SCHOOL OF ECONOMICS AND MANAGEMENT

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# The Consequences of FATF Greylisting

A Case study of South Africa's effects through financial, regulatory and policy stakeholders

by

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**Abstract:** In February 2023, South Africa was placed on the Financial Action Task Force (FATF) greylist, raising concerns about the effects of this decision on the country. Existing studies focus mainly on macroeconomic indicators and legal analysis, with little evidence on how people experience greylisting. This thesis explores how key financial, regulatory and policy stakeholders perceive the economic, regulatory and reputational effects of South Africa's greylisting between 2023 and 2025. The study used a qualitative case-study design based on 12 semi-structured interviews with stakeholders from banking and compliance, tourism, government, consultancy, academia and civil society. Data was analysed through reflexive thematic analysis. Findings indicated that stakeholders see greylisting as a consequence of governance and enforcement weaknesses. They describe operational frictions, higher compliance costs and stricter reforms - felt most among NPOs and SMEs, with tourism effects being uneven. Greylisting is viewed as an added reputational layer rather than a decisive factor in investment or travel decisions.

**Key words:** FATF, greylisting, South Africa, AML/CFT, de-risking, stakeholder perceptions

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# AI Statement:

This thesis made use of AI tools to support the research process and not create new ideas. ChatGPT was used with language refinement (sentence structure, synonyms), improvement of structure and clarity for myself on new topics. Elicit and Litmaps were used to identify relevant literature, using references that I previously found.

## List of Abbreviations:

AML - Anti-Money Laundering

CDD - Customer Due Diligence

CFT - Counter-Financial Terrorism

ESAAMLG - Eastern and Southern Africa Anti-Money Laundering Group

FIC - Financial Intelligence Centre

FICA - Financial Intelligence Centre Act

FSCA - Financial Sector Conduct Authority

FATF - Financial Action Task Force

GMM - Generalised Moment Method

IMF - International Monetary Fund

MER - Mutual Evaluation Report

NPO - Non-Profit Organization

ODA - Official Development Assistance

RTA - Reflexive Thematic Analysis

SARB - South African Reserve Bank

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# 1. Introduction

South Africa occupies a unique position on the African continent: it plays a pivotal role in shaping regional development and its economic performance has measurable impacts across Africa through trade, investment and financial channels (IMF, 2005). It represents one of the continent's most globally connected economies, a major destination for international tourism, and a financial hub with links to global markets. In recent years, the global financial system has become increasingly shaped by international standards designed to prevent money laundering, corruption and terrorist financing. Countries that fail to meet these standards face growing scrutiny, with the Financial Action Task Force (FATF) greylist emerging as one of the most influential compliance signals in the world economy (FATFa, 2025). In February 2023, FATF placed South Africa on its greylist, signalling that the country had strategic deficiencies in the effectiveness of its Anti-Money Laundering/Counter-Financial Terrorism (AML/CFT) framework (FATFb, 2025). While greylisting does not impose sanctions, it can reshape how international partners perceive a country's financial integrity. For South Africa, these implications matter profoundly because of their potential ripple effects across key economic sectors (Maslen, 2023). Despite increasing attention to greylisting's macroeconomic consequences, limited research has examined how industry stakeholders - such as tourism operators, compliance professionals and banks - experience and respond to the operational and reputational pressures associated with greylisting. This thesis investigates the greylisting of South Africa with its broader economic, reputational and regulatory implications by critically engaging with the question: *How do key financial, regulatory, and policy stakeholders perceive the economic, regulatory and reputational effects of South Africa's greylisting between 2023 and 2025?*

## 1.1 Background

The FATF is an international body that addresses money laundering, terrorist and proliferation financing. It leads global efforts to analyse how these activities occur, evaluates whether countries are taking effective and sustained action, and develops international recommendations - referred to as "Standards" - to mitigate associated risks (FATFc, n.d). Over 200 countries and jurisdictions have agreed to adopt and apply the FATF Standards as part of a unified global effort to combat organised crime, corruption, and terrorism. Their implementation is evaluated through assessment processes carried out in collaboration with nine FATF Associate Member Bodies, as well as international institutions such as the IMF and the World Bank (FATFd, n.d).

