

## SOUTH-AFRICA ON THE FATF GREY LIST, 6 MONTHS DOWN THE LINE

On 24 February 2023, South Africa was included on the Financial Action Task Force (FATF) grey list of countries subject to increased monitoring with regards to their Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) regime. Our Business Manager and Africa expert, Vaneeta Bickoo Brelu-Brelu, shares her views on the country's situation after 6 months of this enlisting.

### **1. How do your Stakeholders react to this inclusion of South-Africa on the list of countries with strategic deficiencies in their regime of AML/CFT?**

The first impact of a country's grey listing is generally felt by its financial institutions which will face increased scrutiny and regulatory requirements, making it more challenging to conduct international transactions. From our experience of the time where Mauritius was on the FATF grey list and the EU blacklist, some international bank transfers of our clients were delayed due to enhanced due diligence processes.

A determining impact of the grey listing will be very much dependent on how long South Africa will take to come out of the list as in the meantime investor confidence may gradually come down, with the country potentially being portrayed as having weaknesses in its financial system and controls. This reputational damage may take time to rebuild even after the necessary improvements would have been made.

### **2. In comparison with Mauritius which was on that grey list and on the EU blacklist from October 2020 to January 2022, how do you analyse the state of South-Africa to deal with this enlistment?**

It is important to highlight that grey listing is intended to be a catalyst for countries to take necessary actions and implement reforms to strengthen their AML/CFT frameworks. South Africa would need to work closely with the FATF and undertake comprehensive measures to address the identified deficiencies, improve its standing, and eventually be removed from the grey list.

Mauritius enacted and implemented comprehensive legislative and regulatory reforms to its AML/CFT framework in a remarkably short lapse of time. This included adopting new laws, enhancing existing regulations, and establishing robust systems for AML/CFT supervision and enforcement. Training in AML/CFT also played a crucial role in Mauritius'

efforts to come out of the grey list. As we all know, Mauritius complies today with the 40 recommendations of the FATF. We certainly hope that South-Africa will be able to achieve a similar momentum to demonstrate the effectiveness of a risk-based approach and address its eight areas of strategic deficiencies.

### **3. What are the specific measures to be taken to address the concern of FATF?**

Apart from strengthening the legal and regulatory frameworks, training is a key measure that helped improve the understanding of financial institutions, designated non-financial businesses and professions (DNFBPs) and other relevant stakeholders on their obligations and responsibilities under the AML/CFT laws, resulting in enhanced compliance. The ability to identify and report suspicious activities is another one; in fact enhanced awareness of red flags and suspicious transaction indicators contributes to the country's efforts to detect and investigate potential illicit financial activities.

The implementation of a comprehensive risk-based approach to identify and mitigate AML/CFT risks is instrumental in achieving the FATF objectives. Countries are encouraged to focus resources on areas of higher risk. There is also the need to establish effective mechanisms for the timely exchange of information between domestic authorities, including an up-to-date record on Beneficial Ownership information. Beneficial ownership refers to identifying and verifying the natural persons who ultimately own or control a legal entity. This information is crucial for understanding the ownership structure and identifying potential laundering risks.

### **4. What could be the impact of this inclusion on the FATF grey list for South-African investors? And what can it entail for Mauritius as an attractive jurisdiction for investments in the region?**

The uncertainty surrounding South Africa's grey listing may cause some investors to seek diversification of their assets and investments. Mauritius remains a viable option for diversification thanks to its stable economic and political climate. Choosing Mauritius as a jurisdiction will also depend on their individual circumstances, investment goals and risk appetite.

As a Corporate Service Provider with three decades of existence, DTOS offers personalised guidance with a range of Corporate Services, guiding our clients at every step of the way from registration and licensing to the administration of their entities in Mauritius and most importantly helping them navigate the ever-evolving regulatory landscape.

In addition, for this target market, we have a dedicated team of experts for Private Wealth structuring via Trusts and Foundations to support new Settlers or Founders, especially for asset holding/protection, succession planning, or charitable and philanthropic causes.



**DTOS Expert Columnist:**

*Vaneeta Bickoo Brelu-Brelu is DTOS Group Business Development Manager, she is responsible for developing and implementing sales strategies across markets with a special focus on Africa. With 15+ years of experience, she gathered hands on knowledge of the continent and its wide cultural diversity through various leadership roles in the Equatorial Africa region comprising of 21 countries. She has also built over the years an active stakeholder network in the financial services sector and is an experienced Director on the boards of Global Business companies.*

**Contact Vaneeta**

[VBickoo@dtos-mu.com](mailto:VBickoo@dtos-mu.com)

T. +230 5509 8353

26 July 2023