Financial Sector
Conduct Authority

FSCA Press Release **24 February 2023**

The FSCA affirms tougher stance to combat money laundering and terrorist financing

On 24 February 2023, the Financial Action Task Force (FATF) announced its decision to place South Africa on its grey list. The FATF recognised the significant progress made by South Africa to remedy shortcomings in the country's efforts to combat financial crime since the publication of its Mutual Evaluation Report (MER) in October 2021. However, both the FATF and South Africa acknowledge that further improvements are still required in some areas. The FATF has therefore placed South Africa under heightened monitoring as it works towards implementing these improvements.

The Financial Sector Conduct Authority (FSCA) appreciates the consultative process adopted by the FATF to date and respects the decision that has been taken. Since the Mutual Evaluation, the FSCA has worked closely with other key stakeholders, including the South African Reserve Bank (SARB), Financial Intelligence Centre (FIC) and the National Treasury, to strengthen its oversight of anti-money laundering (AML) and counter-terrorism financing (CFT) risks in the financial sector.

These coordinated and substantial efforts, led by the National Treasury, have resulted in many of the key deficiencies relating to the supervision and prevention of AML/CFT risks in the financial sector being addressed in a relatively short period of time.

The FSCA is the market conduct regulator of all financial institutions in South Africa. It is also the authority responsible for the AML/CFT supervision of financial services providers (FSP), asset managers and collective investment schemes (CIS). As such, it plays a vital role in safeguarding the integrity of, and preserving public trust in, South Africa's highly interconnected financial system. Based on the immense work undertaken over the past 18 months, the Authority is confident that it has put in place a robust framework to detect, monitor and act quickly against facilitators of financial crime in line with the FATF Recommendations.

"The things that pertain to our mandate as the FSCA have largely been attended to. So as an authority in charge of supervising the conduct of financial players in SA, we are satisfied that our systems and processes are rigorous enough to monitor local players as required by FATF. Of course, our work can only be effective and yield meaningful outcomes if all our partner institutions in the system work together. I'm encouraged to say that much progress has been made in this regard, and we will continue to pull together to address whatever gaps may still exist in our value chain," says FSCA Commissioner Unathi Kamlana.

Some of the progress made by the FSCA thus far includes:

- Establishment of a dedicated department responsible for AML/CFT supervision;
- Enhancement of internal and external awareness and understanding of AML/CFT risks at a sector-wide and institutional level;
- Introduction of market entry requirements to enhance transparency of ownership information and prevent criminals from being the beneficial owners of, or holding key management positions in, supervised entities;
- Development and implementation of a risk-based supervision methodology for AML/CFT risks, including intensive off-site supervision through enhanced compliance reporting, increased engagements with individual institutions and more frequent inspections on high and very high-risk entities;
- Strengthening of the FSCA's collaboration model with the Prudential Authority (PA) to ensure a consolidated and holistic view of AML/CFT risks in large financial groups; and
- Increasing of AML/CFT-related sanctions against non-compliant institutions.

Despite this significant progress, the FSCA recognises that it can still improve in certain areas. In particular, the Authority will continue to bolster the breadth and depth of its AML/CFT supervisory capacity as well as further reinforce its sanctions and enforcement framework for AML/CFT breaches.

"We remain more committed than ever in our supervisory efforts to combat money laundering and terrorist financing and to dissuade criminals who aim to misuse South Africa's financial system for nefarious purposes. We will continue to work closely with the Interdepartmental Committee on AML/CFT led by National Treasury to strengthen South Africa's fight against financial crime," adds Kamlana.

All accountable institutions falling within the FSCA's supervisory mandate will be expected to regularly review their risk management and compliance programmes, enhance their understanding of AML/CFT risks and implement effective controls to mitigate such risks. The Authority further expects such institutions to increase their reporting of suspicious and/or unusual transactions to the FIC and to comply fully with all other obligations in terms of the Financial Intelligence Centre Act, No. 38 of 2001 (FICA).

The FSCA joins the SARB in emphasising FATF's clear position that it does not call for the application of enhanced due diligence measures on jurisdictions that are subject to heightened monitoring, but instead that a risk-based approach should be applied.

Furthermore, the Authority stands firm in its efforts to ensure a swift resolution of remaining deficiencies identified by the FATF and to help expedite the country's exit from the grey list.

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Enquiries: Financial Sector Conduct Authority
Email address: communications@fsca.co.za
Telephone: 0800 203 722