



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY MINISTER OF FINANCE MR NHLANHLA NENE

Welcoming and Opening Address to the 15th ESAAMLG Council of Ministers Meeting

VENUE: Birchwood Hotel and O.R. Tambo Centre

DATE: 28 August 2015

Hon. Armando Manuel - Minister of Finance of Angola and Outgoing President of
ESAAMLG Council of Ministers,

Hon. Visiting Ministers and Members of the Council

Mr. Je – Yooh Shin, President of Financial Action Task Force (FATF)

Permanent Secretaries,

The Chairperson of the Task Force of Senior Officials,

Members of the Task Force of Senior Officials,

Invited Guests

Ladies and Gentlemen.

On behalf of the Government and the People of South Africa, I am delighted to extend a very warm welcome to you all to this, the 15th Meeting of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) Council of Ministers. I am particularly happy that most member countries are represented.

Let me further extend a special welcome to our cooperating nations and organizations and to thank you for your continued interest and support to ESAAMLG.



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I am delighted to also welcome Mr. Je – Yooh Shin, President of the FATF. I would like to thank you for finding the time to join us in this meeting. It is my hope that you will find the meeting beneficial to your work and your stay in South Africa an enjoyable one.

At the outset, I would like to thank my predecessor, Hon. Armando Manuel, Minister of Finance of the Republic of Angola for his successful leadership of ESAAMLG during the Angolan Presidency of ESAAMLG in 2014/15.

As outlined by Hon. Manuel in his handover address, indeed ESAAMLG achieved a lot in the last year. The launching of the Second Round of Mutual Evaluations through the assessments of Uganda and Zimbabwe, with on-site visits taking place in June and July 2015 and the discussion and adoption of the Ethiopia assessment report at the April 2015 Task Force meeting are major achievements.

Under the Angola Presidency, ESAAMLG also maintained the organization's efforts in monitoring the Post Evaluation Implementation of the FATF standards. I am delighted that our member countries continue to make progress in addressing the deficiencies identified in their AML/CFT (anti money-laundering/combating the finance of terrorism) systems when they were assessed in the first round. We will be considering 15 progress reports at this meeting.

We are particularly delighted that the Council has accepted our invitation made in Luanda, Angola. I am looking forward to working with all of you in the course of the coming year to advance our Group's work and to continue developing and improving the AML/CFT regimes in ESAAMLG member countries.

The Council of Ministers is a key policy making body of ESAAMLG that has, over the years provided guidance to the work of ESAAMLG. Despite the busy schedule of all Ministers, I am pleased to note that members have maintained their interest in the organization by attending and making contributions in its deliberations. Combating money laundering and financing of terrorism requires political support. I would like to urge all member countries to continue this support.

South Africa is taking up the leadership of ESAAMLG at a very challenging time. The Group has launched the second round of mutual evaluations of all member countries. We look forward to providing leadership in this exercise for our member countries.



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As all of you will appreciate, this is a very challenging undertaking that requires dedication and commitment. I would therefore, like to appeal to all member countries to cooperate in this endeavor to enable our region to soldier on with strong AML/CFT regimes which will enable us to effectively address serious criminal activities.

Money laundering has adverse social and security implications. The proliferation of criminal activities that generate proceeds that can be laundered is one of them. But the most important harm is that of hurting investments opportunities that contribute to economic growth because of fear that successful money laundering will destabilize the financial sector and ultimately the economy and its growth.

It is because of this, that I am particularly pleased about the good progress that most countries have made in addressing the deficiencies identified in their AML/CFT systems during the first round of assessments. It is particularly commendable that all our member countries have now enacted Anti Money Laundering Laws and are developing processes and institutions to implement them.

There are however a few countries that have not made sufficient progress. But even then, all countries are cooperating with our organization to address their deficiencies. I would like to pledge that during the South Africa presidency, we will continue to encourage these countries to move expeditiously in addressing the deficiencies in their AML/CFT systems to minimize and eventually eliminate the risks of Money Laundering and Financing of Terrorism in the region.

Success in fighting money laundering minimizes the harms that are brought about by the predicate offences that generate proceeds that are laundered through our financial sectors and other economic assets. In this region there are many of the predicate offences which generate proceeds for laundering.

