

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 1602 [NW1730E]**  
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**1602. Mr V Zungula (ATM) to ask the Minister of Finance:**

- (1) What are the reasons that the National Treasury did not take any steps to prevent the Republic from being greylisted, considering that the Cabinet has known for several years due to illicit financial flows (IFFs), reports of spaza shop owners and the sanctioning of certain Durban businessmen (names furnished) that should have been an even bigger eye-opener;
- (2) Why must it take international bodies to punish the Republic before the National Treasury heed the calls of the opposition political parties, which it has ignored, to investigate and prioritise IFFs;
- (3) What (a) policy measures will the National Treasury take to ensure that grey-listing is prevented in future and that the Republic makes its way off the grey list as soon as possible (details furnished) and (b) framework has the National Treasury put in place that will ensure that the prevention of IFFs is both a (i) public and (ii) private sector duty that is highly punishable when transgressed;
- (4) What (a) time frames does the National Treasury have to resolve the grey-listing issue and (b) accountability measures are in place to ensure that the specified time frames are adhered to;
- (5) How does the National Treasury work together with the State Security, the SA Police Service and the Department of Justice to not only protect whistleblowers whose lives are constantly endangered in the Republic and yet they are integral to preventing IFFs, but also bring down persons who are suspected and accused of IFFs?

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**REPLY**

- (1) Government has provided the reasons for South Africa being greylisted through public statements by National Treasury at the time (e.g. statement issued by National Treasury dated 24 February 2023<sup>1</sup>, and related frequency asked questions), and responses to the many parliamentary questions, for eg Nos PQ943,

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<sup>1</sup> [https://www.treasury.gov.za/comm\\_media/press/2023/2023022401%20Media%20statement%20-%20Response%20to%20FATF.pdf](https://www.treasury.gov.za/comm_media/press/2023/2023022401%20Media%20statement%20-%20Response%20to%20FATF.pdf)

PQ3967, PQ2641, PQ2642, and also a question for oral response for the Deputy President (CO254E).

The Financial Action Task Force (FATF) greylisted South Africa despite acknowledging the “significant and positive progress” made by the country in addressing many of the deficiencies identified in the 2021 Mutual Evaluation Report on South Africa. This included the enactment of two major pieces of legislation, namely the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (“General Laws Amendment Act”) and the Protection of Constitutional Democracy Against Terrorism and Related Activities Amendment Act, 2022 (“POCDATARA Amendment Act”). The two pieces of legislation amended six Acts of Parliament, to deal with technical deficiencies in the legislative framework of the country’s Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system. FATF concluded that the country needed to make further effectiveness (in implementation) improvements, through sustained progress in addressing eight (8) areas of strategic deficiencies related to the effective implementation of South Africa’s Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws.

- (2) Dealing or not dealing with illicit financial flows is not the reason for South Africa been greylisted, but is based on the extent of compliance by a country with the 40 FATF Recommendations and 11 effectiveness outcome measures, as assessed through a Mutual Evaluation conducted or overseen by FATF or associated regional bodies. It is important to note that the fight against money laundering and terror financing is generally broader than the fight against IFFs.

Also, contrary to the assumption made by the Honourable Member, Government has not ignored the call by opposition parties to deal with illicit financial flows and taken a number of measures to counter it. Government established an Illicit Financial Flows Working Group, which reports to the Interdepartmental Committee on AML/CFT that is chaired by the Director-General of National Treasury, to analyse illicit financial flows into and out of the country. There is also a working group that comprises of the SARS, NICOC, National Treasury and the DTIC that is currently working on formulating a National Anti-Illicit Economy strategy. This process will include an analysis of the underlying causes for IFFs and make recommendations that will enable IFFs to be traced, tracked and the perpetrators to be arrested.

- (3) (a) South Africa has committed to an Action Plan to address all remaining deficiencies identified in its anti-money laundering and combating the financing of terrorism. Implementing the Action Plan will assist South Africa to be removed from the FATF greylist, and further, to prevent South Africa from been greylisted in the future when the next mutual evaluation is conducted in the next seven to ten years. The General Laws (Anti-Money Laundering and the Combating of the Financing of Terrorism) Amendment Act, together with the POCDATARA Amendment Act (see

above) are expected to improve the effectiveness of the country's AML/CFT system. It is however important to note that as FATF standards or recommendations change, the South African AML/CFT system will also need to be continuously improved to address the evolving money laundering and terror financing risks.

(b) Refer to (2) above.

- (4) The FATF set, in consultation with South African authorities, a timeframe of January 2025 to address all outstanding deficiencies, for South African to be removed from the greylist. It is our hope that we will be removed sooner, sometime in 2024.

The Interdepartmental Committee on AML/CFT that is chaired by the Director-General of National Treasury monitors progress towards addressing all outstanding deficiencies fully and within the timelines agreed between South African authorities and the FATF. The Interdepartmental Committee on AML/CFT is required to report to Cabinet on a quarterly basis.

- (5) The Honourable member would be aware that National Treasury does not have the mandate and competence to offer protection to whistle blowers and relies on the law enforcement authorities to do so. National Treasury recognises the need to improve and strengthen our whistleblower system, as it is an essential tool to fight fraud and corruption in the public sector.