

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2642 [NW3158E]
DATE OF PUBLICATION: 26 AUGUST 2022

2642. Dr D T George (DA) to ask the Minister of Finance:

Whether, with regard to the warning from the Financial Action Task Force that the Republic must improve the prosecution of financial crimes, any consultation has taken place with the banking sector to discuss the consequences of a grey listing; if not, why not; if so, what are the details of the discussion held? NW3158E

REPLY

Yes, Cabinet has put in place a process for government to consult all relevant players to not only discuss the consequences of a grey-listing by the Financial Action Task Force (FATF), but what steps to take to prevent it. Such consultations have included the banking sector, but also many other stakeholders, in both the private and public sector.

Such consultations have been coordinated and led by the National Treasury, in its capacity as the chair of the Interdepartmental Committee on Anti-Money Laundering and the Combating of the Financing of Terrorism (AML/CFT) that was established by Cabinet. The Committee includes officials from the Financial Intelligence Centre, 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. to address the deficiencies that were identified in the Mutual Evaluation report.

The Honourable member should note that the Mutual Evaluation Report (MER) on South Africa (<http://www.treasury.gov.za/publications/other/Mutual-Evaluation-Report-South-Africa.pdf>) published by the FATF in October 2021 did not identify weaknesses that relate to the prosecution of financial crimes only, but a variety of weaknesses in the country's AML/CFT system. Some of the weaknesses relate to the availability of beneficial ownership information, weaknesses in confiscation, weaknesses in investigations, weaknesses in the generation of financial intelligence information and weaknesses in the implementation of targeted financial sanctions for terrorist financing and proliferation financing. Such consultations have already assisted the government in the drafting of the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Bill [B18-2022] that we I have just introduced in Parliament at the end of August 2022.

National Treasury has engaged with the Banking Association South Africa (BASA) and its member banks since the publication of the Mutual Evaluation report on the potential impact of a greylisting. The discussions have centred around the country's efforts to avert a FATF greylisting as it could have adverse consequences for the country, including for trade and transactions with other countries. In particular, in the worst scenario where a country does not take remedial steps to address the deficiencies identified in the mutual evaluation report, domestic banks risk losing critical correspondent banking relationships with overseas banks, and more likely to be exposed to significant fines and penalties from overseas regulators, limiting or increasing the cost of doing business with foreign trading partners.