with participants.
- Step 2 – The researcher used an inductive process to identify initial codes from participants' responses.
- Step 3 – Themes were generated by combining various codes into similar themes.
- Step 4 – All themes generated in Step 3 were thoroughly reviewed.
- Step 5 – All themes were refined, defined and named accordingly.
- Step 6 – All themes were reported through visual representation and discussion.

All themes and sub-themes from the analysis were interpreted inductively to extract insights from the participants' experiences and opinions about the combating of financial crimes under the TPR model. Furthermore, the themes and sub-themes were linked to the three theories that overarched this study (refer to Table 4). Afterwards, insights from the interpretation of findings were used to draw conclusions on the effects of the TPR model on combating financial crimes in South Africa.

Quality assurance

Quality assurance in a qualitative study relies on a flexible approach to align the research philosophy, design, methodology and methods for sampling, data collection and analysis. Such an alignment is critical in enhancing the trustworthiness and credibility of a study's findings in line with Benjumea et al. (2023:154). Quality assurance measures were put in place to ensure the reliability and validity of the research findings and mitigate researcher and participant biases. For instance, the following measures were used to mitigate interviewer, selection, response and confirmation biases:

- Reflexivity and self-awareness – done by means of peer interactions and discussions with other academics at NWU.

- Triangulation of data sources – various sources of data were consulted during the study.
- Clearly outlining all decisions pertaining to research methodology.
- Use of a list of semi-structured interview questions for data collection with all participants.

Ethical considerations

Ethical considerations were taken into account during the study to ensure the integrity and confidentiality of the research process. Before data collection, the researcher obtained ethical clearance from the North-West University (NWU) ethical committee. The ethical framework guided the conduct of interviews, the handling of participants and sensitive information, and the reporting of findings, ensuring that the research was conducted with the highest ethical standards. Ethical clearance to conduct this study was obtained from the North-West University Economic and Management Sciences Research Ethics Committee (No. NWU-01740-24-A4).

Participants were provided with informed consent forms outlining the study's purpose, procedures and their rights, including the right to withdraw at any time without penalty. To ensure adherence to the privacy of information, participants remained anonymous and were not required to provide personal details, and the data were stored securely to prevent unauthorised access.

Results

Participants' demographic attributes

The study used a purposive sampling method and interviewed selected participants from regulatory and regulated institutions, using a clearly defined selection guideline defined by expertise requirements. To ensure that each participant could meaningfully contribute to the study, inclusion criteria emphasised specialised knowledge of prudential or market conduct regulation, as well as direct professional experience in enforcement, compliance monitoring or policy implementation under the TPR model (Table 3).

Thus, beyond the value of their collective experience, each individual was required to meet a minimum threshold of industry exposure and regulatory competence. All participants held postgraduate qualifications and together had 89 years of cumulative industry experience, ensuring both depth and breadth of regulatory insight. Participants with less than 3 years of experience in the industry were not selected. The final sample reflected a diverse range of professional backgrounds central to financial sector regulation. The saturation point was reached after interviewing 18 participants. Consistent with Braun and Clarke (2019:201), the combination of occupational diversity and specialised regulatory expertise provided the necessary richness to explore how financial crimes are combatted within the Twin Peaks framework. The demographic and professional attributes of the sample therefore aligned with the study's requirement for informed, practice-based perspectives on regulatory enforcement and compliance. Table 3 illustrates the participants' demographics.

TABLE 3: Participants' demographics.

Professional	Number	Collective experience (Years)
Bankers	3	18
Lawyers	3	20
Investment experts	3	11
Economist	2	10
Policy researcher	2	8
Compliance officers	3	12
Product marketers	2	10
Total	**18**	**89**

Thematic analysis

Recordings of participants' responses were first transcribed before being thematically analysed with the help of the ATLAS.ti software. The analysis was conducted in three phases as described by Braun and Clarke (2022:6). Firstly, responses were read several times to understand and become familiar with what participants said during the interviews. Secondly, six initial descriptive codes related to the combating of financial crimes were generated from participants' responses. Thirdly, themes were identified by checking the initial codes' alignment with participants' responses. Fourthly, four sub-themes were identified from participants' responses (see Table 3). Lastly, insights from the sub-themes were discussed and interpreted to assess participants' perceptions of the effectiveness of the Twin Peaks mandate for combating financial crimes in South Africa.

