

E 2026 BUDGET REVIEW **FINANCIAL SECTOR UPDATE**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

BUILDING CAPABILITY TO FIGHT FINANCIAL CRIMES

This annexure reports on South Africa's exit from the Financial Action Task Force (FATF) grey list and its preparations for the next assessment. It outlines reforms to enhance the regulatory framework for the financial sector to support innovation and economic growth as well as measures to improve sustainable investment and customer outcomes.

Preparing for the 2026/27 FATF mutual evaluation

South Africa exited the FATF grey list in October 2025. Preparations have begun for the next round of assessment, from mid-2026 to October 2027. South Africa will draw on the lessons learnt from the last FATF mutual evaluation and the process that enabled the country to exit the FATF grey list to strengthen the effectiveness of its systems to fight money laundering and terrorism financing, while recognising the continued challenges. Avoiding a return to the FATF grey list is important, and boosting the effectiveness of South Africa's anti-money laundering system and preventing its financial system from being abused by criminals will clearly benefit the country and the economy. The mutual evaluation will focus on the effectiveness of South Africa's rules for combating money laundering and terrorism financing. Ensuring the rules comply with global standards is an important indicator of a country's commitment to controlling these abuses.

Regulatory and legislative measures to further bolster the financial system's ability to combat financial crime will be brought to Parliament early in 2026. These include the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Bill, which the National Treasury published for public comment in January 2026. The draft bill proposes amendments to the Financial Intelligence Centre Act (2001), the Financial Sector Regulation Act (2017), the Companies Act (2008) and the Nonprofit Organisations Act (1997), and seeks to address some technical deficiencies.

REGULATING TO SUPPORT GROWTH

Strengthening competition through banking regulation and supervision

The National Treasury and the Prudential Authority are reviewing the regulatory framework for deposit-taking institutions to enable more proportionality, taking account of the nature, size and complexity of the banks; the risks they undertake; and their business models. This aligns with the approach to banking regulation in the Financial Sector Regulation Act. The review will simplify regulatory oversight for smaller and less complex institutions that do not pose a high risk to the financial system compared to systemically important deposit-taking institutions. It may lead to reduced segmentation of the banking sector and will allow a more flexible and effective calibration of existing prudential requirements. This will create a more balanced regulatory environment to financial sector transformation, lower barriers to entry and encourage financial inclusion and sustainable competition. The review will be completed in 2026.

Exploring the impact of the implementation of the Basel Committee on Banking Supervision standards on infrastructure financing

The National Treasury and the Prudential Authority are working with industry bodies to explore whether the current implementation of the Basel Committee on Banking Supervision framework in South Africa affects the country's ability to attract infrastructure investment. This exercise seeks to establish if the observed risk in relation to infrastructure finance is reflected in current capital rules. Based on the outcome of the engagements with industry bodies, strategic policy discussions will be held with the Basel Committee on the implementation of the Basel Committee's standards to make it easier to mobilise infrastructure investment and achieve other developmental objectives, especially in a developing country context. This review will be completed by mid-2026.

HARNESSING INNOVATION

Stablecoin innovation

Many G20 jurisdictions undertook regulatory work in 2025 to better harness the benefits of stablecoins while managing the risks. South Africa's Intergovernmental Fintech Working Group (IFWG) continues its work on an appropriate regulatory framework for stablecoins. The IFWG published the landscape diagnostic study on rand-pegged stablecoins in March 2025. The IFWG's focus in 2026 will be on assessing (i) whether existing regulatory frameworks apply to rand-pegged stablecoin arrangements and (ii) the policy implications of foreign-currency-pegged stablecoins, with the aim of publishing discussion papers for public consultation in 2026.

Implementation of an open finance framework

Open finance is the framework that allows individuals and businesses to safely share their financial data with third-party providers, with their explicit consent, in order to access better, more competitive and more innovative financial products and services. It has the potential to drive down the cost of financial services for individuals and businesses. In 2025, the IFWG finalised a comprehensive cost-benefit analysis that set out concrete recommendations to guide the implementation of an open finance framework in South Africa. Over the next financial year, the IFWG will continue with work to develop an appropriate regulatory framework for open finance.