I am pleased that all of our countries are working to ensure that the laws that we enact cover all the predicate offences as required by the FATF standards. It is my hope that when our member countries are assessed in the second round, they will all be deemed to have effectively complied with these FATF standards.

Honourable Ministers, terrorism is a crime which knows no boundaries and its harms do not discriminate between the young and old or rich and poor countries. Its effects destroy societies' social fabric, economic development and political stability.



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As governments, we must protect all citizens and provide for them a safe environment that is conducive for sustainable economic growth and social development. ESAAMLG has the duty of assisting governments to successfully fight the crime of terrorism by putting in place legal and regulatory frameworks for preventing the financing of terrorist activities.

In recent years, this crime has taken on new dimensions and terrorist criminals around the world have effective channels of communication that enable them to recruit around the globe with the ease that modern technology provides. The recent phenomenon of the emergence of the Islamic state in the Middle East has been a chilling reminder of the dangerous times in which we live and the need to take concerted actions to fight this crime.

In Africa and even in our own region of Eastern Africa we are affected by this spread of terror. Recent events in Kenya remind us that we have to constantly be on alert.

ESAAMLG has a particularly important role to play in contributing to the efforts to combat terrorism through enabling our countries to develop effective legal and regulatory regimes that make it impossible for criminals to finance terrorism through our financial systems. During the South Africa presidency, we will redouble our efforts to put in place measures aimed at securing the region's financial sectors from abuse by financiers of terrorism.

I understand that the revised FATF standards completed in 2012 have also added another responsibility, that of ensuring that member countries put in place measures to enable them to implement targeted financial sanctions so that they to comply with UN Security Council resolutions relating to prevention, suppression and disruption of proliferation of weapons of mass destruction and financing thereof.

This is a challenge which all our countries should rise to. During the South African presidency we will strive to realize this by encouraging countries to develop legal frameworks and implementation mechanisms that will enable them to comply with this international obligation.

In this context, I would like to appeal to all member countries to re-examine their legal frameworks and expeditiously address any weakness that exist.



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Major challenges in the next few years will be undertaking the Second Round of assessments and effectively implement the revised recommendations in accordance with international standards. As an organization, we need to develop adequate capacity to assess compliance. South Africa will be leading the process and it is my expectation that all member countries will rise to the challenge.

As you are aware, the assessment of Money Laundering and Financing of Terrorism risks is at the centre of the revised standards along with applying a risk-based approach to developing effective implementation of the standards, prioritizing action on areas where most risk exists.

South Africa will place high priority to this exercise of assessing risk during our leadership, building on the success of Namibia and Angola.

It is my expectation that the Task Force and the ESAAMLG Secretariat will be able to organize more capacity-building activities during the year to enable all member countries to undertake the risk assessment. I would like to invite our cooperating nations and organizations to join us in these efforts and provide technical assistance where it is needed. I am confident that you will respond positively to this. I also look forward to the Task Force' recommendations on how we can make progress in this area of work.

Hon. Ministers, one of the major challenges in our region is to extend financial services to all the sections of the population. For most countries in the region, access to financial services remains low. One of the priorities of the South Africa Presidency therefore, will be to refocus and deepen our work on Promoting Financial Inclusion and effective Implementation of the FATF Standards in the region. In this context I am particularly pleased that the Adhoc Working Group on Financial Inclusion which the Council set up at the Council meeting in Mauritius in 2011 have made proposals for the extension of its mandate for a further period of three years. It is my hope that you will all support the proposals made by the Task Force on this.

As Associate member of the FATF, ESAAMLG is expected to uphold high standards in its core work of combating money laundering, the financing of terrorism and proliferation and undertaking studies to determine the changing nature of money laundering and financing of terrorism techniques.



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During the South African presidency we will ensure that we consolidate the ability of ESAAMLG to perform at a high level.

I am particularly pleased that in the last year ESAAMLG undertook the “Poaching and Illicit Trade in Wildlife Products” project and has made good progress in finalizing the project. This is a particularly important project for our region. The crime of poaching and illicit trade in wildlife products threatens rob our region of the valuable heritage of wildlife, which is a major source of attraction and should be protected at all costs. We will be considering a draft report during our presidency and it is my hope that we will all agree to the proposals flowing from this study.

