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MEDIA RELEASE

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FOR IMMEDIATE RELEASE

NAMIBIA'S PROGRESS ON ADDRESSING FATF GREY LISTING

1. On 23 February 2024, the Financial Action Task Force (FATF), added Namibia to its list of jurisdictions under enhanced monitoring, commonly known as the Greylist. The Greylist contains countries with strategic deficiencies in their anti-money laundering and counter-terrorism financing frameworks. This statement aims to provide an update of our progress made regarding the greylisting. It also provides a synopsis of the potential impact of greylisting on Namibia's economy.
2. Namibia was subjected to a Mutual Evaluation aimed at assessing the country's compliance with the FATF Recommendations on Combatting Money Laundering, Terrorism and Proliferation Financing activities. A Report on the outcomes thereof was adopted and published in September 2022 by the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) of which Namibia is a member. The Report highlighted 72 Recommended Actions that needed to be addressed in the twelve-month period (from the adoption of the report) to October 2023.
3. During January 2024, Namibia reported to the FATF on progress made in addressing the said 72 Recommended Actions. The country was found to have effectively addressed 59 Recommended Actions while the remaining 13 required improvement.

4. The measuring standard in mutual evaluations comprises Technical Compliance, which is an evaluation of a country's legal frameworks, policies and adequacy thereof. The laws and policies are assessed in view of their alignment with the FATF's 40 Recommendations. The other measuring standard is Effectiveness. The FATF has eleven Immediate Outcomes which speak to the practical implementation of the said laws and policies. For example, while Namibia has a law that criminalises Money Laundering, the country must provide evidence that the authorities have effectively implemented such laws through criminal convictions and asset forfeitures.
5. Some Immediate Outcomes are amongst the core pillars essential for the effective functioning of a country's commercial crimes combatting and prevention regime, regardless of risk and context. It is for this reason that the FATF decided to place Namibia on the list of countries under Increased Monitoring (or greylist) starting February 2024. This period is generally a two-year period within which the country must demonstrate effective progress on the remaining weaknesses identified. The inherent consequence of not exiting greylisting is potential escalation to the so-called FATF blacklist.
6. Namibia periodically reports progress to ESAAMLG on Technical compliance-related matters and to the FATF on Effectiveness-related matters. Since the adoption of the initial Mutual Evaluation report in September 2022, Cabinet established a National Focal Committee (NFC) with a mandate to lead the implementation of the remedial measures.
7. Greylisting typically impacts an economy through various channels, including GDP, government funding costs, exchange rates, cross-border transactions, and capital markets. The IMF notes that countries greylisted by FATF generally experience significant reductions in capital inflows, averaging a net loss of 7.7 per cent relative to GDP.
8. Namibia's strong macroeconomic fundamentals suggest that the country may be well placed to withstand the short-term impact of grey listing. Notwithstanding, we do acknowledge that the period is certainly too short to thoroughly examine the full extent of the impact on some key indicators such as GDP as the transmission therein takes time. However, given the prevailing robust economic landscape, these effects may be offset.

9. Despite the greylisting, investor perceptions of Namibia remain broadly positive. Given that Namibia's currency is pegged to the South African Rand, the negative effects on the exchange rate associated with the greylisting appears minimal.
10. In terms of the financial system impact, greylisting may lead to increased due diligence requirements, higher compliance costs, and longer cross-border transaction times. Financial institutions have reported that no immediate impact have been experienced. However, measures are being put in place in preparation for potential medium- and long-term impacts of the grey listing. Proactive action and engagements with correspondent banks are currently underway to enhance further compliance and additional checks and supplementary due diligence.
11. Namibians and other stakeholders are urged to be mindful of the increased turnaround times and compliance checks that may be enhanced and to factor that in in their planning to avoid any inconvenience.
12. Given the progress made since greylisting, Namibia has decided to voluntarily submit an earlier report to the FATF for its meeting in October 2024. Reporting earlier than required can expedite exiting the greylist if effective progress is noted. Namibia's Report in this regard was submitted on 19 July 2024. A link containing the strategic deficiencies known as an Action Plan can be accessed at www.fic.com.na.



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