South Africa’s Exit from the FATF Grey List: A Victory for Institutional Reform, But Not the End of the Journey

By:

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On 24 October 2025, the Financial Action Task Force (FATF) removed South Africa from its grey list of “Jurisdictions under Increased Monitoring,” marking the end of 32 months of enhanced scrutiny. This delisting marks a significant milestone in South Africa's efforts to strengthen its anti-money laundering and counter-terrorism financing (AML/CFT) framework. Still, it also signals the start of a new phase that will require sustained commitment to financial integrity.

A. The Road to Greylisting

South Africa’s placement on the FATF grey list in February 2023 was the culmination of concerns identified during the 2021 mutual evaluation report, which found the country deficient in 20 of the 40 FATF Recommendations. The

evaluation revealed strategic weaknesses in South Africa's ability to prevent money laundering, terrorist financing, and proliferation financing. These deficiencies were not merely technical; they reflected deeper institutional challenges stemming from years of state capture and the erosion of law enforcement capacity.

The greylisting was particularly significant for an economy of South Africa's size and regional importance. Unlike smaller African jurisdictions that had previously navigated the FATF process - such as Mauritius, Botswana , and Morocco - South Africa's listing carried broader implications for cross-border transactions, correspondent banking relationships, and investor confidence across the Southern African Development Community region.

B. A Comprehensive Reform Programme

To exit the grey list, South Africa committed to addressing 22 action items linked to eight strategic deficiencies in its AML/CFT regime. These action items, with deadlines spanning from January 2024 to January 2025, required coordinated efforts across multiple government departments and regulatory agencies. The interdepartmental committee, chaired by the National Treasury, became the nerve centre of this reform programme, reporting regularly to the Cabinet and the Justice, Crime Prevention and Security cluster.

The reforms touched virtually every aspect of South Africa's financial crime prevention architecture. Significant progress was made in several critical areas. The country demonstrated increased use of Financial Intelligence Centre data to support money laundering investigations, a fundamental requirement for effective enforcement. Legislative amendments were implemented to strengthen terrorist financing provisions and targeted financial sanctions regimes related to both terrorism and proliferation financing.

Perhaps most visibly, regulators intensified their enforcement. The Prudential Authority and Financial Sector Conduct Authority imposed substantially higher penalties for non-compliance with AML/CFT obligations. The fine levied against Sasfin Bank in August 2024 – a staggering R209 million – nearly equalled the cumulative total of all such penalties over the previous six-year period. This marked escalation in enforcement signalled a fundamental shift in regulatory approach, demonstrating to the FATF that South Africa's improvements were

not merely cosmetic.

The beneficial ownership transparency agenda proved particularly challenging. By September 2024, the FATF assessed that coverage in both company and trust registries remained too low, prompting the National Treasury to urge companies and trusts to comply with their registration obligations. This highlighted the reality that legislative reform alone is insufficient without effective implementation and compliance.

C. The Final Push and On-Site Assessment

By October 2024, South Africa had addressed 16 of the 22 action items, leaving six outstanding matters for the final reporting cycle, which concluded in February 2025. Three of these related to demonstrating sustained increases in the investigation and prosecution of complex money laundering, terrorist financing, and unlicensed cross-border money transfer services – areas that require time to build enforcement track records. The remaining items concerned access to beneficial ownership information and supervisory sanctions.

The path to delisting required South Africa to clear a final, critical hurdle: an on-site visit by the FATF Africa Joint Group at the end of July 2025. This visit allowed assessors to verify on the ground that reported reforms were genuine, sustainable, and effective. The positive outcome of this assessment enabled the FATF Plenary's October 2025 decision to remove South Africa from the grey list.

D. Economic Impact and Market Response

Interestingly, South Africa's delisting produced a relatively muted market response. Financial markets had already priced in the likelihood of removal throughout 2024 and 2025, with investors treating the greylisting as a "transitory compliance risk" rather than a structural concern. The rand and government bond yields remained largely stable following the announcement, having already adjusted in anticipation of the decision.

This market behaviour contrasts somewhat with the real economic impacts experienced during the greylisting period. The South African Reserve Bank

noted that foreign counterparties applied greater scrutiny to domestic institutions, increasing transaction costs and slowing deal execution. However, foreign direct investment flows remained steady, suggesting that South Africa's fundamentals outweighed greylisting concerns for many investors.

E. A Continental Perspective

South Africa's delisting occurred alongside the removal of Nigeria, Mozambique, and Burkina Faso from the grey list, reflecting broader continental efforts to strengthen financial integrity frameworks. However, the FATF's focus on Africa has been controversial, with 12 of the 21 jurisdictions under increased monitoring being African countries at various points. Critics have questioned whether this concentration reflects disproportionate scrutiny or genuine weaknesses in African AML/CFT systems.

For African legal and financial scholars, South Africa's experience offers several lessons. First, the political economy of reform matters immensely. South Africa's struggle to exit the grey list – taking longer than smaller African jurisdictions – reflected not just technical capacity but also coordination challenges across a complex governmental apparatus and, according to some analysts, insufficient top-down political prioritisation in the early stages.

Second, institutional integrity is foundational. The legacy of state capture significantly hampered South Africa's ability to demonstrate the sustained prosecutorial and investigative capacity required by the FATF. Rebuilding this capacity requires years of consistent effort, not quick fixes.

Third, the global financial integrity agenda is increasingly encroaching on domestic regulatory sovereignty. The FATF's standards set minimum requirements for participation in the international financial system, creating significant pressure to comply regardless of national priorities or resource constraints.

F. The Road Ahead

National Treasury's statement following delisting was notably cautious, emphasising that exit from the grey list represents "only the start of a broader process to continue to strengthen key institutions." This is not diplomatic

hedging but a recognition of hard reality. The FATF has scheduled South Africa's subsequent mutual evaluation to begin in the first half of 2026 and conclude in October 2027. Countries that fail to maintain standards between evaluations risk swift relisting.

Moreover, the reforms implemented to achieve delisting must now become embedded in institutional practice. Enhanced compliance systems, intensified supervision, and robust prosecution of financial crimes cannot be temporary measures adopted to satisfy international reviewers. They must become permanent features of South Africa's financial governance landscape.

The intensification of supervisory activity is likely to continue, with regulators having signaled their intention to examine not just whether financial institutions have identified their money laundering and terrorist financing risks, but whether their risk management and compliance programmes are demonstrably effective in mitigating these risks. This shift from form to substance represents a maturation of South Africa's AML/CFT regime.

G. Conclusion

South Africa's exit from the FATF grey list validates the country's capacity for institutional reform when political will and technical expertise align. However, it would be premature to declare victory. The delisting is better understood as the successful completion of one chapter in an ongoing effort to build robust, sustainable systems for combating financial crime.

For African jurisdictions watching South Africa's journey, the lesson is clear: international financial integrity standards are non-negotiable for countries seeking to participate fully in global markets. But the more profound lesson concerns institutional quality. Strong, independent, and well-resourced institutions for financial supervision, law enforcement, and prosecution are not merely requirements for FATF compliance – they are prerequisites for economic development, financial stability, and the rule of law. South Africa's greylisting experience, while painful, may ultimately prove valuable if it catalyses the long-term institutional strengthening that the country has needed for over a decade.

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