

FATF



Anti-money laundering and counter-terrorist financing measures

South Africa

3rd Enhanced Follow-Up Report &
Technical Compliance Re-Rating

October 2024

Follow-up report

November 2021



The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

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South Africa's 3rd Enhanced Follow-up Report

Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of South Africa in June 2021.¹ Based on its technical compliance results, South Africa was placed in enhanced follow-up as it was rated non-compliant (NC) with 5 FATF Recommendations and partially compliant (PC) with 15 FATF Recommendations.² FATF also adopted South Africa's second enhanced FUR with TC re-ratings in October 2023³. This is South Africa's third follow-up report (FUR) in which it is seeking re-ratings.

Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress South Africa has made to improve its effectiveness.

Ms. Ferti Srikandi, Financial Intelligence, PPATK, Indonesia, supported by Ms. Ravneet Kaur and Mr. Alexandre Rodriguez, Policy Analysts from the FATF Secretariat, assessed South Africa's request for technical compliance re-ratings.

The second section of this report summarises South Africa's progress in improving technical compliance. The third section sets out the conclusion and includes a table showing South Africa's MER ratings and updated ratings based on this follow-up report.

Progress to improve Technical Compliance

This section summarises South Africa's progress to improve its technical compliance by addressing some of the technical compliance deficiencies identified in the MER (R.2, R.6, R.8, R.15 and R.32).

¹ www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-South-Africa.pdf

² For Recommendations, the possible technical compliance ratings are: compliant (C), largely compliant (LC), partially compliant (PC), non-compliant (NC) and not applicable (N/A). For Immediate Outcomes, the possible level of effectiveness ratings are: high effectiveness (HE), substantial effectiveness (SE), moderate effectiveness (ME) and low effectiveness (LE).

³ [South-Africa-FUR-2023.pdf.coredownload.inline.pdf \(fatf-gafi.org\)](https://www.fatf-gafi.org/media/fatf/documents/reports/fur/South-Africa-FUR-2023.pdf.coredownload.inline.pdf)

Progress to address technical compliance deficiencies identified in the MER

Recommendation 2

	Year	Rating
MER	2021	PC
FUR2	2023	PC
FUR3	2024	↑ LC

- a) **Criterion 2.1 (*Mostly Met*)** In its 4th round MER, South Africa had yet to develop co-ordinated and holistic AML/CFT national policies informed by identified risks, although existing policies addressed some of the risks identified, including those to promote financial inclusion, to bring sectors deemed high-risk (e.g. dealers in motor vehicles) under the AML/CFT regime, and to obligate Cash Transaction Reports (CTRs). In November 2022, informed by the NRA, South Africa developed its national strategy for 2023 to 2026 to set priorities for competent authorities. The national strategy anticipates that risks identified and assessed in an on-going manner, are used to inform policy and strategy. However, work of the national strategy remains in progress and there is no update on how the process ensures consistent future review. The deficiency remains and this criterion remains mostly met.
- b) **Criterion 2.2 (*Met*)** The Inter-Department Committee (IDC) established in 2018, coordinates the AML/CFT/CFP policy in South Africa as well as cooperation between the FIC, LEAs and supervisors of the financial sector. The FIC Act was amended to cover supervision of FIs and DNFBPs that were previously uncovered. In 2020, the composition of the IDC was expanded to include the CIPC and in 2022, to include DNFBP supervisors. As such, all the relevant authorities are included in South Africa's coordination mechanism for national AML/CFT policies. This criterion remains met.
- c) **Criterion 2.3 (*Mostly Met*)** In its 4th round MER, the IDC, the mechanism that enables policy makers to co-operate and where appropriate co-ordinate and exchange information did not involve all stakeholders at the time of the MER. This was addressed with amendments to the FIC Act (see c.2.2). The MER also noted that the Inter-Department Working Group for Counter Terrorism (IDWG-CT), which is responsible for coordinating and overseeing the implementation of South Africa's international obligations associated with TF arising from the UNSCRs, did not include regulators responsible for overseeing implementation of the UNSCRs by FIs and DNFBPs. Although the Department of International Relations and Cooperation (DIRCO) which convenes the IDWG-CT may co-opt FI and DNFBP supervisors, this has not been done. Thus, the deficiency remains and this criterion remains mostly met.
- d) **Criterion 2.4 (*Partly Met*)** In its 4th round MER, there were no mechanisms to allow co-operation and coordination to combat the financing of proliferation of weapons of mass destruction. The South African Non-Proliferation Council for Weapons of Mass Destruction coordinated with the FIC, but its focus was on counter-proliferation measures rather than PF. There was increased domestic cooperation and coordination to improve the detection of PF, particularly at the operational level (e.g., through the STR reporting and social media monitoring). Although mainly involving the relevant LEAs, intelligence agencies and export

control bodies, since 2022, this has included the FIC and the SSA. The formal CFP coordination was fragmented and lacked an integrated approach. Also, apart from the FIC, the financial sector supervisory bodies were not involved in CFP cooperation and coordination.

In May 2023, the Counter-Proliferation Functioning Committee (CPFC) was launched by the State Security Agency under the Counter-Intelligence Centre. The CPFC coordinates counter-proliferation activities, including CPF. While the CPFC coordinates several national authorities, government departments and agencies including DIRCO, the Secretariat of the Non-Proliferation Council, the LEAs and the FIC, no information was provided to demonstrate that all financial sector supervisory bodies are involved in this Committee and that the coordination on CPF is fully integrated. Thus, a deficiency remains and this criterion remains partly met.

- e) **Criterion 2.5 (Met)** In its 4th round MER, there was no cooperation and coordination between relevant authorities to ensure the compatibility of AML/CFT requirements with data protection and privacy rules. In 2022, South Africa published the Public Compliance Communication 22A which provides guidance on information processing in terms of the FIC Act in relation to data protection, to clarify the interplay between the collection, assessment and reporting of client's personal information in compliance with the FIC Act and data protection laws. Additionally, meetings between the Information Regulator and the Chair of the Interdepartmental committee on AML/CFT/CFP, as well as with LEAs and supervisors regularly take place, and the Information Regulator is now an observer to this Interdepartmental Committee. No deficiency remains and this criterion is met.

Weighting and conclusion: South Africa has developed national AML/CFT policies informed by risks identified in the NRA. There is a national coordination mechanism, which allows exchange of information amongst relevant authorities, particularly at operational level. South Africa has taken measures to improve coordination and cooperation on counter-proliferation financing and on the compatibility of AML/CFT requirements with Data Protection and Privacy rules. However, the lack of involvement of all financial sector supervisors in the IDWG-CT, and in the CPFC, remains which is a minor shortcoming in the context of South Africa.

Recommendation 2 is re-rated as Largely Compliant.