The 40 Standards provide a framework of recommended measures for countries to tackle illicit financial flows. As countries differ in their legal systems, institutional structures, and financial environments, the Standards are designed to be applied flexibly, allowing each jurisdiction to tailor their implementation to national circumstances. A central component of these FATF recommendations is a risk-based approach, which requires countries to identify, assess, and understand the money-laundering and terrorist financing they face (FATFe, n.d). By doing so, jurisdictions can allocate resources more effectively, and direct their efforts towards the areas of highest risk. The FATF routinely monitors emerging threats to the global financing system and updates its Standards to ensure that countries are equipped with the relevant tools to combat criminal activity. To support effective implementation, the FATF also develops guidance notes across a wide range of issues. These materials are regularly revised to incorporate insights gained by public authorities and the private sector, helping countries apply the Standards effectively within their own contexts. This revision process often includes stakeholder engagement and public consultation to ensure the guidance is both practical and relevant.

FATFe (n.d) explains how these recommendations form the foundation of an effective system for combating money laundering and terrorist financing. However, their impact depends not only on their administrative adoption, but on how effectively they are implemented in practice. Meaningful implementation requires that jurisdictions adapt the Standards to address the specific threats they face. To evaluate this, the FATF Methodology outlines eleven key immediate outcomes that describe what an effective AML and CTF framework should achieve. The methodology is used to assess both the effectiveness of a country's action and its level of technical compliance with the Standards.

The FATF's decision making body, the FATF Plenary, is responsible for holding member countries accountable for meeting the FATF Standards and meets three times a year to decide this. When a country persistently fails to address strategic deficiencies in its AML/CFT framework, it may be placed on the list of Jurisdictions under Increased Monitoring or marked as a High Risk Jurisdiction. These classifications are commonly known as the greylist and blacklist (FATFf, n.d).