Regulating artificial intelligence in the financial sector

The Financial Sector Conduct Authority (FSCA) and the Prudential Authority undertook a survey on the adoption of artificial intelligence (AI) in the South African financial sector. This study provided insights into the usage and adoption of AI in the sector. The FSCA, the Prudential Authority and the Reserve Bank are collaborating to develop a discussion paper, based on the survey, to be published in July 2026. The paper will set out recommendations for the safe and responsible adoption of AI in the South African financial sector, with a view to developing a formal joint regulatory instrument.

Exploring the impact of influencers on financial consumers' decision-making

The FSCA is conducting a market study to explore the impact of influencers on financial consumers' decision-making processes. As social media gains prominence as a significant source of information, financial information and, in particular, the role of financial consumer influencers – so-called “finfluencers” – has become more pronounced. The market study will be published in 2026.

BUILDING A CLIMATE-RESILIENT FINANCIAL SECTOR

The National Treasury published the consultation paper *Developing the South African Carbon Credit Market* in October 2025. The paper's recommendations aim to modernise carbon credit infrastructure, clarify legal and financial regulations, and stimulate investment in low-carbon projects. By reducing administrative barriers and enhancing the role of financial institutions and regulatory bodies, these reforms aim to develop a resilient and high-integrity secondary market for carbon credits. Recommendations for amendments to the framework for carbon markets will be made in 2026.

As a complementary intervention under the South African G20 Presidency, the G20 identified “unlocking the financing potential of carbon markets” as a 2025 priority workstream, with a focus on carbon credit data standardisation. Without common data standards, there is limited capacity for credits to supply more than one segment of the carbon market and trade smoothly across borders. This reduces liquidity and ultimately climate finance to emerging markets and developing economies such as South Africa. The G20 supported the Common Carbon Credit Data Model (CCCDM) as a framework to define, categorise and record carbon credit data through its life cycle. The data model aims to improve comparability and interoperability across infrastructure systems to enhance market integrity. In 2026, working in close coordination with relevant government departments, the National Treasury will pilot the CCCDM in South Africa's domestic carbon market. The pilot involves two preliminary phases:

- Mapping domestic carbon offset registry data to the CCCDM and delivering market intelligence to the National Treasury in a standardised format.
- Testing the CCCDM as a central reference point (“exchange protocol”) for different IT systems in South Africa's regulated carbon market.

If these pilots are successful, additional efforts to embed the CCCDM into South Africa's domestic policy architecture could be considered.

Advancing climate-risk resilience in the financial sector

Government continues to work to strengthen responses to climate-related and broader sustainability risks through the development of regulatory and supervisory tools. The Prudential Authority and the FSCA are assessing banks' and insurers' climate-related governance, risk practices and disclosures. The intention is to evaluate the maturity of these industries regarding their responses to climate risks, and closely monitor the links between climate-related financial risks and nature-related risks and biodiversity loss. In 2026, the National Treasury will publish a consultation paper on transition planning by financial institutions to provide a framework for the content and

nature of strategic planning that these institutions should undertake to address climate-related risks. These plans should include climate-related governance, risk practices and disclosures.

REFORMING RETIREMENT FUNDS

Unclaimed financial assets

Government is implementing a reform to centralise the management and investment of over R88 billion in unclaimed financial assets, which include retirement benefits, bank accounts, investments and insurance payouts. This reform aims to ensure that the benefits of these assets accrue to the asset owners rather than to financial institutions, government or any other parties. The proposed framework provides for the transfer of these assets to a central manager to drive down costs and improve payouts with appropriate governance for investment, alongside the appointment of a central administrator responsible for administration, record-keeping and tracing. The reform will be rolled out in phases, starting with the retirement fund sector, given its established identification and monitoring systems. Over time, the framework will be extended to other categories of unclaimed financial assets.

The centralisation of unclaimed financial assets seeks to address challenges associated with fragmented administration, inconsistent definitions and the erosion of value through fees. A unified system, supported by a central database and an administrator, is intended to strengthen tracing processes and enhance transparency. It is also expected to provide beneficiaries with a clearer and more streamlined claims process. A discussion note will be released shortly for public consultation.

REDUCING PAYMENT COSTS AND IMPROVING SAFETY AND EFFICIENCY

The National Treasury has prioritised reforms to modernise the national payments system and promote innovation in digital finance. These reforms aim to support faster, more affordable and more inclusive payment services, including cross-border payments aligned with the objectives of the African Continental Free Trade Area. Enabling more efficient regional payment flows positions South Africa to play a central role in facilitating trade and financial integration across the continent.