Codebook illustrating the flow of codes, sub-themes and themes

The codebook (Table 4) demonstrates the analytic flow from raw data to final themes to enhance transparency. The codebook was developed and included as part of the theme analysis. It outlined how the initial inductive codes were generated from participants' narratives, how these codes were clustered into sub-themes and how these sub-themes were subsequently elevated into overall themes. This helped to strengthen the auditability of the study and align it with qualitative best practice by showing a clear chain of evidence from data to interpretation. The codebook also illustrated how the emergent themes were later connected to the theoretical frameworks that underpinned the study. This made it clear how the study's theoretical underpinning and the empirical findings fit together.

Discussion

Regulatory enforcement

Findings from this theme indicated that prudential and market conduct enforcement and compliance are significant to preventing financial crimes in South Africa. Insights from the sub-themes showed that preventing financial crimes is influenced by internal and external compliance mechanisms, good governance, penalties for non-compliance and market integrity in the financial sector. First of all, the TPR model

TABLE 4: Illustration of flow of codes, sub-themes and themes and linking to theories.

Initial codes	Sub-themes	Themes	Linked theory
Internal and external compliance expectations; regulatory adherence requirements	Internal and external compliance	Regulatory enforcement and compliance	Theory of Regulatory Compliance (TRC)
Governance processes, trust-building mechanisms and deterrence structures	Governance	Regulatory enforcement and compliance	Systems Theory
Administrative and punitive actions; sanctions for non-compliance	Penalties for non-compliance	Regulatory enforcement and compliance	Theory of Regulatory Compliance (TRC)
Maintaining market integrity and enabling an environment for crime control	Market integrity	Regulatory enforcement and compliance	Crime Opportunity Theory
Coordination, collaboration, cooperation, information sharing	Coordination and collaboration	Public–private partnerships	Systems Theory
FSP compliance responsibilities; suspicious transaction reporting	FSP involvement	Public–private partnerships	Theory of Regulatory Compliance (TRC)
Consumer education; information provision	Consumer awareness	Public–private partnerships	Crime Opportunity Theory
Technology-enabled detection; cyber-crime prevention tools	Innovative technology for crime detection	Public–private partnerships	Systems Theory
Weak prosecution capacity; slow investigations; inadequate evidence	Prosecution issues	Challenges	Crime Opportunity Theory
Regulatory gaps; greylisting indicators; oversight weaknesses	Regulatory gaps	Challenges	Systems Theory
Implementation and enforcement difficulties; investigative limitations	Implementation issues	Challenges	Theory of Regulatory Compliance (TRC)

FSP, financial service providers.

TABLE 5: Thematic matrix.

Themes	Categories	Subcategories	Codes and quotations
Regulatory enforcement and compliance	Prudential and market conduct regulations	Internal and external compliance	Internal and external compliance: 'Twin Peaks regulators expect all registered FSPs to have well-trained and skilled staff that should drive compliance with the FIC Act' (P13).
		Governance	Governance: 'Banks have processes that they adopt to be able to retain the trust of the customer, which may offer a deterrent' (P4).
		Penalties for non-compliance	Penalties: '"The Twin Peaks" regulators, assisted by relevant stakeholders like FIC, SARB, SAPS, etc., have been taking various administrative and punitive actions against non-compliant FSPs and individuals' (P17).
		Market integrity	Market integrity: 'Through the FSR Act, the Twin Peaks has managed to create an enabling environment for controlling financial crimes and maintaining market integrity' (P11).
Public–private partnerships	Multi-sectoral approach	Coordination and collaboration	Coordination and collaboration: 'All I can say is that success in this area depends on the level of coordination, collaboration, cooperation, and information sharing and gathering among all financial regulators and other relevant stakeholders' (P3).
		FSP involvement	FSP involvement: 'Twin Peaks regulators expect all registered FSPs to have well-trained and skilled staff that should drive compliance with the FIC Act. This enables FSPs to flag suspicious financial transactions and report to FIC' (P13).
		Consumer awareness	Consumer awareness: 'I feel that FSPs must give consumers more information' (P7).
		Innovative technology for crime detection	Innovative technology: 'Twin peaks regulators must invest substantially in information technology and infrastructure that can facilitate the detection and prevention of cyber financial crimes' (P1).
Challenges	-	Prosecution issues	Prosecution issues: 'There are challenges with NPA's ability to prosecute cases of alleged financial crimes. Investigations either take too long to be concluded or end up with weak evidence, resulting in dismissal of cases and offenders getting a slap on their wrists' (P6).
		Regulatory gaps	Regulatory gaps: 'Even though banks are on high alert against illicit flows of money, South Africa's greylisting indicates the existence of regulatory gaps that need to be patched up' (P9).
		Implementation issues	Implementation issues: 'There are currently challenges associated with implementation, enforcement, and NPA's ability to successfully detect, investigate, and prosecute alleged financial crimes' (P6).