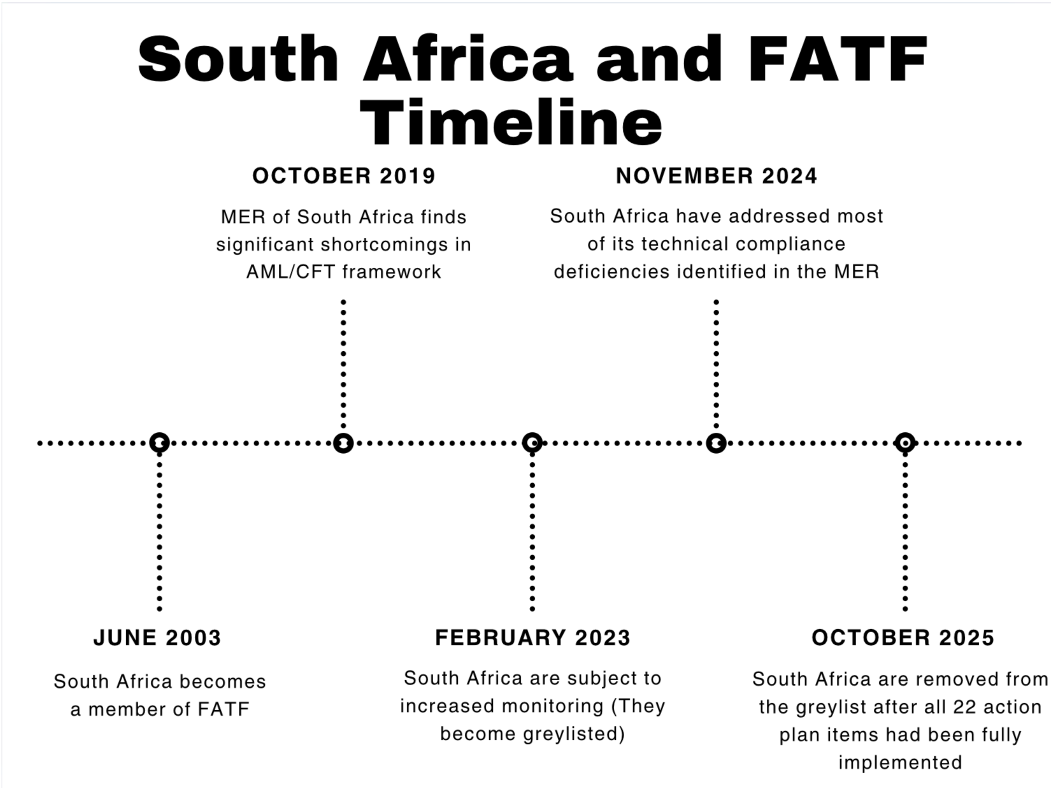
As of February 2025, the FATF has examined 139 countries and jurisdictions, publicly identifying 114 of them for having strategic AML/CFT deficiencies. Of these, 86 have subsequently implemented the required reforms to address their weaknesses and have been removed from the monitoring process. The blacklist identifies countries and jurisdictions with significant strategic deficiencies in their efforts to combat money laundering, terrorist financing, and proliferation financing. FATF calls on its members and encourages all countries to apply enhanced due diligence measures to countries on the blacklists. As of 24 October 2025, the Democratic People's Republic of Korea, Iran and Myanmar are classified as high-risk and are therefore on the FATF blacklist (FATFg, n.d). Jurisdictions placed under increased monitoring are those that have been found to have shortcomings in their systems for combating money laundering, terrorist financing, and proliferation financing. This is known as the greylist. Being placed on the greylist means that a country has formally committed to working with the FATF to correct these weaknesses within an agreed timeframe, and its progress is followed more closely than usual.

Countries on the greylist are expected to implement agreed action plans and demonstrate steady improvement, but they are not subject to the same level of restrictions which are applied to high risk jurisdictions. Instead, the FATF encourages a risk-based approach and warns against broad de-risking, emphasizing legitimate financial flows such as remittances or humanitarian funding should not be disrupted. The greylist is regularly updated as jurisdictions make progress or new concerns emerge. As part of its monitoring cycle, the FATF reviews a range of countries each year to assess advancements in addressing strategic deficiencies (FATFh, n.d).

South Africa has been a member of FATF since 2003 and their AML/CFT system has constantly been assessed by FATF jointly with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) (FATFg, n.d). The Mutual Evaluation Report (MER) of South Africa is a report that provides an in-depth assessment of the country's AML/CFT framework, evaluating both effectiveness of its measures and its level of compliance with the FATF Standards. The report found that, although South Africa has established a robust legal framework for addressing money laundering and terrorist financing, substantial gaps remain in the implementation of these measures. Specifically, the country must align its enforcement efforts more closely with its risk profile by strengthening international cooperation, enhancing its capacity to detect and confiscate illicit financial flows, and improving access to accurate and timely beneficial ownership information. The assessment also highlighted the need for authorities to make greater use of financial intelligence generated by the Financial Intelligence Centre (FIC), as well as for supervised entities to apply the risk-based approach more effectively. The evaluation was conducted under the leadership of the IMF.

In February 2023, in one of their publications, the FATF placed South Africa on the greylist. This meant that South Africa was required to make a strong political commitment to collaborate with the FATF and ESAAMLG to enhance the effectiveness of its AML/CFT framework. Amongst the reforms that South Africa made: demonstrating that supervisory authorities are imposing sanctions that are proportionate and effective, improving access for competent authorities to accurate and up to date beneficial ownership information on legal persons and legal arrangements (FATFh, n.d). During this time, South Africa also began strengthening enforcement against breaches related to terrorist financing (TF), which involves the collection or provision of funds to support terrorist activities.

