



BOARDROOM TALES BY ANN CROTTY

In the dark on greylisting

Indifference and ennui by South Africa's politicians and prosecutors pose a danger

Anyone who read page 167 of the *Budget Review* last week wouldn't have been surprised to see that South Africa is still on the greylist of the Financial Action Task Force (FATF). The question is, for how much longer will this be the case?

The *Budget Review* held out little hope of near-term relief despite noting that 15 of the 20 deficiencies have been rerated as no longer deficient. But, and again here's no surprise, the National Treasury document said the major problem continued to be lack of effectiveness in dealing with financial crimes; no-one ends up in jail.

This was confirmed a few days ago by Treasury deputy director-general Ismail Momoniat, who missed his first budget session in about 30 years to attend the FATF's plenary meeting in Paris last week. Momoniat told the media the country had made progress on the legislative front but had failed to demonstrate successful prosecutions. Essentially we're great at making laws, but hopeless at enforcing them.

Given the near total lack of progress on the prosecution front since the end of the Zondo commission, Momoniat was remarkably upbeat about South Africa's prospects of escaping the greylist by June 2025. But let's recall that finance minister Enoch Godongwana initially thought we'd be removed in 2024. Now Momoniat says: "While it's going to be tough, we should be

able to make good progress this year ... Bear in mind we had a lot to cover as our key law enforcement institutions were crippled due to state capture."

Sadly, there's a good chance these same key institutions won't be doing much robust prosecuting work between now and May 29. Depending on the outcome of the election, South Africa might be ready to up its prosecutorial game from June. Of course, there's the grim possibility the election may leave us with a party or coalition that doesn't see greylisting, or even ineffective prosecutorial services, as a priority. It's hard to imagine an ANC/EFF coalition government paying much attention to the FATF's expectations that greater attention should be given to "domestic and foreign politically exposed persons" and "prominent influential persons".

So South Africa remains one of only two FATF members to be greylisted, the other being Türkiye. FATF membership in general comprises the ostensibly more respectable members of the global financial community. That many of its members – the US, the UK, Ireland, the Netherlands and Luxembourg – are regularly accused of accommodating tax dodging and money laundering but never greylisted is a function of the sophistication of the global financial system.

Our greylisted gang of 24

includes Vietnam, Yemen, Mali, South Sudan, Syria, Haiti, Nigeria and the Democratic Republic of Congo.

In the context of South Africa's election, it's worth noting that Russia was suspended from the FATF in February 2023, almost a year after it invaded Ukraine. And we should look at who's on the FATF's blacklist – North Korea, Iran and Myanmar.

The good and bad news is that one year on and the impact of greylisting hasn't been as devastating as was suggested by the warnings we were subjected to in the months leading up to last February's announcement. The rand is weaker, but not significantly so, and there are a host of reasons that it would be: the weak economy, commodities, dysfunctional state-owned entities and unstable politics. Likewise, the JSE. And it could be that banking became so tediously bureaucratic after the flood of regulations introduced in the wake of the global financial crisis that things couldn't get noticeably worse for most bank customers.

Some financiers report that foreign counterparts have been more demanding about getting proof of source of wealth and income, but the feared freezing



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of correspondent bank relations has not happened. So far.

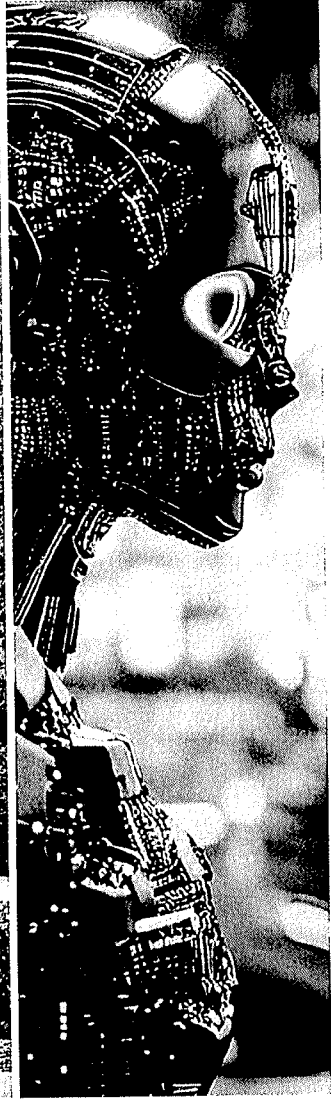
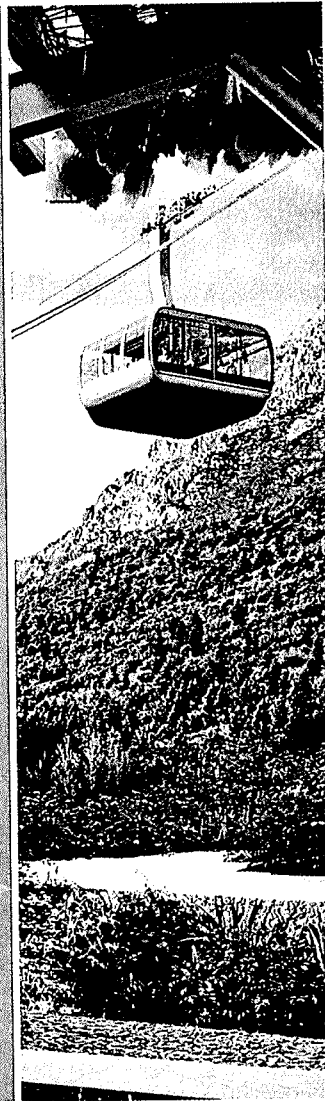
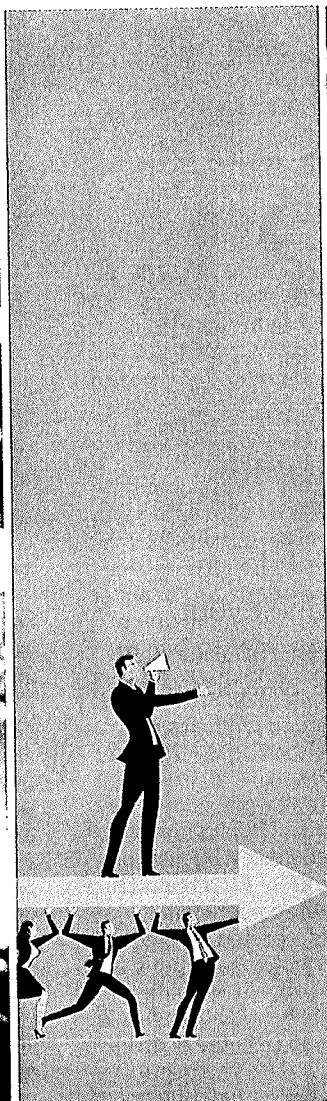
The lack of noticeable impact runs the risk that politicians do not regard exiting the greylist as a priority and, like the boiling frog, we all become accustomed to our greylist status until suddenly we are treated as pariahs and dealing with the global financial community becomes tough and expensive.

The biggest challenge is that freedom from the greylist requires the development of an effective prosecutorial system. For well over a decade the ANC has seemed unwilling or unable to create such a system. It would need a persuasive victory in May to shift its willingness. But, after so long, it may prove unable to do so. It is worrying that President Cyril Ramaphosa and National Prosecuting Authority chief Shamila Batohi are confident that progress has been made, despite the absence of any supporting evidence. ✘

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