The Reserve Bank's Payments Ecosystem Modernisation Programme introduces the most significant payments system reforms in almost three decades, to be implemented over the next three years. The objective of the programme is to transform South Africa's national payments system, making it more efficient, competitive, inclusive and resilient. Reforms being implemented under the programme will broaden access to digital payment services, encourage innovation, reduce reliance on cash and improve the overall functioning of the financial system in response to the rapidly changing global payments landscape.

Establishment of a national payments utility

The Payments Ecosystem Modernisation Programme involves creating a national payments utility (NPU) by transitioning PayInc (formerly BankservAfrica), in which the Reserve Bank now holds a majority stake. The transaction in which the Reserve Bank acquired the stake was concluded on 11 November 2025. The NPU will provide open, shared digital payments infrastructure to support

interoperability across various payment providers, serving as the main platform for high-value and retail transactions.

Legal and policy reforms

The Payments Ecosystem Modernisation Programme also encompasses reforms to the legal and policy frameworks governing payments in South Africa. This includes the adoption of an activity-based regulatory model and a new licensing and authorisation framework. The revised model is designed to enable non-bank entities, such as fintech firms and other service providers, to participate directly in payment activities. These activities cover issuing e-money and offering acquiring services with a relevant, proportionate regulatory framework. Implementation of the activity-based regulatory model is set to take effect in the second half of 2026.

ENCOURAGING INVESTMENT AND CAPITAL INFLOWS

Capital flows management framework

The National Treasury will publish amendments to the Exchange Control Regulations under the Currency and Exchanges Act (1933). The amendments aim to include crypto assets in the capital flows management framework to complement regulation by the FSCA, which officially declared crypto assets (like Bitcoin and Ethereum) to be “financial products” under the Financial Advisory and Intermediary Services Act (2002) from October 2022. Similar regulatory action has been taken by the Financial Intelligence Centre, which in 2025 designated crypto asset service providers as accountable institutions subject to supervision, including reporting, registration and enforcement.

Reducing the capital flows regulatory burden and improving competitiveness

To promote South Africa as a competitive financial and investment hub for the African continent, the National Treasury will expand the HoldCo concept for corporations. This will allow asset managers to manage their portfolios locally in foreign currency as corporations are permitted to do. The reforms would enable the creation of a “synthetic financial centre” to engage in two main activities: (i) the management of portfolios of foreign assets, and (ii) the trading of foreign currency-denominated financial instruments. This will enable asset managers to intermediate in global capital flows, particularly those invested in Africa, and attract and manage the foreign savings of South African investors.

Inward foreign loans – South African residents

As part of promoting foreign trade and investments to South Africa, the interest rate cap(s) on inward foreign loans is removed, subject to loans being market related and reported to the Reserve Bank.

Single discretionary allowance

To take into account inflation and currency fluctuations, the single discretionary allowance limit for private individuals is increased from R1 million to R2 million per calendar year via Authorised Dealers for all purposes, including travel, gifts, remittances, investments and donations. Permitted single

discretionary allowance transfers via Authorised Dealers in foreign exchange with limited authority are increased from R1 million to R2 million. The limit will be reviewed regularly.

Cross-border credit/debit card transactions

The limit for miscellaneous imports, services or subscription payments made via credit or debit cards is increased from R50 000 to R100 000 per transaction. This adjustment aligns with current digital payment trends in international e-commerce and digital services.

Miscellaneous payments to non-residents

To reduce red tape, the limit for miscellaneous payments to non-residents, for example, for sponsorships, office and warehouse expenses, demurrage or refunds, is increased from R100 000 to R200 000 per transaction.

South African bank notes limit

To maintain purchasing power for travellers, the limit to South African bank notes that can be carried in cash when entering or exiting South Africa is increased from R25 000 to R100 000.

The Reserve Bank will also publish operational reforms to reduce red tape, including:

- Authorised Dealers will be allowed to renew authorities previously granted by the Reserve Bank for local settlement in foreign currency, provided there are no material changes in the circumstances under which the original approval was granted.
- The time lag for residents entering into cross-border merchanting transactions will be aligned to four months, irrespective of the jurisdiction of the foreign payer.
- The Reserve Bank, working with the South African Revenue Service and the Financial Intelligence Centre, will enhance supervisory oversight to ensure anti-money laundering and countering the financing of terrorism and tax infringements do not occur.