*Figure 1. Timeline of South Africa's FATF process, 2003-2025*




## 1.2 Research Question

This thesis examines how FATF greylisting is perceived by industry stakeholders in South Africa during the country's time on the greylist from 2023 to 2025. The study aims to answer the question:

> *How do key financial, regulatory, and policy stakeholders perceive the economic, regulatory, and reputational effects of South Africa's greylisting between 2023 and 2025?*

To shape the direction of the research, the following sub-questions will be explored:

a) *How do these stakeholders perceive the geopolitical dynamic of global FATF listing and delisting processes?*

This sub-question asks how interviewees interpret the politics around FATF decisions: whether they see listing and delisting as neutral assessments or as outcomes shaped by broader political interests. This investigation is interested in whether South Africa's greylisting is perceived as part of a broader geopolitical narrative and how this shapes expectations about credibility, fairness and timing of greylisting and eventual delisting.

b) *Do stakeholders view the reputational effects of greylisting as an additional layer to existing narratives about South Africa, or as a decisive factor shaping investment and tourism decisions?*

Here, the focus is on whether greylisting is experienced as one more negative aspect layered onto existing concerns about South Africa (such as crime, corruption and political instability). This question will also investigate if greylisting is seen as a decisive point that directly drives investment or tourism decisions. This means examining how stakeholders describe investor and traveller behaviour. The question seeks to ask whether people specifically use greylisting as a reason to delay, reduce or cancel their exposure to South Africa or do they treat it as just one factor among many in a wider group of risks.

## 1.3 Aim and scope

The aim of this thesis is to investigate how South Africa's FATF greylisting between 2023 and 2025 affected key economic sectors, with a particular focus on tourism, finance, and related regulatory and compliance environments. Rather than examining greylisting as a single macroeconomic event, the study seeks to understand how different categories of stakeholders, such as tourism operators, financial institutions and compliance professionals perceive the operational, financial, and reputational consequences. By focusing on stakeholder experiences, the thesis contributes sector-specific insights to a field where empirical evidence remains limited, especially for emerging economies such as South Africa. These insights are directly relevant for South African policymakers and regulators who must design AML/CFT reforms. More broadly, the study sheds light on how global regulatory organizations such as FATF are interpreted and responded to in practice. It also puts focus on how reputational labels like greylisting influence concrete decisions about whether to and how to do business with South Africa.

The scope of the study is deliberately confined to South Africa's greylisting period (2023-2025) and centres on the perspectives of actors who engaged directly with the effects of increased monitoring, due diligence requirements, and shifts in international risk perceptions. The research does not aim to quantify macroeconomic outcomes or measure overall financial cost of greylisting. Instead it provides a qualitative account of how key sectors experience changes in regulatory scrutiny, operational processes, customer interaction, reputational narratives, and cross-border transactions. To do so, the study adopts an exploratory qualitative case-study design based on semi-structured interviews. The data is analysed using reflexive thematic analysis to identify recurring patterns in how greylisting is interpreted and communicated. The research also considers how stakeholders perceive government responses, the fairness of global AML/CFT processes, and the risks and conditions they see as necessary for long-term compliance and sustainable reform.

## 1.4 Delimitations

The study is guided by several deliberate delimitations that define its scope and analytical boundaries. Geographically, the research focuses solely on South Africa, with Namibia included within only one individual representing the Financial Intelligence Centre (FIC) in Namibia operating within the same AML/CFT ecosystem. The scope is restricted to South Africa’s greylisting period between February 2023 and October 2025, ensuring that findings relate specifically to experiences during this time. The study concentrates on perceptions and experiences rather than attempting to quantify macroeconomic outcomes or causal financial effects. The choice to adopt a qualitative, interpretivist approach further shapes the study’s boundaries, prioritising depth of insight rather than broad generalisation. Stakeholder inclusion is intentionally limited to those in the tourism, financial, compliance, and policy environments who have direct experience with FATF related processes. This means that perspectives from other possibly affected sectors such as mining, manufacturing, retail, legal services and real estate fall outside of the scope of the study. These delimitations allow the study to maintain analytical coherence while providing sector specific insights that are aligned with its aims.

