

# South Africa's greylisting – impact and effects

2 March 2023

Anti-Money Laundering legislation has been increasing globally over the past few years, as part of the worldwide drive against financial crime. Please be assured that the Sanlam Group continuously pursues sound governance on all levels to cement their position as a leading, safe, secure and sustainable financial services group.

In October last year, it was announced that South Africa was under review by the Financial Action Task Force (FATF), the global money laundering and terrorist financing watchdog. A country is placed on this list if the FATF identifies strategic deficiencies in its systems to counter financial crimes.

The article on the link below, written in [October 2022](#), explains how we got to this point and what the potential impact could be.

[The grey list - what does it mean, and what is its potential impact - Dean de Nysschen, Glacier Invest - October 2022](#)

## Greylisting confirmed

On Friday, 24 February 2023, the FATF confirmed its greylisting of South Africa, stating that South Africa was not yet fully compliant in terms of anti-money laundering and terrorist financing requirements, but at the same time acknowledging that the country had made progress in addressing the gaps. The FATF laid out eight areas where improvement is needed.

It is important to understand that between October 2021 and January 2023, South Africa managed to address 67 recommended actions or deficiencies with only eight of these now remaining for further and sustained progress. Jurisdictions on the 'grey list' are in fact countries under increased monitoring and who have committed to actively work with the FATF to address and resolve deficiencies within agreed timelines. South Africa is not on the black list i.e. a high risk jurisdiction.

The decision did not come as a surprise and was also addressed by Finance Minister Enoch Godongwana in his Budget Speech in February 2023. He stated that South Africa will work "swiftly

and effectively” to address the areas where improvement is required.

## South Africa’s greylisting – What does it mean for your clients’ investments?

National Treasury (NT) released a statement on 24 February where it commented on the fact that none of the required eight areas for action relate directly to preventative measures in the financial sector. The NT confirmed that they are pleased that this indicates significant progress in the application of risk-based approaches for insurers. It is the view of NT that the increased monitoring will have limited impact on financial stability and the costs of doing business, and any limited costs are more desirable than the long-term costs of South Africa’s economy being contaminated.

In 2020, Glacier implemented a fully automated dynamic risk assessment that calculates the risk of a transaction as soon as it is processed. In addition, a standardised risk assessment process is now being implemented across Sanlam which, for the whole group, includes party screening (client due diligence) as part of a transaction’s risk assessment.

The FSCA and the South African Reserve Bank both emphasise the FATF’s view that it does not call for more enhanced due diligence measures on jurisdictions that are subject to increased monitoring, but rather that a risk-based approach should be applied.

We would like to reassure you that we have been adhering to stringent due diligence and risk assessment requirements. From an offshore business perspective, we adhere to all requirements set by the Bermuda Monetary Authority which are also in line with FATF requirements. From a local and international business perspective, we still need to ascertain whether there will be any changes in processes once we have a wider view of any new requirements, but we feel confident that we are compliant and for the time being, business continues as per normal.

## National Treasury’s fact sheet

NT has put together a fact sheet, which will assist in answering any queries you or your clients may have. You can access the fact sheet on the link below:

[National Treasury's fact sheet](#)

## Investors urged to remain invested

Volatility is nothing new to investors and although we may see an increase in market volatility in the short term, we want to reassure investors that there is no reason for concern. Their investments remain safe with us, and subject to our normal due diligence processes. As always,

we continue to advocate that investors stick to a well-planned, long-term investment strategy and not react hastily to market news.

We will communicate as and when more information becomes available and will provide further updates on processes when we receive new information in this regard.

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Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group

Private Bag X5 | Tyger Valley 7536 | Email [client.services@glacier.co.za](mailto:client.services@glacier.co.za) | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | Web [www.glacier.co.za](http://www.glacier.co.za) | Reg No 1999/025360/07

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Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web [www.smmi.com](http://www.smmi.com) \*|\*Reg No 2002/030939/07  
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Sanlam Life Insurance Ltd. | Email [life@sanlam.co.za](mailto:life@sanlam.co.za) | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440  
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