**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 3967** **[NW4935E]**

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**3967. Dr D T George (DA) to ask the Minister of Finance:**

With reference to the reply of the President of the Republic, Mr M C Ramaphosa, to question 2985 on 6 October 2022, how does the established interdepartmental committee measure and/or determine whether or not the Republic has credible risk assessments in place to address money laundering and terror financing, that its supervisory authorities have appropriate risk-based approaches, and that the Republic’s investigative and prosecuting authorities are able to speedily investigate, prosecute and seize assets related to financial crimes and corruption? NW4935E

**REPLY**

Government is cognizant of the importance of having credible risk assessments as this enables the fight against money laundering, corruption and related financial crimes to be focused and targeted to high-risk areas and sectors. In this regard, to ensure the credibility of risk assessments, the government, including the supervisory authorities, takes into account the guidance that was issued by the Financial Action Task Force on the conducting of risk assessments, which rely on reasonably standardized methodologies that rely on analysis of existing data as well as in-depth engagement with relevant stakeholders and practitioners. The guidance can be accessed using the following link on the FATF website: <https://www.fatf-gafi.org/media/fatf/content/images/National_ML_TF_Risk_Assessment.pdf>.

Supervisory bodies are required to adopt a risk-based approach to supervision and effect these in line with their internally documented mechanisms. Additionally, supervisory bodies, including the Prudential Authority and the Financial Sector Conduct Authority have conducted money laundering and terrorist financing sector risk assessments. These methodologies are reasonably standardized. The second round sector risk assessments for the banking and life insurance sector have been issued by the Prudential Authority and are available at the following link: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/media-releases/2022/Banking-and-Insurance-sectors-assessment-reports>.

The supervisory agencies have developed sectoral risk assessments for AML/CFT which have been submitted to the Interdepartmental Committee on Anti-Money Laundering and the Combating of the Financing of Terrorism (AML/CFT) for consideration.

Although the IDC-AML/CFT also comprises the investigating and prosecuting authorities, the IDC-AML/CFT does not interfere with the work of the investigating and prosecuting authorities, as they operate independently in line with their investigating and prosecutorial policies. However, the IDC-AML/CFT guides the investigating and prosecuting authorities of the improvements that are required in the anti-money laundering and related offences policy framework, and also for them to address deficiencies identified in the Mutual Evaluation report. Government is strongly of the view that considerable progress has been made in the effective use by South Africa’s law enforcement agencies of the powers provided for combating financial crimes and money laundering. While much remains to be done, substantial progress is evident in relation to “state capture” cases, the policing of PPE-related corruption, and corporate frauds.

The IDC-AML/CFT considers reports on risk assessments at regular intervals when assessments are updated, and that these are included in the IDC-AML/CFT’s formulation of AML/CFT policies.

The IDC-AML/CFT is in the process of finalising a National Risk Assessment (NRA) for money laundering, terror financing and proliferation financing, and also a strategy for AML/CFT and the Countering of Proliferation Finance (CPF). The NRA document and the strategy document will be submitted to the FATF around end-November 2022 as part of the process of demonstrating progress in addressing deficiencies identified in the Mutual Evaluation report relating to Risk, Policy and Co-ordination (FATF Methodology for effectiveness relating to Immediate Outcome 1) (<https://www.fatf-gafi.org/media/fatf/documents/methodology/fatf%20methodology%2022%20feb%202013.pdf>.)

The IDC-AML/CFT will publish summarised versions of the NRA and national strategy documents as soon as they are finalised.