

**2565.    Mr N L S Kwankwa (UDM) to ask the President of the Republic:**

In light of the fact that no African country submitted a report at the 28th Summit of the African Union (AU) held in January, which required that all African countries present reports on the measures they have undertaken to implement the recommendations of the report of the High Level Panel on Illicit Financial Flows from Africa that was submitted to the AU by the former President Mr Thabo Mbeki, in 2015 (a) what measures has South Africa taken to respond to the challenge of illicit financial flows from South Africa, (b) whether South Africa has since taken steps to encourage other African countries to submit their reports and (c) why did South Africa fail to submit its illicit financial flows report at the specified summit?                      NW2869E

**REPLY:**

There was no requirement for South Africa to submit a report to the January AU Summit.  However, South Africa has taken several measures and has acted strongly against the scourge of illicit financial flows, both at domestic and international levels.

Domestically, we have taken several steps to tighten the existing laws. These include:

* Signing into law the Financial Intelligence Centre Amendment Act, 2017. This Act addresses, amongst others, a full range of customer due diligence (CDD) requirements which are focussed on understanding customers better; Beneficial ownership, which requires institutions to know and understand the natural persons who ultimately own or exercise control over legal entities or structures; Prominent (influential) Persons, which requires institutions to better manage risks relating to relationships with prominent persons; and Freezing of assets, in terms of targeted financial sanctions against persons identified by United Nations Security Council in terms of various sanctions regimes.
* The Financial Intelligence Centre (FIC) and the National Treasury are undertaking a review of the list of scheduled (accountable and reporting) institutions to strengthen reporting from such institutions in sectors susceptible to being abused for the laundering and illicit financial flows.
* The FIC is also partnering with the Department of Home Affairs, SARS Customs and the South African Police Services, in a Task Team which has been established to conduct a pilot project for the cash declaration reporting at ports of entry and exit.
* The National Treasury is also chairing a forum consisting of the SA Reserve Bank, FIC, Financial Services Board and SARS to improve coordination and sharing of information on illicit financial flows. It is envisaged that this forum will be formalised under the Anti-Money Laundering and Combating of Terrorist Financing (AML/CFT) Inter-Departmental Committee that the Director-General of National Treasury is in the process of establishing as a replacement of the Counter Money-Laundering Advisory Council, which was abolished by the amendments to the FIC Act.

At an international context we have also signed multilateral agreements:

* Automatic Exchange of Financial Accounts Information, also known as Common Reporting Standard, which forms basis for automatic annual exchange information on offshore accounts to tax authorities of the residence country of account holders. It is intended to make it more difficult for taxpayers to hide their assets abroad. South Africa is amongst the first 60 countries that have commenced the first automatic exchanges on 1 September 2017 and has already activated bilateral exchange relationships with 48 of the 60 countries;
* Transfer Pricing Country-by-Country (CbC), which provides tax administrations a global view of the operations of multinational enterprises and provide tax authorities with necessary information to enable them to make a high level risk assessment and to determine whether they should conduct a tax audit.  South Africa will receive the first CbC Reports on 31 December 2017; and
* To date South Africa has over 79 tax treaties in place and the signing of the Multilateral Instrument (MLI) by South Africa automatically amended 44 of the 79 tax treaties and this number is expected to grow as more countries sign the MLI.
* Currently, 71 countries have signed the MLI, with Nigeria, Mauritius and Cameroon being the latest to sign. The MLI will swiftly implement a series of tax treaty related Base Erosion and Profit Shifting (BEPS) measures to update the existing network of bilateral tax treaties and reduce opportunities for tax avoidance by multinational enterprises.

This responsibility lies with the African Union and its 2015 Summit decision, on the report of the High Level Panel, directed the AU Commission to mount a diplomatic and media campaign for the return of illicitly *out-flown assets*.