



**national treasury**

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**REPUBLIC OF SOUTH AFRICA**

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## **MEDIA STATEMENT**

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### **GREYLISTING: POSITIVE PROGRESS IN ADDRESSING TECHNICAL COMPLIANCE DEFICIENCIES IN SOUTH AFRICA'S ANTI-MONEY LAUNDERING SYSTEM**

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National Treasury welcomes the latest Financial Action Task Force (FATF) progress report, which indicates positive progress made by South Africa in addressing technical compliance deficiencies in its anti-money laundering system. The FATF published the follow-up report “*South Africa: Follow-up Report on Technical Compliance Re-rating*” ([South Africa 2nd Follow-Up Report](#)) on 28 November 2023.

This Follow-Up Report (FUR) details the country's progress in addressing the 20 technical compliance deficiencies identified in South Africa's 2021 FATF Mutual Evaluation Report ([South Africa 2021 MER](#)). The FATF 2021 Mutual Evaluation Report was compiled after an extensive review of the extent to which South Africa's legal framework and systems for anti-money laundering and combatting of terrorism financing (“AML/CFT”) complied with the 40 FATF Recommendations (or standards) and were being effectively implemented. Whilst the 2021 Mutual Evaluation Report had found South Africa deficient on 20 Recommendations, it had also found South Africa to comply or largely comply with 20 other Recommendations.

On 27 October 2023, the FATF Plenary formally re-rated 18 of the 20 deficiencies, based on the progress made by the South African authorities in the two-year period following the 2021 mutual evaluation. Of these, fifteen were upgraded to be no longer deficient, as fourteen Recommendations are now fully or largely compliant, and one Recommendation was rated as not being applicable to South Africa. Following these re-ratings, South Africa is now deemed to be fully or largely compliant (or not deficient) in 35 of the 40 FATF Recommendations, including in 5 of the 6 core FATF Recommendations. This means that South Africa is left with 5 deficiencies in technical compliance (including 3 of the 18 which were upgraded from non-compliant to partially compliant), and 2 which remain as partially compliant since 2021).



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The publication of this Follow-Up report follows an application by South African authorities for the re-rating of the 20 technical compliance deficiencies, following the enactment at the end of 2022 of two key legislative amendments (the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, No. 22 of 2022 (“General Laws Amendment Act”) and the Protection of Constitutional Democracy Against Terrorism and Related Activities Amendment Act No. 23 of 2022 (“POCDATARA Amendment Act”) and related regulations that took effect in early 2023.

In summary, the FATF Plenary approved the following upgrades:

Recommendation	Measure	October 2021	October 2023
1	Assessing risks & applying a risk-based approach	Partially Compliant	Largely Compliant
2	National cooperation and coordination	Partially Compliant	Partially Compliant
5 (Core)	Terrorist financing offence	Partially Compliant	Compliant
6 (Core)	Targeted financial sanctions related to terrorism and terrorist financing	Non Compliant	Partially Compliant
7	Targeted financial sanctions related to proliferation	Partially Compliant	Largely Compliant
8	Non-profit organisations	Non Compliant	Partially Compliant
10 (Core)	Financial institution secrecy laws	Partially Compliant	Largely Compliant
12	Politically exposed persons	Non Compliant	Largely Compliant
14	Money or value transfer services	Partially Compliant	Largely Compliant
15	New technologies	Non Compliant	Partially Compliant
17	Reliance on third parties	Non Compliant	Not Applicable
18	Internal controls and foreign branches and subsidiaries	Partially Compliant	Largely Compliant
22	DNFBPs: Customer due diligence	Partially Compliant	Largely Compliant
23	DNFBPs: Other measures	Partially Compliant	Compliant
24	Transparency and beneficial ownership of legal persons	Partially Compliant	Largely Compliant
25	Transparency and beneficial ownership of legal arrangements	Partially Compliant	Largely Compliant
26	Regulation and supervision of financial institutions	Partially Compliant	Largely Compliant
27	Powers of supervisors	Partially Compliant	Largely Compliant
28	Regulation and supervision of DNFBPs	Partially Compliant	Largely Compliant
32	Cash couriers	Partially Compliant	Partially Compliant

As noted by the FATF statement in the Follow-Up Report: *“Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their Mutual Evaluation Report.”* South Africa has addressed most of the technical compliance deficiencies within 2 years of the publication of its Mutual Evaluation Report.



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The South African authorities continue to address the remaining 5 deficiencies, with the expectation that they will be deemed to be addressed in the next FATF Follow-Up report in October/November 2024.

### ***Progress in addressing the effectiveness deficiencies related to the 11 immediate outcome measures***

The FATF Follow-Up Report does **not** address the progress made by South Africa to improve the effectiveness deficiencies identified in the Action Plan agreed between the South African authorities and the FATF when South Africa was greylisted by the FATF Plenary in February 2023.

Overcoming the effectiveness deficiencies is essential for South Africa to exit the FATF “greylist”. This assessment is a distinct process from addressing technical compliance and is conducted under the FATF’s International Co-operation Review Group Joint Group (ICRG JG) process. South Africa’s progress against its Action Plan is reviewed by the FATF Africa/Middle East Joint Group (FATF AME JG). The Joint Group meets every 4 months, where South Africa is expected to report on progress in addressing the 22 action items in the Action Plan.