SARB, South African Reserve Bank; FIC, Financial Intelligence Centre; FSPs, financial service providers; NPA, National Prosecuting Authority.

relies on both internal and external mechanisms to prevent financial crimes. Participant 13 noted that the regulatory model compels all registered FSPs to establish in-house teams responsible for 'driving compliance' with prudential and market conduct regulations like the *FIC Act* and international standards and best practices such as FATF guidelines. In-house compliance teams allow FSPs to leverage systems of checks and balances to monitor transactions and adhere to prudential and market conduct regulations (Ziorklui et al. 2024:12). Examples of internal mechanisms include enhanced risk evaluation, efficient resource allocation targeting potential risks and threats, application of 'know your customer' (KYC) prerequisites, regular internal audits, automatic analysis of transactions, effective reporting and multi-sectoral partnerships (Tuba & Van der Westhuizen 2014:53).

Compliance

On the other hand, the PA and FSCA have external compliance mechanisms to prevent financial crimes. Examples of these mechanisms include adherence to anti-money laundering (AML) and counter-terrorism financing (CFT) regulations, reporting of irregular transactions, accountability, transparency, establishment of whistleblowing channels, increased information sharing among stakeholders and leveraging advanced technology for compliance activities (Chitimira 2021:7). Firstlt, on the other hand, the PA and

FSCA have external compliance mechanisms to prevent financial crimes. Secondly, good governance is strongly correlated to the effective prevention of financial crimes (Van Niekerk & Ponelis 2024:41). For instance, good governance is instrumental in creating an environment that promotes ethical, accountable and transparent practices among FSPs; promotes compliance with AML and CFT measures; prevents fraudulent transactions; enhances data privacy and cybersecurity; and adopts robust internal controls and public–private partnerships (Van Niekerk & Ponelis 2024:41). Thirdly, regulatory oversight under the TPR model has improved market integrity within South Africa's financial sector (Chitimira & Munedzi 2024:1). Market integrity enables regulators and FSPs to curb financial crimes by prioritising transparent, accountable, fair and ethical practices. As such, market integrity is central to increasing consumer and investor trust and the elimination of unethical manipulations and financial crimes due to FSPs' compliance with FIC stipulations and international best practices (Chitimira & Munedzi 2024:5). Lastly, the FSCA and other regulators regularly penalise FSPs for failure to comply with prudential and market conduct regulations and contravention of AML and CFT measures (Van Niekerk & Ponelis 2024:9). These penalties assist in deterring FSPs or individuals from perpetrating financial crimes, enhance compliance with FIC legal requirements and international standards, and promote strong governance practices within South Africa's financial sector (Van Niekerk & Ponelis 2024:4). Overall, insights from this theme demonstrate an integration with those proposed in the TRC, COT and systems theories that anchored this study. For instance, the use of dedicated internal and external mechanisms for internal and external enforcement and compliance and penalties for non-compliance and mandatory good governance resonates with the premises of the TRC. On the other hand, broad collaboration among Twin Peaks regulators, FSPs and FIC is a manifestation of insights propagated in systems theory. Meanwhile, prudential and market conduct regulatory measures under the TPR model resonate with insights from the COT. These measures are there to reduce or eliminate any opportunities that might lead to financial crimes.

