



SOUTH AFRICAN RESERVE BANK

Media statement

24 February 2023

The South African Reserve Bank's commitment to the fight against money laundering, the financing of terrorism and proliferation financing

The South African Reserve Bank (SARB) notes the decision of the Financial Action Task Force (FATF), at its February 2023 Plenary, to add South Africa to the list of jurisdictions currently under increased monitoring.

The decision is notwithstanding the substantial efforts by all stakeholders, under the National Treasury's leadership, to address the recommended actions contained in the FATF Mutual Evaluation Report (MER) of South Africa, within the 12-month observation period.

The SARB and the South African government more broadly, maintain a close and open relationship with the FATF. Since the FATF Mutual Evaluation of South Africa in October 2021, our coordinated government stakeholders have undertaken substantial and far-reaching efforts, led by the National Treasury, to enhance our anti-money laundering, counter financing of terrorism and counter proliferation financing (AML/CFT/CPF) regime and its implementation. South Africa's hard work resulted in most of the identified deficiencies being addressed within the 12-month observation period afforded to South Africa.

South Africa's 2021 MER highlighted a number of recommended actions linked to supervision and preventive measures applicable to financial institutions and designated non-financial businesses and professions. As a result of strategic efforts and numerous initiatives undertaken by the SARB, all pertinent action items received extensive attention. The Prudential Authority as well as the Financial Surveillance and National Payment System departments of the SARB are responsible for overall AML/CFT/CPF supervision across all banks, life insurers, mutual banks, co-operative banks, authorised dealers with limited authority, and clearing system participants.

The FATF has acknowledged that the Prudential Authority has made the most progress in terms of the application of a risk-based approach to supervision. Some of the work undertaken included the issuance of sector-specific guidance, conducting a second round of sectoral risk assessments, instituting a new risk rating tool, enhancing the frequency of inspections, holding regular outreach and awareness sessions with banks and life insurers, as well as seeking to engage foreign supervisors in host jurisdictions concerning cross-border subsidiaries and their respective money laundering and terrorist financing (ML/TF) risks.

Going forward, the SARB will further strengthen its supervision and further enhance the dissuasiveness and proportionality of administrative sanctions issued. The SARB has a zero-tolerance approach when addressing the abuse of the financial system by money launderers or terrorist financiers. The SARB reaffirms its strong commitment to disrupt money laundering, the financing of terrorism and proliferation through the enhancement of its supervisory activities.

The SARB expects banks and other financial institutions within its purview to comply fully with all their obligations and applies a high standard of supervision that is necessary to safeguard and protect the integrity of the financial system. These actions, when coupled with measures and actions undertaken by law enforcement and other authorities within South Africa, serve to achieve an effective AML/CFT/CPF system. The SARB, just as the South African government, commits to further intensify its efforts to combat all manners of financial crime and ensure the full compliance with global AML/CFT/CPF standards.

The SARB's initiatives serve to enhance confidence and trust in the banking sector, which is essential to strengthening South Africa's position as an international financial centre operating in sub-Saharan Africa. Supervision is critical to ensuring that a cohesive and resilient AML/CFT/CPF framework exists within South Africa. All AML/CFT/CPF supervisors within the SARB will continue their efforts to build upon and maintain an effective supervisory and enforcement system comprising a wide range of supervisory measures.

The SARB echoes the sentiment of the FATF, which has stated unequivocally that it “does not call for the application of enhanced due diligence measures to be applied to these jurisdictions. The FATF Standards do not envisage de-risking or cutting off entire classes of customers, but call for the application of a risk-based approach”.¹

¹ <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-june-2022.html>

The SARB joins the National Treasury in its steadfast commitment to actively assist the South African financial sector supervisors to address all remaining AML/CFT/CPF deficiencies expeditiously, and to continually engage with all relevant stakeholders to enhance compliance and deter financial crime in South Africa.

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