



COMPETITION

Regulatory Snapshot: Financial Services and AML

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by Hilah Laskov, Director

In this article, we lay out the main regulatory and legal developments in 2025 that impacted the financial services sector and South Africa's anti-money-laundering regime, as well as what we can expect in 2026.

What happened in 2025?

- **South Africa was removed from the FATF's grey list**

2025 represented a ramp-up in South Africa's efforts to strengthen financial supervision and anti-money-laundering (AML) controls. After having been grey listed in February 2023, South Africa's regulators — especially the Financial Sector Conduct Authority (FSCA), the Financial Intelligence Centre (FIC) and National Treasury — have been working to fix weaknesses flagged by international watchdog, the Financial Action Task Force on Money Laundering (FATF) and to bring local rules and practices in line with international standards. The wish to be removed from the FATF's grey list drove legislation adopted in 2024 aimed at tightening AML controls, including mandated Risk Management Compliance Programmes (RMCP) for accountable institutions, improving beneficial ownership transparency and strengthening conduct supervision.

The FSCA is responsible for supervising financial services providers (FSPs) and enforces compliance by FSPs with AML legislation, in particular, the Financial Intelligence Centre Act (FICA). 2025 saw a flurry of regulatory inspections by the FSCA assessing compliance with FICA

and, then, resultant administrative penalties on non-compliant FSPs, many of which were related to non-compliant RMCPs or FSP's being unable to demonstrate that RMCPs had been effectively implemented.

On 24 October 2025, South Africa was officially removed from the FATF's grey list with immediate effect.

- **Increased focus on Beneficial Ownership**

The FIC and FSCA as well as associated agencies, such as the Companies and Intellectual Property Commission (CIPC) and the Master (which supervises trusts), have been focused on beneficial ownership reporting. 2025 saw regulatory activity and increased pressure on accountable institutions to collect, verify and file beneficial ownership information.

- **CASPs "Travel Rule"**

Crypto Asset Service Providers (CASPs) have been required to register with the FIC as accountable institutions since December 2022 and since December 2023, CASPs providing financial services have also needed to be licensed by the FSCA.

In November 2024, the FIC issued Directive 9, the so called "Travel Rule", regulating accountable institutions that engage in crypto asset transfers. Directive 9 came into effect on 30 April 2025. The Travel Rule relates to the transfer and/or receipt of crypto assets by accountable institutions for or on behalf of their customers, the information that must be provided alongside these transactions, and the related records that must be kept. This information, held by the ordering and beneficiary CASP, must be made available to appropriate authorities upon request. The primary purpose for implementing the Travel Rule is to help ensure that the transfer or receipt of crypto assets via CASPs is not used for money laundering, terrorist financing and proliferation financing purposes.

What to expect in 2026?

- **Finalisation of COFI**

One of the biggest developments on the horizon is the Conduct of Financial Institutions (COFI) Bill — a major new law to replace many existing sector-specific conduct rules with a single, streamlined framework covering all financial institutions.

COFI forms a key component of South Africa's Twin Peaks regulatory reform and will primarily focus on strengthening market conduct regulation across the entire financial services sector. COFI will, amongst others, consolidate various industry-specific conduct laws, affecting the regulation of financial services, collective investment schemes, insurance and pension funds.

Although timelines are not fixed, this work on COFI will continue through 2026. Following two rounds of public commentary, COFI is expected to be introduced in Cabinet in 2026, with a transitional period of approximately three years to follow.

COFI is a National Treasury led bill, but the FSCA is instrumental to its finalisation and implementation. To this end, the FSCA has already started shifting its operations to comply with COFI.

Once enacted, the COFI framework will change how financial firms are authorised, supervised, and how they are expected to treat customers.

- **FSCA investigates the use of AI**

The FSCA has already conducted a survey of product providers to understand how AI was being used by FSPs. It received about 2,500 responses. The findings showed that banks are leading in AI investment and usage, focusing mainly on data analysis, internal process optimisation, sales, and marketing, while generative AI is starting to drive new sales and distribution channels.

Although there is no specific AI law, we can expect that 2026 will yield further investigation, collaboration with other agencies (e.g. the Information Regulator) and commentary by the FSCA on the use of AI by FSPs. The FSCA's 2025–2028 Regulation Plan sets the blueprint for regulatory actions through 2026, including regulatory frameworks for emerging technology and risks — including open finance, AI governance and cloud technologies. As such, we may have sight of FSCA guidance notes on AI use.

- **Embedding the "Twin Peaks" model**

Key prudential oversight functions for [pension funds](#), collective investment schemes and friendly societies are expected to transition from the FSCA to the Prudential Authority by 31 March 2026. This shift is part of a phased implementation of the [Financial Sector Regulation Act](#) to align with the Twin Peaks model, where the Prudential Authority oversees prudential regulation (systemic stability) and the FSCA oversees market conduct (consumer protection).

- **Consolidation and strengthening of AML laws**

The next FATF Mutual Evaluation (2026–2027) will assess how well South Africa's reforms are working in practice. We expect regulators to continue strengthening enforcement, due diligence, and reporting frameworks in order to perform well in that evaluation.

In 2026, we can expect progress on the AML/CTF Amendment Bill that circulated in 2024–2025. This could tighten reporting obligations, governance requirements, AML powers and beneficial-ownership disclosure rules. The FIC already updated Guidance Note 7A in 2025, aligning AML practices with legislative changes and further guidance and compliance guide fine-tuning can be expected in 2026. Finally, we can expect continuing operational supervision expansion.



Hilah Laskov

Director

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