Public–private partnerships

Findings on the theme of public–private partnerships emphasise the importance of these partnerships in the prevention of financial crimes. The theme was linked to the following sub-themes: (1) coordination and collaboration, (2) FSP involvement, (3) consumer awareness and (4) innovative technology for crime detection. Based on insights from the sub-themes, it can be suggested that public–private partnerships prevent financial crimes through stakeholder coordination and collaboration, consumer awareness and adoption of innovative technologies. For instance, P13 elaborated on how FSPs are legally obligated to set up dedicated desks 'tasked with facilitating compliance with prudential and market conduct regulations and educating consumers'. Furthermore, P1 stated that both Twin Peaks regulators and FSPs team up with stakeholders from the private sector to 'access innovative information technology and infrastructure that can facilitate the detection and prevention of cyber financial crimes'. In essence, public–private partnerships serve as platforms for enhancing financial crime prevention under the TPR model. For example, the platform empowers regulators and FSPs to share resources, expertise and information and thus enhances enforcement, compliance and detection of financial crimes (Madzima 2024:23; World Economic Forum 2020:6). Additionally, public–private partnerships are central in increasing awareness about financial risks and crimes. Consumer awareness programmes run by both the FSCA and FSPs reduce vulnerability to financial risks and crimes and promote rational decisions when purchasing financial products or services and whistleblowing about suspected contraventions to the *FIC Act* by FSPs (Madzima 2024:23). Last, public–private partnerships enable both regulators and FSPs to leverage various innovative and cutting-edge technologies for financial crime detection and risk management (Chitimira, Torerai & Jana 2024:30). Examples of such technologies currently used in South Africa's financial sector include artificial intelligence (AI) and machine learning-driven mechanisms for detecting and analysing irregular or fraudulent transactions and assessing consumer risks instantaneously. The establishment of various private-public partnership platforms is an embodiment of the systems theory and TRC. These theories emphasise the importance of collaboration among different entities within an organisation or between organisations in order to achieve a goal.

Challenges

According to the findings, certain challenges hinder the effectiveness of the TPR model in combating financial crimes in this country. Identified challenges were summarised under the sub-themes of regulatory gaps, ineffective deterrent mechanisms and implementation issues. Regarding regulatory gaps, the TPR model has not been able to fully prevent and mitigate evolving financial crimes and threats in the country's financial sector. Insights shared by P9 highlighted how regulatory gaps 'have resulted in South Africa's greylisting by FATF'. Such gaps are often manifested as fragmented enforcement, regulatory arbitrage, unfair practices, bureaucratic bottlenecks and limited transborder enforcement and bottlenecks (Chitimira & Mavhuru 2023:33). In particular, unresolved regulatory gaps create inefficiencies within the Twin Peaks regulatory landscape that manifest as oversight conflicts, poor resource allocation, delays in enforcement and compliance processes, and loopholes that open up the financial sector to rule bending and unethical practices (Chitimira & Mavhuru 2023:33). As indicated by the study findings, existing regulatory gaps exacerbate consumers' and the financial sector's vulnerability to financial risks, crimes and exploitation by criminal elements. Furthermore, the study findings ascribed the high prevalence of financial crimes under the TPR model to inadequate deterrent mechanisms. This challenge is epitomised by weak enforcement, derelict investigations into alleged financial crimes, slow and weak prosecutions of suspects, and lenient

punishments for alleged financial crimes in the financial sector. For example, P6 stated that the NPA has challenges with the prosecution of alleged cases of financial crimes because 'investigations either take too long or come up with weak evidence resulting in dismissal of cases and offenders getting a slap on their wrists'. Inadequate deterrent mechanisms embolden criminals by reducing the potential risk of being apprehended and penalised. Weak deterrence, essentially, aggravates the prevalence of financial crimes because perpetrators have a high probability of remaining undetected and being lightly punished if convicted (Bun et al. 2020:23). Finally, regulators' efforts to prevent financial crimes are greatly hindered by implementation challenges. P6 acknowledged that 'there are currently challenges associated with implementation'. Overlapping jurisdictions hinder oversight by the TPR model in the financial sector. According to Moodley (2018:29), overlapping jurisdictions hinder effective implementation by producing regulatory uncertainty and duplication, as well as a siloed enforcement by regulators. A typical example involves the intertwining of prudential and market conduct oversight, which culminates in turf conflicts between the PA and FSCA. This conflict also plays itself out between Twin Peaks regulators and those that fall outside this framework. Furthermore, there is a marked delay in efforts to fully synchronise the *FSR Act* with other current legislation, such as the *Banks Act* and *Insurance Acts*.

