

The Financial Action Task Force (FATF) [placed](#) South Africa on its “grey list” in February 2023, identifying critical weaknesses in the country’s ability to combat money laundering and terrorist financing. As the global financial crime watchdog, FATF determined that South Africa’s financial system lacks sufficient safeguards to prevent illicit financial flows.

Despite government assurances of reform, the country remains mired in systemic corruption, weak law enforcement, and a persistent failure to meet some of FATF’s most important demands — namely, for South Africa to engage in sustained prosecutions of [complex](#) financial crimes. The risks have not abated; in fact, many of the underlying problems that led to FATF’s initial decision have worsened.

FATF’s role is not to punish countries but rather to keep the country’s own citizens and the rest of the global financial system safe from getting entangled in corruption and the malign activity of criminal actors. Here are five reasons why FATF should keep South Africa on its grey list at its [upcoming](#) plenary session (February 19-21):

1. Corruption: A Systemic and Enduring Threat

Corruption is the [root cause](#) of South Africa’s financial crime vulnerabilities. Pretoria continues to grapple with the legacy of “[state capture](#),” the wholesale looting of public resources under former President Jacob Zuma’s administration. The Zondo Commission, a multi-year inquiry into state corruption, [found](#) extensive evidence of high-level graft, yet accountability has been sluggish.

- » **Lack of Convictions:** Despite the overwhelming evidence presented in the Zondo Commission’s reports, few senior officials have [faced](#) prosecution, and the justice system remains slow to act against politically connected individuals.
- » **Weak Anti-Corruption Institutions:** The National Prosecuting Authority (NPA) and the Hawks (South Africa’s Directorate for Priority Crime Investigation) [remain](#) underfunded, understaffed, and subject to political interference.
- » **Continued Public Sector Looting:** From local municipalities to state-owned enterprises like Eskom and Transnet, corruption remains rampant, with [billions](#) of rands [lost annually](#) to fraudulent contracts and mismanagement.

Until South Africa has demonstrated meaningful progress in tackling high-level corruption — through prosecutions and institutional reform — it will remain a high-risk jurisdiction for financial crime.

2. Terror Financing: A Safe Haven for Extremist Networks

South Africa has become a hub for illicit financial flows linked to global terrorist organizations. Law enforcement and regulatory authorities have repeatedly failed to curb the movement of funds tied to groups such as Hamas, ISIS, and al-Shabaab.

- » **Hamas Networks:** Government officials from South Africa’s leading political party, the African National Congress (ANC), have [maintained](#) longstanding [ties](#) with Hamas and its foreign enablers. ANC officials have hosted Hamas-linked groups such as Al-Quds Foundation of South Africa — and its director, Ebrahim Gabriels — which have clear and direct ties to sanctioned groups such as Al-Quds International Foundation.
- » **ISIS Cells:** In 2022 and 2023, the U.S. Treasury Department [sanctioned multiple individuals](#) and [businesses](#) in South Africa for financing ISIS. Despite this, South African authorities have failed to take meaningful enforcement measures in the fight against terror financing.
- » **Regional Role in Terrorist Financing:** South Africa’s porous borders and weak enforcement mechanisms allow [illicit funds](#) to flow between the country and conflict zones in Mozambique (where ISIS-linked insurgents operate) and the broader Sahel region.

Without a significant overhaul of its financial intelligence capabilities and tougher action against known terror financiers, South Africa remains a serious terror finance risk.

3. Organized Crime: A Growing Threat to Financial Stability

South Africa has emerged as a hotspot for transnational organized crime ([ranking](#) worse than countries such as Afghanistan, Russia, and South Sudan), with syndicates involved in drug trafficking, human smuggling, illicit mining, and the wildlife trade. These networks thrive on weak financial oversight and regulatory loopholes.

- » **Illicit Gold Trade and Money Laundering:** The illegal mining sector, or “zama-zamas,” fuels a [massive](#) underground economy in which criminal syndicates [launder](#) illicit profits through gold exports and trade-based money laundering schemes.
- » **Drug Trafficking Networks:** South Africa serves as a [major transit hub](#) for international drug cartels, with cocaine and heroin [moving through its ports](#) en route to Europe and Asia.
- » **Ties to Global Crime Syndicates:** South African criminal networks collaborate with organized crime groups [from](#) China, Nigeria, and Eastern Europe, leveraging a weak enforcement environment as a base for illicit activities.

FATF has warned that countries with high levels of organized crime require strict financial monitoring, and South Africa's unchecked criminal economy justifies its continued placement on the grey list.

4. Weak Prosecution and Enforcement: No Real Deterrent for Financial Crimes

A key requirement for FATF grey list removal is demonstrating credible enforcement actions against complex financial crimes. South Africa has failed to meet this benchmark.

- » **Few Convictions for Money Laundering:** Despite clear evidence of financial misconduct across multiple sectors, complex money laundering prosecutions [remain](#) rare. The NPA and Financial Intelligence Centre (FIC) lack the resources and political backing to pursue complex cases.
- » **Judicial System Overburdened and Politicized:** The South African judiciary, while nominally independent, struggles with case [backlogs](#), delays, and [political pressure](#), which hamper effective prosecution.
- » **Non-Compliance by Financial Institutions:** South African banks have been [implicated](#) in numerous money laundering scandals, yet regulatory fines and penalties have failed to adequately address the threat.

Until South Africa demonstrates that financial crimes carry real consequences, it remains a high-risk jurisdiction requiring increased FATF oversight.

5. Political Interference in Oversight and Accountability: A Direct Threat to Reform

South Africa's financial regulatory environment is increasingly subject to political manipulation, undermining efforts to meet FATF compliance standards.

- » **ANC Patronage and Protection of Corrupt Figures:** The ANC has repeatedly [shielded](#) politically connected individuals from scrutiny, providing sustained legitimacy to those implicated in corruption and financial crimes.
- » **State Capture's Lingering Influence:** Even after the formal end of the Zuma-era corruption networks, many of the same individuals who enabled financial crimes [remain](#) in influential positions.
- » **Lack of Political Will for Real Reform:** While South African authorities have made public commitments to improving financial regulation, meaningful progress has been slow and often superficial.

Recommendations

For FATF to remove South Africa from its grey list, the ANC-dominated government must engage in sustained actions that promote regulatory independence and robust financial oversight — neither of which is currently evident. Until it does, South Africa should remain on FATF's grey list, as it will continue to pose significant threats to the United States and the global financial system.

To address FATF's concerns — as well as those of the United States — South Africa should:

1. Support full implementation of the Zondo Commission's recommendations by establishing an independent Anti-Corruption Commission (a move [supported](#) by the ANC's historical political opponent and current coalition partner, the Democratic Alliance) to investigate and prosecute complex and high-profile cases involving corruption and financial crime;
2. Sanction Hamas as a terrorist organization and aggressively prosecute those responsible for supporting the group's fundraising operations in South Africa;
3. Facilitate greater information sharing with international law enforcement partners engaged in investigations related to historical and ongoing state capture; and
4. Ensure that the country's financial institutions have developed and implemented tailored anti-money laundering and counterterrorist financing regimes that are fit for purpose and responsive to the risk profile of South Africa's financial system and illicit economy.

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