I would like to take this opportunity to thank the US Government for its generous support of this project through the grant of US\$132,420 made to ESAAMLG and the plans to continue to support capacity building programmes which will enable the region to tackle this crime in the years to come.

Hon. Ministers, as you know, ESAAMLG as an FATF Style Regional Body and an associate member of the FATF participates in the Global Network of organizations involved in the efforts to promote the FATF Recommendations worldwide. We also support the actions of the FATF through implementation of, and compliance with the FATF Recommendations, and through the adoption of policies, regulations and laws.

Our membership has benefited greatly from participation in this global network. A number of our countries have rapidly enacted laws and regulations and developed institutional frameworks which have strengthened their AML/CFT regimes and addressed strategic deficiencies that existed. They have put in place effective mechanisms for implementing the FATF Standards. We need to consolidate and sustain these reforms to rid our region of all the vulnerabilities for money laundering and financing of terrorism.

For our organization to be able to meet these obligations to our partners in the Global network, we need to have an effective organization that is adequately resourced and structured, with appropriate procedures and processes to undertake its work in a transparent and efficient manner.



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It is in this context that I am particularly delighted that we will be considering a Report of the Efficiency Scrutiny of ESAAMLG undertaken during the Angola Presidency to determine whether our organization is adequately-resourced and appropriately-structured to address the challenges of implementing the revised FATF standards and participate effectively in the FATF Global network.

This report has come at a very opportune time. I hope that the Council will endorse the proposals and recommendations and we look forward to the opportunity of providing leadership in the further refinement of these recommendations.

One of the immediate priorities of the South Africa presidency is to develop a strategic plan for the implementation of the recommendations in the next three years. Among the recommendations made in the report is restructuring the ESAAMLG Secretariat and increasing its expert staff so it can effectively undertake the assessments of member countries' compliance with the FATF standards, monitor implementation of recommendations made to develop more effective AML/CFT regimes and undertake studies on changing and emerging risks for Money Laundering and Terrorist Financing.

The expansion of the Secretariat will involve extra costs which we will have to meet. During South African presidency details of these costs will be developed and proposals for future funding of our organization tabled at the next Council meeting for approval.

Hon. Ministers, as we take over the presidency of ESAAMLG from Angola , I would like to assure you that we have set our priorities during the year in a manner which will take forward ESAAMLG's Vision of "A strong and Dynamic FATF Style Regional Body committed to eradicate money laundering and Terrorist Financing in the Eastern and Southern Africa Region".

Our priorities will include:

- To sustain the Second Round of Mutual Evaluations of ESAAMLG members by discussing and adopting two reports and undertaking assessment of two further countries.
- To continue developing capacity to assess risk and apply Risk Based Approach in the implementation of AML/CFT measure.



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- To sustain the Post Evaluation Monitoring of the Implementation of FATF standards.
- To deepen the Typologies of Money Laundering work.
- To continue work on promoting financial inclusion.
- To launch the implementation of the recommendations of the Efficiency Scrutiny Report to enable the region to have an organization that will serve member countries more efficiently in the years ahead.

Before I conclude, I would like to highlight a few developments in South Africa's efforts to develop its AML/CFT regime.

We have been working tirelessly to modernize our legal framework against money laundering and the financing of terrorism. Through this process, we have embraced the opportunity to introduce concepts such as requiring our financial and other institutions to apply a risk-based approach to their implementation of programmes and controls against that will protect them from abuse for illicit purposes.

Building measures that will increase the transparency in our financial system and that of the region more broadly will significantly enhance our ability to deal with all manner of evils including illicit financial flows, base erosion as well as, of course, the laundering of ill-gotten gains and the financing of deplorable activities such as terrorism and the proliferation of weapons of mass destruction.

Conclusion

In conclusion, I would like to once again thank Hon. Armando Manuel and the Government of Angola for leading ESAAMLG so well in the past year. I know and I am confident that I am taking over the presidency of a dynamic organization that is set to achieve a lot in the next few years.

I would also like to thank the Angolan and the South African officials involved in the organization of this meeting for a job well done.