## 1.5 Research Limitations

Despite careful design, several research limitations fall outside of the control of the researcher and should be acknowledged. First, because the study relies on semi-structured interviews, the findings are shaped by the nature of self-reported experiences, which may be influenced by organisational sensitivities, political constraints or personal perspectives. The overall sensitive nature of FATF greylisting may also have limited how openly some participants felt able to speak. Additionally, although the sample is diverse, access constraints meant that some stakeholder groups are represented more than others, creating uneven sector coverage. Methodologically, the qualitative approach does not allow for the measurement of financial magnitudes, transaction-level impacts or tourism specific demand statistics, which limits the ability to draw definitive causal conclusions. Finally, the study's findings are context-specific and shaped by South Africa's unique institutional environment, which may restrict the extent to which insights can be generalised beyond similar emerging-market contexts. While these limitations do not undermine the value of the findings, they highlight the importance of interpreting them as reflective of stakeholder experiences rather than as comprehensive economic measurements.

## 1.6 Outline of thesis

This thesis begins by outlining the background of South Africa's FATF greylisting classification, research questions and the overall structure. This is followed by a review of the existing literature on FATF greylisting, South Africa's experience, and sector-specific and reputational effects. The method section then presents the methodological choices that guided the thesis, followed by empirical findings which are organised into key themes. Lastly, the thesis ends with a summary of the results, implications and suggestions for future research.

# 2. Literature review

This section presents the existing academic and policy literature relevant to understanding the FATF, its impacts on countries' economies and key sectors - with a particular focus on South Africa's greylisting. The purpose of the literature review is to summarise and identify key points in prior research but also to situate the thesis within scholarly debates, highlight what is known and identify where gaps remain. It begins by examining the economic consequences of FATF greylisting, reviewing evidence on capital flows, investment behaviour and cross-border transactions. The review then turns to FATF greylisting in the South African context, tracing the country's assessment history, structural vulnerabilities and institutional challenges. This provides a background for interpreting stakeholder perspectives and understanding why South Africa was greylisted by the FATF. Next, the section considers regulatory and institutional impacts on businesses, drawing on literature concerning compliance burdens, due diligence requirements, operational constraints and the shifts in financial sector behaviour. The subsequent section examines tourism risk, perception, and reputational effects, including research on political instability, financial uncertainty, safety concerns and regulatory unpredictability. Building on these elements, the following section links greylisting to stakeholders, highlighting why the connection is plausible but fundamentally empirically underdeveloped. While existing studies emphasize macroeconomic trends, there is limited research on how different stakeholder groups experience greylisting. This gap means that the study needs a qualitative approach that includes multiple stakeholders.

## 2.1 Economic consequences of FATF greylisting.

Over the past decade, scholarly and policy work has increasingly documented how FATF greylisting can shape economic performance, affecting everything from how investors price sovereign risk to where and how capital is deployed across sectors. There is a consensus in the literature that greylisting functions as a powerful risk signal to markets but there remains debate about the magnitude and persistence of these economic effects.

From a conceptual perspective, greylisting is understood as a form of "market signalling" that alters how both public and private actors assess a country's risk profile. De Koker, Howell and

Morris (2023) develop a market-impact model in which FATF announcements change expectations regarding legal, regulatory and reputational risk, prompting investors, banks and donors to re-evaluate their positions. Their analysis of 177 countries between 2000 and 2020 identifies multiple channels through which greylisting can affect the economy: tighter access to cross-border finance, wider risk spreads, shifts in official development assistance (ODA) and changes in market capitalism and indebtedness. Khouny and Drissi (2024) similarly emphasize that greylisting is not merely a technical label but carries "significant economic and reputational consequences" (PP 1) for developing countries, including reduced foreign direct investment (FDI), higher transaction costs and constraints on access to global financial markets. While these studies provide a helpful big-picture of how greylisting might work, they do not clearly demonstrate how different actors in specific sectors actually respond in practice.