Recommendation 6

	Year	Rating
MER	2021	NC
FUR2	2023	↑ PC
FUR3	2024	↑ LC

- a) **Criterion 6.1 (*Mostly Met*)** In its 4th round MER, South Africa had no mechanisms establishing a domestic process for identifying targets or for procedures to be followed when making a designation proposal. South Africa relies on the freezing mechanism of the POCDATARA which has been amended since the 4th round MER. The TFS Operational Framework (TFS-OF), that sets out the inter-agency collaboration, role-clarification and process flows for designations under the UNSCR 1267, and the process for South Africa to identify a person or entity at the UN level, was approved in November 2022 and revised in November 2023. Since the 2nd enhanced FUR, the deficiency relating to the uncertainty the TFS-OF covered proposals relating to UNSCR 1988 has been addressed. The revised TFS-OF now explicitly references UNSCR 1988.

(a) (met) The TFS-OF identifies the Counter Terrorism Functional Committee (CTFC) as the authority to coordinate the assessment, merits, feasibility and appropriateness of TFS process and to gather information required to make informed decisions (para 17 TFS-OF). It is responsible for the TFS proposals, which is informed to the AML/CFT Inter-Departmental Committee (IDC) (para 22 TFS-OF) and transmitted to the UNSC by the Department of International Relations and Cooperation (DIRCO) (para 42 TFS-OF).

(b) (met) The TFS-OF describes the mechanism for identifying designation targets via the coordination of the CTFC (Part D TFS-OF) and on the basis that the entity “commits (or attempts to commit) terrorist acts or participates in or facilitates the commission of terrorist acts (including through financing thereof, or through providing support to a terrorist organisation)” (para 6 TFS-OF). The considerations under the revised TFS-OF no longer includes a limitation on the application of the framework to bona fide South African nationals.

(c) (met) In making its recommendation, the CTFC takes into account a list of consideration as listed in the TFS-OF. Based on the language in the TFS-OF, the authorities are required to assess whether there is adequate factual information concerning the target for designation (para 15 TFS-OF). The language corresponds to the requirement that there should be reasonable basis when deciding whether or not to make a proposal for designation. Under the revised TFS-OF, there is no further legal test and no longer the consideration as to whether there is sufficient evidence for prosecution under South African Law. It is not conditional upon the existence of a criminal proceeding.

(d) and (e) (mostly met) The TFS-OF describes the listing procedure (Part D TFS-OF). The language in the TFS-OF requires the statement of the case provides adequate information showing the basis for the designation request and that the communication is done in line with the requirements prescribed by the UN Sanctions Regime. Although the language of the TFS-OF implies the need to employ procedures and standard forms of the UN Sanctions Regime and to provide the prescribed level of detail, the Framework does not make explicit reference to these.

- b) **Criterion 6.2 (Met)** For UNSCR 1373, South Africa relies on the freezing mechanism of the POCDATARA as in its 4th round MER, which can apply to any asset of a designated person (no longer *in rem*).

(a) (met) Under the TFS-OF, the competent authority having the responsibility for designating persons or entities that meet the UNSCR 1373 criteria for designations is the CTFC. Specifically (para 19 TFS-OF), the representative of the National Director of the Public Prosecutions (Priority Crimes Litigation Unit) (NPA:PCU) in the CTFC makes the determination as to the probability that the legal basis for the making of a freezing order under section 23 if the POCDATARA can be met.

(b) (met) The TFS-OF lays out the process for identifying targets for designation set out in UNSCR 1371. Part C TFS-OF describes the guiding criteria used to identify targets designations and Part D and Annex A describe the process for the designation mechanism. The considerations in the TFS-OF upon which the CTFC makes its recommendations no longer includes a limitation on the application of the framework to bona fide South African nationals.

(c) (met) A freezing order may be made in respect of any entity, where there are “*reasonable grounds to believe*” that the entity has committed, or attempted to commit, participated in or facilitated the commission of a specified offence, whether the designation is put forward by the national authorities or at the request of a foreign country (para 12 TFS-OF). Under the revised TFS-OF, if a potential target for the application of a domestic TFS is identified through a request by a foreign authority as intended by UNSCR 1373, the CTFC will assess the information “*as quickly as possible*” to determine whether the information supports a case against the target and the NDPP:PCLU then proceeds “*promptly*” to apply for the freezing order under section 23 of the POCDATARA (para 32 TFS-OF).

(d) (met) Under the revised TFS-OF (para 12 TFS-OF), a freezing order under section 23 of the POCDATARA may be made in respect of any entity, where there are “*reasonable grounds to believe*” that the entity has committed, or attempted to commit, participated in or facilitated the commission of a specified offence, whether the designation is put forward by the national authorities or at the request of a foreign country. It is not conditional upon the existence of a criminal proceeding. Designation is not conditional upon the existence of a criminal proceeding as the case is put before the High Court *ex parte*.

(e) (met) Under the revised TFS-OF (para 37-40 TFS-OF), the CTFC may make a request to another jurisdiction to implement TFS through bilateral engagements with its foreign counterpart as intended by UNSCR 1373. In coordination, the CTFC can “*share information to support the request*” through bilateral engagements until a final determination is made. The TFS-OF also provides that the CTFC can augment the request with new and/or additional information.

- c) **Criterion 6.3 (Met)** As in its 4th round MER, South Africa’s competent authorities have legal authorities and procedures, within their statutory mandates, to collect or solicit information to identify property of persons or entities that meet the criteria for designation. The application under the POCDATARA is *ex parte*. This criterion remains met.

- d) **Criterion 6.4 (Met)** In its 4th round MER, there were no provisions for authorities to implement TFS without delay for UNSCRs 1267, 1989 and 1988, and in practice,

the process could take **months**. The Financial Intelligence Centre (FIC) Act was amended in December 2022 to address this. Under section 26A of the FIC Act, UNSCRs have immediate effect upon their adoption by the UNSC. AIs are informed of UNSCRs by means of notification within 24 hours and TF lists are published online on the following day from their receipt from the UN. AIs may subscribe to online updates to receive information without delay. The FIC Act prescribes the relevant obligations for AIs and the FIC provides detailed guidance. However, not all the guidance was updated to reflect the amendments to the FIC.

In February 2024, the FIC issued enforceable guidance to FIs and DNFBPs on TFS through the Public Compliance Communication 44A (PCC44A) which has been updated (paras 30, 32, 44, 47) in line with the updates made to the TFS framework.