Since the greylisting, Cabinet and the Justice, Crime Prevention and Security (JCPS) Cluster have overseen the implementation of the Action Plan, via the Interdepartmental Committee on AML/CFT (IDC-AML/CFT) that is chaired by the Director-General of National Treasury. The IDC-AML/CFT includes a large number of government departments and agencies – including the South African Police Services’ Directorate for Priority Crime Investigation (the Hawks), the National Prosecuting Authority, the Special Investigating Unit, the State Security Agency, the Financial Intelligence Centre, the South African Reserve Bank, the Financial Sector Conduct Authority, the Department of Justice and Constitutional Development, the Companies and Intellectual Property Commission and the South African Revenue Service. Cabinet has been closely monitoring progress by the IDC-AML/CFT and government departments and agencies, as noted in the Cabinet statement of 18 October 2023,

Through the IDC-AML/CFT, South Africa has reported on its progress against the Action Plan at two AME Joint Group meetings in May and September 2023, and is currently preparing to engage on a third report to the Joint Group.

Completing the implementation of the Action Plan is essential for South Africa to exit the FATF “greylist”. Attached is the Action Plan and the timelines for completion adopted by the FATF when greylisting South Africa in February 2023:



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Immediate Outcome	Action Item	Expiry date
IO2	1. South Africa should demonstrate a sustained increase in outbound MLA requests and timely follow up to help facilitate ML/TF investigations and confiscations of different types of assets in line with its risk profile.	May 2024
IO3/4	1. The authorities should proactively identify and take action against unlicensed cross-border MVTs.	January 2025
	2. South Africa should improve risk-based supervision of DNFBPs by:	May 2024
	a) implementing and keeping up-to-date supervisory risk-assessment tools to identify higher risk DNFBPs as a basis for risk-based supervision;	September 2024
	b) conducting inspections on a risk-sensitive basis of high-risk DNFBPs; and	September 2024
	c) conduct training and awareness programmes on their AML/CFT obligations, particularly with regards to filing and submitting STRs filed in line with risks.	September 2024
	3. South Africa should strengthen the AML/CFT supervisory capacity (human and financial resources) of FSCA and FIC.	May 2024
	4. South Africa should demonstrate that all AML/CFT supervisors apply and monitor implementation of follow-up remedial actions and that effective, proportionate and dissuasive sanctions are being applied	January 2025
IO5	1. South Africa should demonstrate that competent authorities have timely access to adequate, accurate and up to date beneficial ownership information of legal persons and arrangements.	September 2024
	2. South Africa should apply remedial actions and/or dissuasive and proportionate sanctions for violations of the transparency obligations applicable to legal persons.	January 2025
IO6	1. The SAPS should demonstrate a sustained increase in proactive requests for financial intelligence from the FIC for its ML/TF investigations.	May 2024
IO7	1. South Africa should demonstrate a sustained increase in investigations and prosecutions of serious and complex money laundering, in particular involving professional money laundering networks/enablers and third-party ML in line with its risk profile.	January 2025
IO8	1. South Africa should enhance its identification, seizure and confiscation of proceeds and instrumentalities of a wider range of predicate crimes, in line with its risk profile.	September 2024
IO9 (+ element of IO1)	1. South Africa should take necessary actions to ensure the deficiencies identified in R.5 are addressed.*	January 2024
	2. South Africa should:	May 2024



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	a) Review and update its TF Risk Assessment; and	
	b) Update and begin to implement a comprehensive national counter financing of terrorism strategy, incorporating the findings of the updated TF Risk Assessment.	September 2024
	3. South Africa should enhance the capacity of the relevant authorities, including SAPS and NPA, by:	May 2024
	a) providing each agency with adequate training, personnel and financial resources to effectively carry out their CFT roles and responsibilities;	
	b) clearly incorporating the new obligations under revised POCDATARA into internal trainings, policies, procedures and performance indicators.	September 2024
	4. South Africa should demonstrate a sustained increase in the effective identification, investigation and prosecution of the full range of TF activities, consistent with its TF risk profile.	January 2025
IO10/11	1. South Africa should implement a legal and institutional framework for targeted financial sanctions (TFS) by:	May 2024
	a) Addressing the R.6 deficiencies identified in the MER consistent with the FATF Standards*;	
	b) Addressing the R.7 deficiencies identified in the MER consistent with the FATF Standards*;	May 2024
	c) Demonstrating an effective process to implement TF TFS without delay; and	September 2024
	d) Demonstrating an effective mechanism to identify individuals and entities that meet the criteria for domestic designation in line with UNSCR 1373.	September 2024

The October 2023 FATF Plenary statement noted positive progress made by South Africa, including two action items which are deemed to be largely addressed, as confirmed by the Minister of Finance in his Medium-Term Budget Policy Statement on 1 November 2023. However, addressing the remaining actions within the agreed timelines will require a significant effort from all the relevant South African authorities. In doing so, the South African authorities will also need to demonstrate that the improvements are sustainable, before South Africa can be deemed by the FATF to have adequately addressed all the action items.

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