

Greylisting adding to growing financial challenges facing SA

Speech by Wendy Alexander MP, Additional Member on the Standing Committee on Finance

Honorable members of Parliament, we are all painfully aware that South Africa has been greylisted. While the short-term consequences may appear insignificant, failure to address this issue by 2025 will result in severe repercussions.

The longer we remain on this list, the more challenging it becomes to access international financial markets. Our reputation, business opportunities, and investment prospects are all at risk.

Increased scrutiny from financial institutions and regulators will make transacting with our country costlier and more difficult. Heightened monitoring, coupled with increased transaction costs due to mandatory funding source verification, will result in delayed transaction execution. This burden on our businesses and our nation's standing in the global market is not something we can afford to ignore.

Moreover, treasury departments of South African financial institutions, particularly those reliant on global trade, will be significantly impacted. Increased red tape and more stringent due diligence requirements for offshore trading will lead to declining trading revenue. As we face these challenges, we must also contend with the possibility of regulators in the US, EU, and UK restricting transactions with South African banks.

Being greylisted has far-reaching implications for foreign investment as well. Many international financial institutions may limit their dealings with greylisted countries, thereby hindering business and foreign investment in our nation. These restrictions add to the growing list of challenges we face, including our low growth forecast and ongoing energy crisis.

The urgency for South Africa to adapt to climate change and secure financing from international partners is paramount. At COP 26, the US, EU, UK, France, and Germany pledged USD 8.5 billion to support our transition to a lower carbon economy. However, greylisting will burden international financial flows to and from South Africa with higher compliance obligations and transaction costs. Attracting additional foreign investors and companies to support our environmental, social, and governance objectives will prove increasingly difficult.

Furthermore, our capital inflows will be significantly reduced, potentially leading to a balance of payments crisis. South Africa's status as a high-risk jurisdiction will exacerbate the already high cost of doing business.

Yet, the government saw fit to leverage this predicament as an “opportunity” to strengthen financial crime prevention. As if the opportunity to do so did not exist prior to us being put on the greylist.

I would like to remind this Parliament that in our role and duties as elected public officials, we are honor-bound to represent the people of this country. We act as their voice, and we are accountable to the people of South Africa.

As we discuss greylisting and the criteria for removing us from this list, isn't it ironic that the President himself has been accused of bribery, money laundering, and concealing a crime in the \$4m theft at his Phala Phala Farm? These allegations would not intimidate an innocent person, to set the record straight, if that is in fact what needs to be done. We should make sure this Parliament is squeaky clean as we take the necessary steps to get off the greylist.

To accomplish this, we must bolster our systems for detecting and prosecuting fraud in both public and private sectors, with particular emphasis on holding public officials accountable. Confiscating illegal proceeds is also crucial. Our country's reputation has already suffered immensely due to our inability to effectively combat financial crimes like corruption and money laundering. By addressing the FATF's concerns through cooperation between government and the private sector, we will be able resolve this issue within two years or less.

We must act decisively and responsibly to restore South Africa's standing in the global community and secure a prosperous future for our citizens. The time for action is now; we cannot afford to delay any further.