- e) **Criterion 6.5 (Met)** In its 4th round MER, the freezing order under the POCDATARA only focused on specific **property** identified in South Africa at the time of the order rather than on any asset of a designated person.
- (a) (met) South Africa requires all natural and legal persons within the country to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities (s 4(2) POCDATARA). The freezing obligation, which can apply to any asset of a designated person (no longer *in rem*), is immediate and without prior notice. This sub-criterion remains met.
- (b) (met) The obligations under sections 26A and 26B of the amended FIC Act are wide in scope, and the deficiencies identified in the MER as regards actions *in rem* and funds or other assets of persons and entities “*acting on behalf or, or at the direction, of a designated person*”, have been addressed. Section 23 of the POCDATARA has also been amended, covering now funds or other assets of persons and entities “*acting on behalf or, or at the direction, of or otherwise associated with a designated person*”. This sub-criterion remains met.
- (c) (met) South Africa expanded the scope of section 4 of the POCDATARA and amended section 26B of the amended FIC Act, to prohibit “*any person*” from dealing with funds, assets, economic resources, financial or related services in a broad manner, including making assets available to designated persons, so that it covers the requirements of the sub-criterion. This sub-criterion remains met.
- (d) (met) At the time of the MER, the Presidential proclamation in the *Gazette* and notices published on the websites of the SAPS and the FIC that communicate designations did not contain clear guidance on specific obligations. There was also no mechanism for UNSCR 1373. The amended FIC Act established freezing obligations in respect of UNSCR obligations relating to UNSCR 1373 as well as persons and entities that are associated with the Taliban, Al-Qaida or ISIL (Da’esh) pursuant to UNSC Resolutions 1267 (1999), 1988 (2011), 1989 (2011) and 2253 (2015) obligations. AIs are informed of UNSCRs by means of notification on the FIC website within 24 hours from their receipt from the UN. The FIC will issue notices on its website of freezing orders under section 23 of the POCDATARA Act (pursuant to UNSC Resolution 1373), in accordance with section 3(1)(c) of the FIC Act which makes it an objective of the FIC to implement financial sanctions flowing from Resolutions of the UNSC. AIs may subscribe to online updates to receive information without delay from the publication on the FIC website. The FIC Act prescribes the relevant obligations for AIs and the FIC provides detailed guidance. However, not all the guidance was updated since the amendments to the FIC Act.

In February 2024, the FIC issued enforceable guidance to FIs and DNFBPs on TFS through the Public Compliance Communication 44A (PCC44A) which has been updated (paras 30, 32, 44, 47) in line with the updates made to the TFS framework.

(e) (met) At the time of the MER, the requirement to report did not cover attempted transactions when the assets are not in the AI's possession or control or assets frozen or actions taken under UNSCR 1373 obligations. The amended framework obliged the AI to report if it possessed or controlled property linked to a sanctioned entity, but this did not cover assets frozen or actions taken under UNSCR 1373 obligations. There was no specific obligation to report attempted transactions under the FIC Act although once a report is made, the Director can instruct the entity to report subsequent changes, including any attempt to deal with the asset.

In February 2024, the FIC issued enforceable guidance to FIs and DNFBPs on TFS through the Public Compliance Communication 44A (PCC44A) which was updated to clarify the requirements concerning the reporting of assets that are frozen under TFS, including under UNSCR 1373 obligations, and of attempted transactions of property under TFS.

(f) (met) Any person having an interest, which may be affected by a decision on an *ex parte* application (such as a freezing of a designated persons assets), may apply to a court for relief (s6(4)(b) Supreme Court Act). This sub-criterion remains met.

- f) **Criterion 6.6 (Mostly Met)** In its 4th round MER, there was no publicly known procedure through which South Africa could bring delisting requests to the attention of the UNSC for consideration.

(a) (met) The delisting procedure is described in the TFS-OF which is a confidential document. An Advisory was issued by the FIC in July 2023 which is available on the FIC website in the section that provides information on the TFS regime⁴ as well as in part 4 of Targeted Financial Sanctions Manual⁵. In addition, the FIC, in consultation with DIRCO, issued an Advisory⁶ on Requests for Delisting from a Targeted Financial Sanctions List to provide information to the public regarding the process to request de-listing from UNSC TFS lists.

(b) (partly met) There is the possibility to make an application to the High Court through general civil litigation procedures to effect de-listing of freezing action pursuant to UNSCR 1373. However, on the FIC website, it remains that no information is available on delisting and unfreezing requests pursuant to UNSCR 1373.

(c) (met) Any person having an interest that may be affected by decision on an *ex parte* application (such as freezing order under the POCDATARA) may apply for a court for relief under the Supreme Court Act. This sub-criterion remains met.

(d) (met) The advisories referred to in c.6.6(a) above provides public information relating to delisting of designations pursuant to UNSCR 1988. There are now direct links to the UN pages for the Focal Point as well as to the relevant

⁴ www.fic.gov.za/targeted-financial-sanctions

⁵ www.fic.gov.za/wp-content/uploads/2023/11/Targeted-financial-sanctions-manual-.pdf

⁶ www.fic.gov.za/wp-content/uploads/2023/10/2023.07-GN-Requests-for-delisting-from-a-targeted-financial-sanctions-list-.pdf

procedures for submitting delisting requests. These also provide contact information for DIRCO together advises that where the designated person or entity is a resident or national of South Africa a request for delisting can be sent directly to DIRCO, who will then submit the request to the Focal point.

(e) (met) The advisories referred to in c.6.6(a) above provides public information relating to the procedures for informing designated persons and entities of the availability of the United Nations Office of the Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083 to accept de-listing petitions.

(f) (met) Publicly known Uniform Rules of Court set out procedures whereby a person affected by a freezing order can seek relief. This sub-criterion remains met.

(g) (met) At the time of the MER, the Presidential proclamation in the *Gazette* and notices published on the websites of the SAPS and the FIC that communicate designations did not contain clear guidance on specific obligations. There was also no mechanism for UNSCR 1373.

The advisories referred to in c.6.6(a) above provides information to the public regarding the process to request de-Listing from UNSC TFS lists. The PCC 44A on the implementation of TFS in South Africa related to TF also cover requirement to conduct de-list both for UNSCR 1267 and UNSCR 1373 (see para 51, para 52, para 59).

- g) **Criterion 6.7 (*Mostly Met*)** In its 4th round MER, an affected person would have to apply to a court for expenses for freezing related to UNSCR 1373, which remains the situation. There was no provision authorising use of funds or other assets that were frozen as provided for in UNSCR 1452. However, under the amended FIC Act, authorisation may be sought for basic expenses and the payment of charges as listed. There has been no change and there is still no specific provision for extraordinary expenses. The criterion remains mostly met.

Weighting and conclusion: Since the 2nd enhanced FUR, South Africa has revised the TFS-OF, issued updated guidance under the FIC Act as well as published de-listing procedures on the FIC website. These mostly addressed the remaining deficiencies. On the FIC website, it remains that no information is available on delisting and unfreezing requests pursuant to UNSCR 1373. There has been no change to the FIC Act to introduce a specific provision to authorise extraordinary expenses.

Recommendation 6 is re-rated as Largely Compliant.

Recommendation 8

	Year	Rating
MER	2021	NC
FUR2	2023	↑ PC
FUR3	2024	PC

- a) **Criterion 8.1** (*Partly Met*) In March 2012, South Africa published a Strategic Risk assessment of its broader NPO sector. However, this did not identify a subset of organisations that, based on their activities or characteristics, are likely to be at risk of TF abuse, including identifying the threats they face and assessing and implementing measures in response to the threats. In April 2024, South Africa issued a TF Risk Assessment for the NPO Sector in South Africa (NPO-TF RA) which sought to address this deficiency.