Study limitations

Trustworthiness and credibility of the study findings were affected by methodological and sampling limitations. Firstly, the use of a qualitative design contributed to researchers' and participants' biases. Secondly, the study used a purposive sampling technique to gather information on financial stability in the country. The technique is associated with several weaknesses, such as bias, limited trustworthiness and exclusion of critical subgroups from participation. Nonetheless, some measures were taken to mitigate the impact of the identified study limitations. Examples of such measures include triangulation, validation, peer review and reflexivity (Theofanidis & Fountouki 2018:155).

Theoretical integration of the findings

The findings of this study reveal that the ability of the TPR model in combating financial crimes depends on how enforcement mechanisms, collaborative structures and systemic constraints work together. As demonstrated in the regulatory enforcement theme, strong control, market integrity, internal and external compliance systems, strong governance practices and penalties for non-compliance are the most important pillars in preventing financial crime. These insights are in line with the TRC, which says that rules work best when they are supported by dynamic, multi-layered compliance processes that act as both deterrent and proactive oversight. The TRC argues that regulators should focus on quality enforcement and proactive compliance strategies that make it harder for offences to be carried out. The TPR model relies on risk-based supervision, KYC procedures, internal audits and punitive sanctions that reflect on and reduce opportunities for misconduct. The model's focus on reducing offender opportunity through enhanced monitoring, transparent market conduct rules and strict prudential controls also resonates with COT, which posits that crime is prevented when opportunities are constrained and deterrent mechanisms are strengthened. The public–private partnerships theme demonstrated the theoretical grounding of the study. The systems theory views organisations as part of larger and broader interdependent networks. In the Twin Peaks ecosystem, the way FSCA, PA, FSPs, SARB, the FIC and private sector technology stakeholders coordinate demonstrates that the interconnectedness of these organisations is key. This theme, therefore, helps to enhance enforcement capacity through sharing of information, collaboration on compliance structures, consumer awareness programmes and the use of cutting-edge technologies like AI-driven transaction monitoring. These collaborative arrangements also help to strengthen systemic resilience. They also support TRC while expanding compliance capabilities across institutional boundaries. The findings also support COT by making crime surveillance better and reducing financial crime opportunities. The theme of challenges brings out fundamental flaws in the structural weaknesses that undermine the TPR model's overall effectiveness. Regulatory gaps, weak deterrent mechanisms and implementation challenges, like overlapping jurisdictions, slow prosecutions, fragmented enforcement and legislative misalignment, reflect systemic inefficiencies consistent with systems theory, which warns that poorly coordinated subsystems within Twin Peaks structures weaken organisational performance. These challenges also align with COT, as ineffective deterrence and weak prosecution increase within the system, creating opportunity

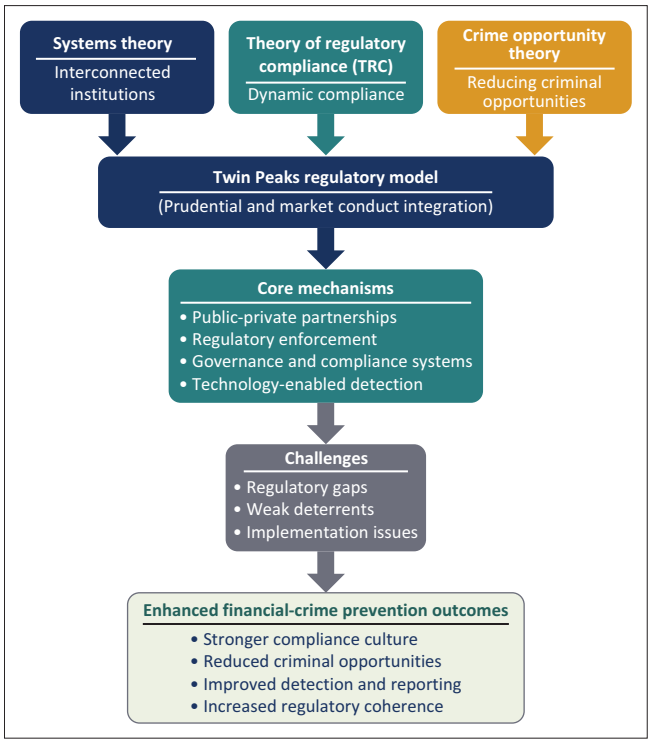


FIGURE 3: The integration of theories and the findings.

and reducing the perceived risk of detection, encouraging criminal activities. Furthermore, the challenges of regulatory gaps and inconsistent enforcement underscore TRC's argument that compliance systems must be continuously strengthened, harmonised and supported by robust institutional capacity. Figure 3 illustrates and explains the theoretical integration of the findings.