The most detailed evidence on capital flows comes from Kida and Paetzold's (2021) IMF study. Drawing on quarterly data for 89 emerging and developing economies and using an inferential machine-learning approach, they find that greylisting leads to a large and statistically significant fall in total capital inflows, driven by reductions in FDI and portfolio flows. De-risking and market enforcement emerged as key transmission channels, leading institutions to reduce or terminate cross-border relationships with clients in greylisted jurisdictions. The strength of Kida and Paetzold's study lies in its broad country coverage and flexible empirical method, which captures complex patterns in capital flows. However, their reliance on aggregate macroeconomic data and cross-country averages tells us little about differences between sectors or about how firms and financial intermediaries actually experience greylisting. It also treats greylisting as a similar shock across countries, even though political and institutional contexts differ from case to case.

At the same time, some scholars argue that reforms caused by FATF processes can support financial-sector stability. Issah et al. (2022) use panel data for 51 African countries between 2012-2019 and two-stages Generalised Moment Method (GMM) to show that stronger AML regulations are positively associated with banking-sector stability, largely by strengthening customer confidence and risk management in banks. Their contribution demonstrates that compliance with AML/CFT standards is not only a cost but can support the resilience of domestic financial systems. At the same time, the use of broad regulatory indices and GMM methods raises concerns about how accurately these variables are measured. Also, whether instruments are valid and how far the results separate the impact of AML reforms from other governance changes. Moreover, the study does not distinguish between countries that have been greylisted and those that have not, making it harder to isolate the specific consequences of greylisting.

Overall, the literature suggests that greylisting has meaningful short- to medium-term economic costs via capital-flow and payment-system disruptions, even though AML/CFT reforms may strengthen aspects of financial stability and governance in the long run. Yet, most existing studies work with very aggregated data and focus on macroeconomic indicators and cross-country regressions rather than stakeholder perspectives. This preexisting work reveals little about how actors in specific industries interpret and respond to the greylisting. Further, they do not mention how these people experience new compliance demands or how reputational stories about a greylisted country are formed. These gaps highlight the value of this qualitative, stakeholder focused case study of South Africa. This thesis study complements the macro literature by showing how the economic and reputational effects of greylisting are reflected within organisations and across different sectors.

## 2.2 Greylisting in context of South Africa

Although there is little academic research on greylisting in the context of South Africa, some papers have studied it. Ncube (2025) offers the most comprehensive legal analysis of greylisting in South Africa. She proposes that the greylisting is not just the result of a few technical gaps, but of wider problems in how the AML/CFT framework is enforced, supervised and applied in a risk-based way. The Financial Intelligence Centre Act (FICA) is South Africa’s main AML/CFT law for the financial system that requires extensive reporting, record-keeping and customer due diligence (CDD) (Masthead, n.d). Ncube (2025) argues that its impact is weakened by several issues: strict proof requirements in Prevention of Organised Crime Act (POCA), AML rules scattered across multiple laws, gaps in tracing who ultimately owns companies, and inconsistent use of risk-based CDD. This means that prosecutors struggle to secure convictions under POCA. Reporting institutions face overlapping and sometimes confusing legal duties. Authorities do not always manage to identify the beneficial owners behind complex corporate structures. Banks and other financial institutions also do not consistently match the level of CDD to the actual risk posed by clients or transactions.

According to Ncube (2025), greylisting under the FATF process therefore has both legal and economic consequences. It leads to increased scrutiny from foreign regulators and correspondent banks, can limit access to international financial markets, increases borrowing costs, and weakens South Africa's reputation as an investment destination. At the same time she argues that greylisting creates an opportunity for South Africa to strengthen its AML/CFT framework through reforms, stronger sanctions for non-compliance and improved CDD, which may have positive long-term effects. My study draws on this analysis by treating greylisting not only as an external shock from FATF, but also as a reflection of deeper institutional weaknesses. These weaknesses shape how stakeholders experience greylisting and how they interpret the reform process.