(a) (partly met) Based on qualitative (e.g. perception surveys, information from focus groups, input from NPOs) and quantitative (ego investigations, prosecutions, convictions, regulatory interventions, suspicious reporting data from FIU and international funds transfer reporting) data from a range of South African authorities (law enforcement, intelligence services and supervisors) and entities, South Africa has identified five types of NPOs to be at risk of TF abuse (NPO-TF RA). South Africa identified organisations that fell within the FATF definition of NPO (trusts, companies or other associations established for a public purpose, and the income of which is not distributable to its members or office-bearers except as reasonable compensation for services rendered) based on the 252 549 NPOs were registered with the Department of Social Development (DSD). However, registration under the NPO Act is only compulsory for NPOs that make donations that go out of South Africa or provide humanitarian, charitable, religious, educational or cultural services outside South Africa which meant that there is a lack of certainty over the total number of NPOs falling within that definition. The NPO-TF RA estimates that 19% of the population of NPOs are unregistered and therefore the “unknown” of this sector. South Africa does not have sufficient information to be able to understand the extent to which they raise or disburse funds within South Africa and assess the extent to which they are likely to be at risk of TF abuse. South Africa has indicated that 120 NPOs have been identified to be high risk, which mostly operate in high-risk jurisdictions outside South Africa providing humanitarian or faith-based services. The indicators leading to the identification of these 120 NPOs have not been identified in the NPO-TF RA and as such it is not possible to ascertain how all relevant sources of information have been used to identify that these NPOs are likely to be at risk of terrorist financing abuse.

(b) (met) The NPO-TF RA identifies the main terrorist groups and the nature of their TF threats related to NPOs at risk i.e. how the terrorist groups NPOs in South Africa to raise and divert funds, support domestic terrorist activity, facilitate foreign travel for terrorist causes, channel funds, recruitment and propaganda, pay ransoms, and how this is done using cash, remittance services and bank accounts (Part F NPO-TF RA). This expands on the 2012 NPO Sectoral Risk Assessment and provides a more in-depth assessment on TF risks related to NPOs.

(c) (met) The deficiency identified in the 2nd enhanced FUR that no in-depth review was done in the 2022 NRA nor in the National Strategy has been addressed by the NPO-TF RA which reviews the measures to mitigate TF risks in NPOs, which

include a review of the legal and regulatory framework the NPOs in South Africa considered to have inherent vulnerabilities relating to TF, through a gap analysis of the framework, as well as recommendations for improvement

(d) (met) South Africa had failed to demonstrate that it has followed up on the policy recommendations stemming from the March 2012 Risk Assessment or periodically reassesses the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities. However, the NPO-TF RA prescribes a full re-assessment based on four triggers. These are situations where (i) an official assessment, (including a regional NRA, SRA, industry of business risk and/or threat assessment) significantly changes its assessment of the TF risk to NPOs; (ii) an official assessment significantly changes its assessment of the overall TF threat in South Africa, such as a significant change in the nature of the overall threat, or a change in the assessment of the level of the overall threat, (iii) an NPO operating in South Africa is proved to be involved in the financing of a terrorist incident in South Africa or anywhere in the world, and (iv) where an ML, TF and PF NRA is conducted. In addition, a partial re-assessment may be triggered in situations where (i) there is a significant change in the legal or regulatory framework in relation to a risk factor, (b) a TF incident occurs in which a risk factor is material, and (iii) an official assessment re-evaluates a risk factor.

b) Criterion 8.2 (Partly Met)

(a) (mostly met) For NPOs registered with DSD, the 2022 amendments to the NPO Act creates obligations for registration, accounting and reporting. However, given that the registration is required only if the entity makes donations or is engaged in activities outside the borders of the country (the NPO-TF RA estimates that 19% of the population of NPOs are unregistered) and as such, management policies of NPOs in South Africa would not apply to all NPOs relevant to R.8. The sub-criterion remains mostly met.

(b) (mostly met) During the onsite, there were no outreach activities to educate the donor community on TF risks and vulnerabilities faced by NPOs. Since then, there have been some training, awareness raising and capacity building involving 65 NPOs. DSD has also been engaging the donor community to encourage the adoption of risk-based approaches to funding to mitigate TF risks. The NPO-TF RA lists the outreach that has taken place, assesses the general adequacy of these (noting the challenges related to outreach in rural areas and for unregistered NPOs) and provides recommendations on taking a targeted approach and which includes targeting donors and the public. DSD is also finalising an NPO Outreach Plan to put in place sustained TF outreach programme.

(c) (partly met) During the onsite, there were no discussions with NPOs on developing and refining best practices to address TF risk and vulnerabilities. The DSD is working with a core team of NPOs to refine best practices to address TF risk and vulnerabilities, which has led to several related meetings. In February 2024, engagement with NPO groups resulted in the development of Terms of Reference of the establishment of the South Africa NPO Hub to coordinate engagement among NPOs, DSD as well as technical and legal experts to contribute to national initiatives, legislation and policies related to the NPO sector. Although expected, there have not been any deliverables from this platform as yet. Aside from the development of the TOR, there has not yet been any activity where South Africa has worked with NPOs to develop and refine best practices to address TF risk and vulnerabilities."

- (d) (mostly met) The NPO Act requires that all registered NPOs must conduct financial transactions by means of a banking account. This would not have applied to all NPOs at risk at the time of the onsite as registration was voluntary although banks can open accounts for NPOs that are not registered. For certain categories of NPOs, the 2022 amendments to the NPO Act creates obligations for registration. However, as the work on the identification of NPOs exposed to TF risk is still ongoing, not all relevant NPOs may be covered by the obligations under the NPO Act. The sub-criterion remains mostly met.
- c) **Criterion 8.3 (Partly Met)** In its 4th round MER, South Africa did not demonstrate that it took steps to promote effective supervision or monitoring or risk-based measures to NPOs at risk of TF abuse. The 2022 amendments to the NPO Act require the registration of NPOs that make donations that go out of South Africa or provide humanitarian, charitable, religious, educational or cultural services outside South Africa. The NPO Act and the Regulations thereunder establish supervision and monitoring framework for registered NPOs, through the collection of information on the structures, finances and officials of these NPOs and activities in foreign countries. Based on the NPO-TF RA, DSD is developing risk-based NPO monitoring and enforcement procedures, but this is not yet in place. The criterion remains partly met.
- d) **Criterion 8.4 (Partly Met)** In its 4th round MER, South Africa did not demonstrate that monitored compliance of NPOs and applied risk-based measures for non-compliance, including clarity on the sanctions specified violations by NPOs or persons acting on their behalf.
- (a) (partly met) DSD has established a unit to monitor NPO activities and developed an Onsite Risk Inspection Tool to develop DSD's Risk Framework. The work is still on going and the sub-criterion remains partly met.
- (b) (partly met) The penalty provision in the NPO Act makes reference to the liability of a fine or imprisonment but does not indicate the amount of the fine and the length of imprisonment for a violation of the Act. South Africa has clarified that under its law, the courts have discretion to decide on the appropriate penalty, but it cannot be assessed whether effective, proportionate and dissuasive sanctions can be applied. Regulations enacted February 2023 in respect of Amendments to the NPO Act specify a range of administrative penalties that can be imposed for failure to register or provide reports and information. The type of penalty imposed should take into account among other things, the nature, duration, seriousness and extent of the non-compliance. The registration of an NPO may also be cancelled due to non-compliance and the persons acting on behalf of NPOs may be subject to disqualification.
- e) **Criterion 8.5 (Mostly Met)**
- (a) (met) South Africa's NPO Directorate co-operates, co-ordinates and shares information with other authorities. It responsible for liaising with other organs of state and interested parties. Via DSD, the NPO Directorate, is a standing member of the IDC on AML/CFT and chairs a newly formed NPO Task Team. The sub-criterion remains met.
- (b) and (c) (met) Criminal investigations (R.30-31) would be carried out in the same way as for other suspicions of TF and there are no limitations imposed by the NPO Act. The SAPS: DPCI have the capacity to investigate suspected TF activities, including through NPOs. The FIC has access to any public register under

