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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

LISTING OF SOUTH AFRICA BY THE FINANCIAL ACTION TASK FORCE AS A “JURISDICTION UNDER INCREASED MONITORING”

Government notes the Financial Action Task Force’s (FATF’s) decision to list South Africa as a “jurisdiction under increased monitoring”, or more commonly referred to as FATF’s “grey list”. The FATF made its decision at the FATF Plenary meeting which took place in Paris, France earlier today, 24 February 2023.

Following intensive engagements with FATF over progress made by South Africa since the publication of its mutual evaluation report (MER) in October 2021, including a face-to-face meeting held in Morocco on 13 January 2023, the FATF informed the South African Government that it recognized the significant and positive progress made by the country in addressing the 67 recommended actions or deficiencies highlighted in the MER. Following engagements with FATF, it assessed that the country needed to make further and sustained progress in addressing the 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 as set out in the FATF’s statement. These action items requiring attention by South Africa were adopted by the FATF Plenary on 24 February 2023, and the country is expected to address these deficiencies by no later than the end of January 2025.

The eight (8) areas of strategic deficiencies identified by the FATF require South Africa to:

- (1) demonstrate a sustained increase in outbound Mutual Legal Assistance requests that help facilitate money laundering/terrorism financing (ML/TF) investigations and confiscations of different types of assets in line with its risk profile;
- (2) improve risk-based supervision of Designated Non-Financial Businesses and Professions (DNFBPs) and demonstrating that all AML/CFT supervisors apply effective, proportionate, and effective sanctions for noncompliance;
- (3) ensure that competent authorities have timely access to accurate and up-to-date Beneficial Ownership (BO) information on legal persons and arrangements and applying sanctions for breaches of violation by legal persons to BO obligations;



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- (4) demonstrate a sustained increase in law enforcement agencies' requests for financial intelligence from the Financial Intelligence Centre for its ML/TF investigations;
- (5) demonstrate a sustained increase in investigations and prosecutions of serious and complex money laundering and the full range of TF activities in line with its risk profile;
- (6) enhance its identification, seizure and confiscation of proceeds and instrumentalities of a wider range of predicate crimes, in line with its risk profile;
- (7) update its TF Risk Assessment to inform the implementation of a comprehensive national counter financing of terrorism strategy; and
- (8) ensure the effective implementation of targeted financial sanctions and demonstrating an effective mechanism to identify individuals and entities that meet the criteria for domestic designation.

The Minister of Finance, Mr Enoch Godongwana has informed the FATF President, Mr Raja Kumar, that the South African Cabinet has considered the Action Plan and committed to actively work with the FATF and ESAAMLG to swiftly and effectively address all outstanding deficiencies and strengthen the effectiveness of its AML/CFT regime. Since the publication of its MER in October 2021, the South African Government has already demonstrated its commitment to implementing the recommended actions, including the speedy enactment of two major pieces of legislation (which in turn amended six Acts of Parliament) – the General Laws (Anti-Money Laundering and the Combating the Financing of Terrorism) Amendment Act and the Protection of Constitutional Democracy Against Terrorism and Related Activities Amendment Act – in order to address some of the technical deficiencies identified in the Mutual Evaluation Report.

Government recognises that addressing the action items will be in the interest of South Africa, and that doing so is consistent with our existing commitment to rebuild the institutions that were weakened during the period of state capture, the effectiveness of which is essential to addressing crime and corruption. The action items as formulated in the Action Plan therefore form part of the broader commitment of the Government to combat financial crime, corruption and state capture, as announcement by President Ramaphosa in October last year in response to the findings and recommendations of the Zondo Commission on state capture. The need to address the action items is also consistent with the national strategy on AML/CFT which was adopted by Cabinet in November 2022, and will help



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strengthen the fight against financial crimes in the country, and assist in preserving the integrity of the country's financial system.

National Treasury notes that there are no items on the action plan that relate directly to the preventive measures in respect of the financial sector. This reflects the significant progress in the application of a risk-based approach to the supervision of banks and insurers. National Treasury therefore expects that the increased monitoring will have limited impact on financial stability and costs of doing business with South Africa. This will, however, be monitored closely. Importantly, the costs of increased monitoring will be substantially lower than the long-term costs of allowing South Africa's economy to be contaminated by the flows of proceeds of crime and corruption.

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