

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 2641 [NW3157E]**  
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**2641. Dr D T George (DA) to ask the Minister of Finance:**

- (1) Whether any specific incident resulted in the warning from the Financial Action Task Force (FATF) that the Republic must improve the prosecution of financial crimes; if not, what is the position in this regard; if so, what was that incident;
- (2) whether the FATF set out any conditions that the Republic must comply with to avoid being listed on the grey list; if not, what is the position in this regard; if so, what conditions were set;
- (3) whether the Financial Intelligence Centre (FIC) was tasked with ensuring the required improvements are made; if not, why not; if so, what steps has the FIC taken to improve the situation? NW3157E

**REPLY**

- (1) No, the Financial Action Task Force (FATF) does not generally operate by issuing warnings to a country or focusing on specific incidents. I refer the Honourable Member to the Mutual Evaluation Report on South Africa (MER) (<http://www.treasury.gov.za/publications/other/Mutual-Evaluation-Report-South-Africa.pdf>) that the FATF published in October 2021, which is the core (and only) document that guides its assessment of South Africa's performance or effectiveness with regard to the prosecution of financial crimes, particular its assessment of Immediate Outcomes 2 (on international co-operation), 6 (on financial intelligence), 7 (on money laundering investigations and prosecutions) and 8 (on confiscation). The Mutual Evaluation report does conclude that money laundering cases relating to state capture had not been sufficiently pursued in the past (up to November 2019 when the FATF assessment team came to South Africa for an onsite evaluation), and that cases referred to the National Prosecuting Authority by the Special Investigating Unit, were not being dealt with expeditiously.

The Mutual Evaluation report also identified that money laundering activities, in particular, major proceeds of crime generating offences, were being investigated and prosecuted to some extent, but only partly consistent with South Africa's risk profile, and that wider money laundering activities by organized crime syndicates, including from those outside of South Africa, were not being sufficiently identified and targeted in the context of South Africa's role as a regional financial hub.

- (2) FATF does not generally set any conditions against a country, and follows a specific methodology (<https://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%2022%20Feb%202013.pdf>) to follow-up on a country's deficiencies as identified in the mutual evaluation

report that it has adopted for a country. As you are aware, South Africa received a very poor ratings assessment in its 2021 mutual evaluation, and as a result, has been placed in an enhanced follow-up process, which involves more frequent reporting to the FATF, until South Africa has addressed all the deficiencies that were identified. South Africa was also placed in a one-year observation period (from October 2021 to October 2022). The methodology FATF follows is outlined in various documents adopted by FATF, and are all available on its website.

To avoid a FATF greylisting, South Africa would need to demonstrate to the FATF that it has addressed the deficiencies that were identified both in relation to technical compliance (the adequacy of Anti-Money Laundering and the Combating of the Financing of Terrorism (AML/CFT) legal frameworks) and effectiveness (the implementation of the AML/CFT frameworks). South Africa needs to demonstrate to the FATF that it has made sufficient progress in addressing the 20 (out of 40) technical deficiencies that were identified, and show significant progress in addressing all 11 immediate outcomes deficiencies on effectiveness. The FATF Plenary in February 2023 will determine whether South Africa has made sufficient progress or not and whether to greylist South Africa.

- (3) No, it is not the sole responsibility of the FIC to address the deficiencies, but for Government as a whole to do so. Aside from Cabinet, responsible government departments and agencies include the National Treasury, the FIC, the South African Reserve Bank, the South African Revenue Service, the Prudential Authority, the Financial Sector Conduct Authority, the Department of Social Development, the Department of Trade, Industry and Competition, the Special Investigating Unit, the Companies and Intellectual Property Commission, the State Security Agency, the Department of Justice and Constitutional Development, the National Prosecuting Authority, the South African Police Service's Directorate for Priority Crime Investigation (HAWKS), the Department of Home Affairs and the Department of International Relations and Co-operation. Cabinet has mandated the National Treasury to lead and co-ordinate all the above-mentioned departments and agencies, and hence the Director-General of National Treasury chairs an Interdepartmental Committee on AML/CFT that comprises all these departments and agencies.