the FIC Act. In addition, DSD is in the process of appointing a panel of Forensic Investigators and Data Analyst to conduct preliminary investigations on suspicious NPOs. The sub-criteria remain met.

(d) (not met) No information has been provided on any mechanism that has been established to comply with this sub-criterion and the sub-criterion remains not met.

- f) **Criterion 8.6 (Met)** In its 4th round MER, South Africa had not identified a point/s of contact nor developed procedures to respond to international requests for information regarding NPOs suspected of TF or involvement in other forms of terrorist support. The points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support are the same as for any other terrorist or terrorist financing suspicions ie the Central Authority (DOJ) for receiving, transmitting and executing MLAs including MLAs in respect of TF and NPOs. Other channels may also be used, depending on the requesting authority and the nature of the request. The criterion remains met.

Weighting and conclusion: Since the MER, South Africa, has amended the NPO Act which required the registration of a certain category of NPOs at risk so that accounting and reporting measures can be implemented against them. However, certain categories of NPOs, making up about 19% of NPOs in South Africa, do not need be registered and thus not bound by its obligations. The 2023 NPO-TF RA provides a more in-depth assessment of TF risk relating to the NPO sector as well as an assessment of the mitigation measures and policies in place and identifies five types of NPOs that are likely to be at risk of terrorist financing abuse. Although South Africa has indicated that 120 NPOs have been identified to be high risk, the indicators leading to the identification of these 120 NPOs have not been identified in the NPO-TF RA. It has not been shown that risk-based measures are being applied and monitoring is taking place for vulnerable NPOs. The penalty provision in the NPO Act makes reference to administrative penalties but does not indicate the amount of the fine and the length of imprisonment for a violation of the Act. **Recommendation 8 remains as Partially Compliant.**

Recommendation 15

	Year	Rating
MER	2021	NC
FUR2	2023	↑ PC
FUR3	2024	↑ LC

- a) **Criterion 15.1 (Mostly Met)** Aside from risks relating to crypto assets, the 2022 NRA and TF Risk Assessment identify the vulnerability of other new technologies to a limited extent. The updated 2024 TF Risk Assessment issued in June 2024 also touches on vulnerabilities related to crypto technology. The FIC Act was amended to require that the risk management and compliance programs (RMCPs) of accountable institutions (AIs) include new and existing products and services. This does not explicitly make any reference to new delivery mechanisms for new or developing technologies and Guidance Note 7A that seeks to address this, is being developed. This criterion remains mostly met.
- b) **Criterion 15.2 (Mostly Met)** In its 4th round MER, there was no specific provision requiring AIs to undertake ML/TF risk assessments prior to the launch or use of new products, business practices and technologies, and to take appropriate measures to manage and mitigate the risks. The deficiency in the 4th round MER, that the obligations under the FIC Act did not cover all FIs, was mostly addressed with the expansion of the list of AIs in the Schedule and the requirement for the RMCPs of AIs include new and existing products and services, but this does not make any reference to new delivery mechanisms or new or developing technologies. This has been resolved with through GN7 (see c.15.1). However, the FIC Act does not explicitly require that the risk assessment should be undertaken prior to the launch or use of such products, practices and technologies. This criterion remains mostly met.
- c) **Criterion 15.3 (Met)** In its 4th round MER, VAs and VASPs risks not adequately identified, assessed, and understood yet, and no risk-based measures taken. Since the onsite, South Africa has assessed the ML/TF risks relating to VA activities and VASPs in the 2022 NRA which captures the size, scale and complexity of the sector and identified supervisory and law enforcement measures to respond to the risks including the inclusion of crypto-assets (CAs) and crypto-asset service providers (CASPs) as AIs. The updated 2024 TF Risk Assessment issued in June 2024 also touches on vulnerabilities related to crypto technology. The scope of CASPs is in line with the FATF definition of VASPs. As noted in c.1.10 and c.1.11, under the FIC Act and Guidance Note 7, as an AI, CASPs must develop, document, maintain and implement a RMCP for the identification, assessment, monitoring, mitigation and management of ML/TF risks which is reviewed regularly, and take enhanced measures, in terms of the range, degree, frequency or intensity of controls, when risks are higher. This criterion remains met.
- d) **Criterion 15.4 (Met)** CAs are defined as a financial product for the purpose of the Financial Advisory and Intermediary Services (FAIS) Act and are CASPs regulated under FSCA. The FAIS Act requires a CASP to be licensed and are subject to fit and proper market entry requirements, but there was no clear requirement for VASPs created in South Africa but do not have a business in South Africa, to be licensed under the Act.

To address this deficiency, the Public Compliance Communication 57 issued in July 2023 which is an authoritative interpretation of the law for all oversight and supervisory functions, now states at para 2.6 that “(p)ersons that are established, registered, incorporated or licensed in South Africa to provide activities or operations as referred to in these five business activities are required to register as CASPs with the Centre.” The five business activities refer to the list in item 22 of Schedule 1 to the FIC Act and cover the FATF definitions of VASPs.