Overall, as demonstrated in Figure 3, the study findings suggest that while the TPR model has strong compliance mechanisms, collaborative structures and crime prevention strategies that are consistent with the three theories, its full potential has been constrained by systemic gaps and enforcement weaknesses. To address these constraints, there is a need for improved coordination, stronger deterrent mechanisms and harmonisation of the regulatory frameworks. These elements are essential for enhancing the model's effectiveness in combating financial crimes in South Africa.

Conclusion

The main objective of this study was to assess the effects of the TPR model in combating financial crimes in South Africa. This objective was successfully achieved through participants' insights obtained from the thematic analysis of findings. As such, the study findings provided a window into the effectiveness of the TPR model in combating financial crimes and threats thus far. Similarly, the study findings have established that regulatory oversight by the TPR model is informed by insights from systems theory, the TRC and COT. Firstly, strategies adopted by Twin Peaks regulators acknowledge the importance of collaborative and multidimensional regulatory oversight of an interlinked and complex financial sector. Secondly, combating financial crimes is dependent on how effectively Twin Peaks regulators enforce FSPs to comply with various prudential and market conduct regulations in this country. Lastly, Twin Peaks regulators have not only put in place proactive measures but also imposed various penalties on FSPs that fail to comply with prudential and market conduct regulations. The proactive measures and penalties are primarily to deter individuals or organisations from committing financial crimes. The study findings have demonstrated that the TPR model has various prudential and market conduct mechanisms for pre-emptive and reactive combating of financial crimes and threats. On the one hand, FSPs are compelled by the TPR model to have in-house mechanisms that can facilitate compliance with prudential and market conduct regulations. The in-house mechanisms are key to FSPs' compliance with proactive risk management and mitigation; ethical conduct, accountability and transparency; product alignment to consumer needs; consumer and staff awareness of risks of financial crimes or threats; and internal resolution of consumer complaints. On the other hand, the PA, FSCA, SARB and NCR, in collaboration with other regulators, enforce prudential and market conduct regulations throughout the financial sector. As indicated by the findings, these regulators enforce FSPs' compliance by proactively improving systemic stability and addressing regulatory gaps that increase risks of financial crimes and threats. The PA and FSCA promptly punish FSPs that are found guilty of non-compliance with prudential and market conduct regulations. Lastly, the Twin Peaks regulators facilitate collaboration with other public and private stakeholders in and outside the country. The collaboration aims to streamline the enforcement of prudential and market conduct regulations as well as promote adherence to various international standards and best practices. Despite the adoption of the aforementioned mechanisms, financial crimes are still prevalent in South Africa's financial sector. According to the study's findings, ongoing regulatory gaps, ineffective deterrent mechanisms and implementation challenges limit the effectiveness of the TPR model in preventing financial crimes in South Africa. Regulatory gaps, together with implementation shortcomings, contribute to ineffective enforcement and compliance of prudential and market conduct regulations in the financial sector. Ineffective enforcement and compliance provide potential offenders and unscrupulous FSPs with opportunities and loopholes that can then be exploited in the commission of various types of financial crimes. On the other hand, ineffective deterrent mechanisms encourage offenders to commit further financial crimes because the benefits thereof outweigh the risks of arrest and punishment. All in all, the TPR model has not been impactful enough in combating various financial crimes in this country. This challenge has had a debilitating impact on the country's financial sector. The 2023 greylisting, in particular, negatively impacted the integrity of South Africa's financial sector and thus reduced the flow of foreign investments and led to the erosion of investor and consumer confidence.

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Competing interests

The authors, Edward W. Khumalo and Jan van Romburgh, declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

CRediT authorship contribution

Edward W. Khumalo: Conceptualisation, Data curation, Formal analysis, Investigation, Methodology, Resources,

Visualisation, Writing – original draft, Writing – review & editing. Jan van Romburgh: Supervision. All authors reviewed the article, contributed to the discussion of results, approved the final version for submission and publication, and take responsibility for the integrity of its findings.

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