- e) **Criterion 15.5 (Met)** In its 4th round MER, as there were no requirements for VASPs to be licensed or registered, there were no further requirements to take action against non-licensed/registered VASPs. There are now licensing requirements for CASPs under the FAIS Act and these can be sanctioned under the FIC Act for failure to register in accordance with the Act. The FSCA is processing 383 applications for CASP licenses, of which 138 CASP licenses have been issued and 80 applications were withdrawn. Five applications were rejected. The FIC has undertaken a CASP individual risk assessment of CASP entities active in South Africa. Through a combination of subscription services and open-source intelligence techniques to identify custodial wallets held by CASPs, to identify CASPs operating in South Africa, the FIC is conducting an on-going identification exercise to identify CASPs that have not registered or applied for registration which has resulted in 30 institutions being identified. The FSA is engaging these institutions and analysing the information to decide on further enforcement action to be taken.
- f) **Criterion 15.6 (Mostly Met)** In its 4th round MER, there were no requirements for VASPs to be subject to AML/CFT supervision. CAs are now defined as a financial product for the purpose of the Financial Advisory and Intermediary Services (FAIS) Act and CASPs are regulated under FSCA which have relevant powers (see also R.26 and 27) required under the criterion. Since April 2023, supervision has been driven by ML/TF risks, The Public Compliance Communication 57 issued in July 2023, provides guidance to CAPSs on their compliance with AML/CFT/CPF obligations through a risk-based approach. which is an authoritative interpretation of the law for all oversight and supervisory functions, including for CASPs. Supervision is conducted based on the results of analysis of a Risk and Compliance Analytical and Assessment tool which uses a risk-based methodology to form an understanding of the institutions’ ML/TF risks. Minor deficiencies in R.26 remain. This criterion remains mostly met.
- g) **Criterion 15.7 (Mostly met)** South Africa has issued guidelines to all AIs, including CASPs. However, South Africa did not demonstrate that they have provided guidelines and feedback specifically targeted towards measures to combat ML/TF in relation to VA activity, particularly in detecting and reporting suspicious transactions.

To address this deficiency, a Public Compliance Communication (PCC 57 – Guidance on the Interpretation of Crypto Asset Service Providers) relating specifically to the CASP sector was issued in July 2023. The FIC can give guidance to any person regarding their performance and compliance with their duties and obligations related to the Act (FIC Act, s.4(c)). In this context, PCC 57 highlights vulnerabilities faced by CASPs and provides risk indicators in paras 3.19 to 3.21 in PCC 57, that can be considered by a CASP when determining ML, TF and PF risks presented in their client engagements, including detecting and reporting of suspicious transactions. The FIC requires CASP to take the guidance in the PCC 57

into consideration and that supervisors consider the guidance to determine whether the CASP complies with a relevant obligation during an inspection. Should a CASP not follow the guidance, it will bear the onus to explain to the supervisor/adjudicator how it is achieving the outcomes that are required in the obligations of the FIC Act. This approach is recognised and followed by supervisors, adjudicators of enforcement actions and the courts.

CASPs have been included in AML/CFT outreach sessions where general feedback has been provided. Targeted feedback awareness on PC57, draft SRA and AML/CFT for CASPs is being developed.

- h) **Criterion 15.8 (Met)** In its 4th round MER, aside from the general obligation to report suspicious and unusual transactions, CASPs were not subject to the AML/CFT regime nor the sanctions for non-compliance. With the inclusion of CA/CASPs as AIs, CASPs are subject to the same sanctions under the FIC Act for failure to report or for tipping off as other businesses (see R.35). Financial penalties can also be applied to directors and senior management of CASPs that are legal persons. This criterion remains met.
- i) **Criterion 15.9 (Partly Met)** In its 4th round MER, VASPs were not subject to the AML/CFT regime. With the inclusion of CA/CASPs as AIs under the FIC Act, the AML/CFT obligations and deficiencies apply similarly. (a) The FIC Act read with the regulations provide for a single transaction threshold of R5000 (EUR 250). (b) Although consultations and draft directives have been issued to implement the travel rule, this sub-criterion is not in place. This criterion remains partly met.
- j) **Criterion 15.10 (Mostly Met)** In its 4th round MER, VASPs were subject to the same TFS obligations as any other person but there were no measures in place for monitoring and ensuring compliance. With the inclusion of CA/CASPs as AIs under the FIC Act, the AML/CFT obligations and measures apply similarly. The minor deficiencies relating to Recommendations 6 and 7 would apply here. This criterion remains mostly met.
- k) **Criterion 15.11 (Met)** In its 4th round MER, there was no no supervisory authority for VASPs to exchange information with foreign counterparts. CAs are now defined as a financial product for the purpose of the Financial Advisory and Intermediary Services (FAIS) Act and are CASPs regulated under FSCA, and the FIC is the supervisor of CASPs. The FIC and the FCSA are empowered by the FIC Act and the FSRA respectively to exchange information with their foreign counterparts. This criterion remains met.
- l) **Weighting and conclusion:** Since its last FUR, South Africa has issued Public Compliance Communication (PCC 57 – Guidance on the Interpretation of Crypto Asset Service Providers) relating specifically to the CASP sector, issued in July 2023. PCC 57 highlights vulnerabilities faced by CASPs and provides risk indicators and FIC Act compliance obligation guidance that can be considered by a CASP when determining ML, TF and PF risks presented in their client engagements, including detecting and reporting of suspicious transactions. However, preventive measures that apply to AIs to some extent and R.16 requirements are not yet in place. This is considered to be a minor shortcoming in light of the fact that CASPs are now an Accountable Institution that are subject to licensing, supervision and other risk-based measures required by the R.15.

Recommendation 15 is re-rated as Largely Compliant.

Recommendation 32

	Year	Rating
MER	2021	PC
FUR2	2023	PC
FUR3	2024	PC

- a) **Criterion 32.1** (*Partly Met*) In its 4th round MER, the Exchange Control Regulations (ECR) (the legislation that articulates prohibited, restricted and controlled goods) did not prohibit, restrict or control incoming BNIs payable in foreign currency and it was not illegal to send BNIs through the mail. Draft regulations to implement a new declaration system with a legal obligation for travelers carrying cash or BNIs in excess of R 25 000 (EUR 1240) are being developed, and there was no change in place at the time of this review and the criterion remains partly met.
- b) **Criterion 32.2** (*Partly Met*) In its 4th round MER, there was no requirement to declare incoming BNIs payable in foreign currencies at ports and airports. Draft regulations to implement a new declaration system with a legal obligation for travelers carrying cash or BNIs in excess of R 25 000 (EUR 1 240) are being developed, and there was no change in place at the time of this review and the criterion remains partly met.
- c) **Criterion 32.3** (*Partly Met*) In its 4th round MER, the disclosure system at land crossings and ports did not cover incoming BNIs payable in foreign currency. Draft regulations to implement a new declaration system with a legal obligation for travelers carrying cash or BNIs in excess of R 25 000 (EUR 1 240) are being developed, and there was no change in place at the time of this review and the criterion remains partly met.
- d) **Criterion 32.4** (*Partly Met*) In its 4th round MER, the powers of customs officials to question and obtain additional information did not cover incoming BNIs payable in foreign currency. Draft regulations to implement a new declaration system with a legal obligation for travelers carrying cash or BNIs in excess of R 2 5000 (EUR 1 240) are being developed, and there was no change in place at the time of this review and the criterion remains partly met.
- e) **Criterion 32.5** (*Partly Met*) In its 4th round MER, the sanctions did not cover incoming BNIs payable in foreign currency. Draft regulations to implement a new declaration system with a legal obligation for travelers carrying cash or BNIs in excess of R 25 000 (EUR 1240) are being developed, and there was no change in place at the time of this review and the criterion remains partly met.

Criterion 32.6 (*Partly Met*) In its 4th round MER, although the SARB: FinSurv provided the FIC with all cross-border transactions for EFTs, this information, did not contain information of declarations of physical transportation of cash nor information regarding suspicious incidents of such transportation. Since 2022, South Africa has enhanced the electronic traveler declaration system which enables the FIC to receive live electronic feed of all traveler declaration information, which includes cash declared or seized. This system is being developed and should be fully deployed and operationalised at all ports of entry and exit by 31 August 2024. However, the situation at the time of the review has not changed and the criterion remains partly met.

- f) **Criterion 32.7 (Met)** In its 4th round MER, inter-agency coordination was only implemented at one international airport and not at other entry/exit points of South Africa. South Africa has since established interagency Port Management Committees at land, sea and airports of entry as well as enacted several pieces of legislation that enhance information sharing between SARS Customs and other relevant authorities. South Africa has also established several inter-agency cooperation committees at the operational level to combat cash smuggling and conducts joint operations at ports of entry which led to seizures and forfeitures. This criterion is met.
- g) **Criterion 32.8 (Met)** As noted in the MER, goods can be seized and held to determine whether the Customs & Excise Act or any other law (including ML/TF suspicion) have been complied with in respect of such goods. This has not changed and the criterion remains met.
- h) **Criterion 32.9 (Partly Met)** In its 4th round MER, the following documentation was not comprehensively collected: (i) how or if a declaration which exceeds the prescribed threshold in another currency is captured in the Passenger Processing System (PPS); (ii) how or if false declarations (including non-declarations) are captured in the PPS; (iii) what the process is for filing reports pertaining to suspicions of ML/TF related to R.32 and how or if these suspicions are captured in the PPS. The PPS system has been improved to require all travelers to make an electronic declaration. Currency must be declared and if this is above the threshold (in any currency), it will be captured in the PPS. False and non-declarations are also captured in the PPS. The FIC now receives all travel declaration data directly. It remains unclear whether non-declarations and suspicious reports relating to ML/TF are captured in PPS as there is no specific procedure for retaining information when there is a suspicion of ML/TF. The ML/TF suspicion would be established during the investigation. This has not changed, and the criterion remains partly met.
- i) **Criterion 32.10 (Met)** The MER noted the legislation (C&E Act, Tax Administration Act of 2011 and Protection of Personal Information Act 2 of 2013) ensured safeguards against improper use of information collected through the declaration system. This has not changed and the criterion remains met.
- j) **Criterion 32.11 (Mostly Met)** Penalties and measures did not cover incoming BNIs payable in foreign currency. Draft legislation is being developed to cover incoming BNIs payable in foreign currency, and there was no change in place at the time of this review and the criterion remains mostly met.
- k) **Weighting and conclusion:** Since the MER, South Africa has improved information sharing and coordination amongst its agencies to deal with ML risks pertaining to cash couriers at border entry/exit points and has started to expand implementation of initiatives to more entry points. However, deficiencies identified in the MER relating to gaps in the framework on incoming BNIs payable in foreign currency that affect several criteria have not been addressed. Some improvements have been made to the Passenger Processing System (PPS) but there remain gaps, principally relating to capturing of suspicious reports relating to ML/TF. **Recommendation 32 remains as Partially Compliant.**

Conclusion

Overall, South Africa has made progress in addressing most of the technical compliance deficiencies identified in its MER and has been upgraded as follows:

- R.2, R.6 and R.15 from PC to LC.

However, as it has not made sufficient progress on R.8 and R.32, these remain rated partially compliant.

Table 1. Technical compliance ratings, October 2024

R.1	R.2	R.3	R.4	R.5
LC (FUR 2023) PC	LC (FUR 2024) PC (FUR 2023) PC	LC	LC	C (FUR 2023) PC
R.6	R.7	R.8	R.9	R.10
LC (FUR 2024) PC (FUR 2023) NC	LC (FUR 2023) PC	PC (FUR 2024) PC (FUR 2023) NC	LC	LC (FUR 2023) PC
R.11	R.12	R.13	R.14	R.15
LC	LC (FUR 2023) NC	LC	LC (FUR 2023) PC	LC (FUR 2024) PC (FUR 2023) NC
R.16	R.17	R.18	R.19	R.20
LC	NA (FUR 2023) NC	LC (FUR 2023) PC	LC	LC
R.21	R.22	R.23	R.24	R.25
C	LC (FUR 2023) PC	C (FUR 2023) PC	LC (FUR 2023) PC	LC (FUR 2023) PC
R.26	R.27	R.28	R.29	R.30
LC (FUR 2023) PC	LC (FUR 2023) PC	LC (FUR 2023) PC	LC	C
R.31	R.32	R.33	R.34	R.35
C	PC (FUR 2024) PC (FUR 2023) PC	LC	LC	LC
R.36	R.37	R.38	R.39	R.40
LC	LC	LC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

South Africa has two Recommendations rated PC. South Africa will report back to the FATF on progress achieved in improving the implementation of its AML/CFT measures in its 5th round mutual evaluation.

Annex to the FUR

Summary of Technical Compliance –Deficiencies underlying the ratings

Recommendations	Rating	Factor(s) underlying the rating ⁷
1. Assessing risks & applying a risk-based approach	PC (MER) LC (FUR 2023)	Gaps in process and methodology in South Africa's NRA which could affect risk-based measures and resource allocation.
2. National cooperation and coordination	PC (MER) PC (FUR 2023) LC (FUR 2024)	<ul style="list-style-type: none"> National strategy should include update on ensuring consistent future reviews. Coordination of counterproliferation financing does not involve all supervisors.
3. Money laundering offence	LC (MER)	A minor shortfall exists for self-laundering (acquisition, possession or use of proceeds does not extend to the perpetrator of the predicate offense).
4. Confiscation and provisional measures	LC (MER)	There is a minor gap for confiscation of instrumentalities intended for use in ML, predicate, and TF offenses.
5. Terrorist financing offence	PC (MER) C (FUR 2023)	Nil
6. Targeted financial sanctions related to terrorism & TF	NC (MER) PC (FUR 2023) LC (FUR 2024)	<ul style="list-style-type: none"> There is insufficient publicly known information on de-listing procedures. There is no specific provision for extraordinary expenses in the FIC Act.
7. Targeted financial sanctions related to proliferation	PC (MER) LC (FUR 2023)	<ul style="list-style-type: none"> Not all the guidance provided by the FIC on relevant obligations for AIs, has been updated. There is no specific provision in the FIC Act for extraordinary expenses relating to exemptions. Permission to deal with property if it is necessary to accrue interest or other earnings due on accounts is not limited to interests or other earning or payments that arose prior to the date on those became subject to the provisions of the UNSCR. There is insufficient publicly known information on de-listing procedures.
8. Non-profit organizations	NC (MER) PC (FUR 2023) PC (FUR 2024)	<ul style="list-style-type: none"> It is not possible to ascertain how all relevant sources of information have been used to identify the NPOs that are likely to be at risk of TF abuse. Not all NPOs exposed to TF risk are covered by the obligations under the NPO Act. Outreach and engagement to is not being done in a systematic manner to address identified TF risks and adopt best practices. There is no risk-based supervision and monitoring of NPOs exposed to TF risk. As the NPO Act does not prescribe a fine and/or imprisonment for non-compliance, it cannot be assessed whether effective, proportionate and dissuasive sanctions can be applied for violations of the Act. It has not been demonstrated that there are mechanisms for prompt action where there is suspicion of TF abuse by an NPO.
9. Financial institution secrecy laws	LC (MER)	Legal obstacle to information sharing between FIs where required under R.13.15. or 17.
10. Customer due diligence	PC (MER) LC (FUR 2023)	<p>A single transaction does not include situations where the transaction is carried out in several operations that appear to be linked.</p> <ul style="list-style-type: none"> Additional CDD measures for life insurers are not set out in the FIC Act.
11. Record keeping	LC (MER)	<ul style="list-style-type: none"> No obligations for CFIs, credit providers other than money lenders against securities, and some fintech companies.
12. Politically exposed persons	NC (MER)	<ul style="list-style-type: none"> Additional CDD measures for life insurers are not set out in the FIC Act.

⁷ Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

	LC (FUR 2023)	
13. Correspondent banking	LC (MER)	<ul style="list-style-type: none"> No obligations for CFIs, credit providers other than money lenders against securities, and some fintech companies.
14. Money or value transfer services	PC (MER) LC (FUR 2023)	<ul style="list-style-type: none"> No sanctions have been applied for unauthorised MVTs activity yet. It is not clear how the obligations in the Currency and Exchange Manual are enforceable.
15. New technologies	NC (MER) PC (FUR 2023) LC (FUR 2024)	<ul style="list-style-type: none"> The requirements relating c.15.1 and 15.2 do not make any reference to new delivery mechanisms or new or developing technologies. Specifically targeted feedback is being developed to towards measures to combat ML/TF in relation to VA activity. R.16 requirements for VA transfers are not in place.
16. Wire transfers	LC (MER)	<ul style="list-style-type: none"> No obligations for CFIs, credit providers other than money lenders against securities, and some fintech companies. Minor shortcomings for: verifying originator information with regard to batched transfers, record keeping, and screening wire transfers to comply with international sanctions.
17. Reliance on third parties	NC (MER) NA (FUR 2023)	Nil.
18. Internal controls and foreign branches and subsidiaries	PC (MER) LC (FUR 2023)	The audit committee of a cooperative bank does not need to have AML/CFT responsibilities.
19. Higher-risk countries	LC	No obligations for CFIs, credit providers other than money lenders against securities, and some fintech companies.
20. Reporting of suspicious transaction	LC	Outer limit of 15 days allowed to report after forming suspicion creates an ambiguity that could undermine the requirement to report as soon as possible when a suspicion is formed.
21. Tipping-off and confidentiality	C	Nil
22. DNFBPs: Customer due diligence	PC (MER) LC (FUR 2023)	Shortcomings identified for R.12, R.15, and R.17.
23. DNFBPs: Other measures	PC (MER) C (FUR 2023)	Nil
24. Transparency and beneficial ownership of legal persons	PC (MER) LC (FUR 2023)	<ul style="list-style-type: none"> ML/TF risks for legal persons and arrangements assessed as part of the 2022 NRA contain several inadequacies. There is no specific provision to require an authorised person resident in South Africa to be accountable to competent authorities. There is no clear mechanism for monitoring the quality of assistance received from other countries in response to requests for basic and BO information. Clarity in the language of the regulation that requires providing electronic access to information to relevant authorities.
25. Transparency and beneficial ownership of legal arrangements	PC (MER) LC (FUR 2023)	<ul style="list-style-type: none"> Lack of clarity what is meant by the requirement to keep information up to date. Insufficient information on mechanisms to be able to share information internationally in a timely manner.
26. Regulation and supervision of financial institutions	PC (MER) LC (FUR 2023)	<ul style="list-style-type: none"> Supervision of a few sectors are not risk-based or in line with Core Principles. Some gaps exist for market entry of certain non-core sectors.
27. Powers of supervisors	PC (MER) LC (FUR 2023)	CFIs are not supervised for AML/CFT.
28. Regulation and supervision of DNFBPs	PC (MER) LC (FUR 2023)	<ul style="list-style-type: none"> Licensing requirements for casinos is inconsistent across provinces. The FIC Directive does not apply to lawyers who are not employees. The supervisory mechanism does not ensure that the supervision is able to establish that adequate internal controls are in place.
29. Financial intelligence units	LC	<ul style="list-style-type: none"> Operational analysis adversely affected by gaps in intelligence holdings due to some DNFBPs not being covered under the AML/CFT framework Strategic analysis is not specific to identifying ML and TF related trends and patterns.

30. Responsibilities of law enforcement and investigative authorities	C	Nil
31. Powers of law enforcement and investigative authorities	C	Nil
32. Cash couriers	PC (MER) PC (FUR 2023) PC (FUR 2024)	<ul style="list-style-type: none"> Gaps in the regime pertaining to BNIs. Enhancements to the electronic traveler declaration system which enables the FIC to receive live electronic feed of all traveler declaration information, which includes cash declared or seized, has not been implemented at all ports of entry. There is no specific procedure for retaining information when there is a suspicion of ML/TF.
33. Statistics	LC	Not all AML/CFT agencies maintain statistics on international cooperation requests.
34. Guidance and feedback	LC	Some guidance may not provide enough sector specific detail.
35. Sanctions	LC	No coverage for CFIs, credit providers other than money lenders against securities, some fintech companies, DPMS, accountants (for activities beyond providing financial services), and CSPs that are not attorneys.
36. International instruments	LC	A minor deficiency relating to self-laundering (acquisition, possession or use of proceeds of crime does not extend to the perpetrator of the predicate offense).
37. Mutual legal assistance	LC	Minor shortcomings relating to confidentiality, the absence of a case management system and timely provision of MLA.
38. Mutual legal assistance: freezing and confiscation	LC	<ul style="list-style-type: none"> Restraint orders can only be enforced if they are not subject to appeal or review. No specific provision for confiscation of instrumentalities intended for use in criminal activities.
39. Extradition	LC	<ul style="list-style-type: none"> The authorities have not demonstrated they are able to execute extradition requests without undue delay and there is no case management system in place.
40. Other forms of international cooperation	LC	<ul style="list-style-type: none"> It is not clear that all authorities can cooperate or that all information can be provided rapidly. South Africa did not establish that it exchanges information or assistance when there is an inquiry, investigation or proceeding underway. The only competent authority which gives feedback is the FIC.

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October 2024

Anti-money laundering and counter-terrorist financing
measures in South Africa

3rd Follow-up Report &
Technical Compliance Re-Rating

As a result of South Africa's progress in strengthening its measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on 3 Recommendations.

Follow-up report