Sector-specific studies support Ncube's (20259 assessment. Gaviyau and Sibindi (2023) examine CDD practices in South African banks in the contemporary fintech context and show that institutions have introduced digital identification tools, biometric verification and interfaces with government databases in response to FICA and FATF requirements. However, they still identify weaknesses in ongoing monitoring, risk profiling and the effective use of technology. They conclude by mentioning that banks remain vulnerable to money laundering and terrorist financing risks despite formal compliance.  Furthermore, Bissett, Steenkamp and Aslett (2023) focus on terrorist financing and the non-profit sector while analyzing the 2021 MER. Their study showed that South Africa was rated non-compliant on Recommendation 8 and at a low level of effectiveness on Immediate Outcome 10. This is because it had not systematically identified high-risk NPOs, lacked a coherent risk-based oversight model and had limited supervision. In their view, these weaknesses essentially increased the likelihood of greylisting and illustrate how deficiencies in a specific sector can trigger broader consequences for the national reputation and financial system.

Taken together, these studies highlight how legal and supervisory gaps translate into vulnerabilities in banking and the non-profit sector. It is evident, however, that the aforementioned work mentions little about how stakeholders themselves understand and manage these pressures. My thesis builds on their findings by examining how actors in banking, compliance, tourism and policy sectors perceive the same weaknesses. In this way, the study extends the existing literature from legal and sector-level analysis to the lived perspectives of stakeholders who implement and are constrained by South Africas AML/CFT framework.

## 2.3 Regulatory and institutional impacts

Beyond aggregate capital-flow effects, a growing body of work shows that FATF standards and greylisting reshape the regulatory environment in ways that have direct consequences for financial institutions, investors and other participants within the market. The following literature discusses how compliance expectations, banking relationships and risk-based supervision interact to produce both intended and unintended impacts on businesses due to greylisting.

Celik’s (2021) World Bank study uses mutual evaluations and national risk assessments to examine how countries translate FATF Standards into regulatory practice. The findings suggest that, in principle, the standards are flexible enough to support financial inclusion, particularly through CDD simplifications and exemptions in low-risk contexts. In practice, regulators often adopt a very cautious stance, partly because discussion of flexibilities is restrained and due to fear of negative mutual-evaluation outcomes. This contributes to a pattern where low-income countries that would benefit most from formalising informal markets make the least use of exemptions.

A related set of studies focus on de-risking as a key institutional channel through which AML/CFT regulation affects financial and non-financial businesses. Durner and Shetret (2015) define de-risking as the practice of banks exiting relationships and closing the accounts of clients perceived as “high risk” rather than managing those risks. Their exploratory study documents a trend towards the systematic de-banking of money-service businesses, foreign embassies and NPOs especially in the US, UK and Australia. They argue that this behaviour represents a market failure: individually rational decisions by banks, regulators and customers produce collective outcomes that undermine financial-inclusion objectives and leave previously banked clients without formal access to payment services.

Erbenová et al. (2016) show how similar dynamics play out in correspondent-banking relationships (CBRs). Using survey and case-study evidence, they document a post-crisis reduction in CBRs, particularly affecting smaller emerging and developing economies. Banks' decisions to withdraw CBR's reflect cost-benefit calculations shaped by tighter prudential standards, sanctions regimes and more rigorous AML/CFT expectations, which heighten perceptions of legal and reputational risk. The loss of CBRs can disrupt trade finance, remittances and cross-border payments.

Maslen (2023) ties these mechanisms directly to FATF listing decisions. The report notes that listing is associated with reductions in international banks' exposure to the affected country, as institutions reallocate resources and tighten due diligence. In the case of South Africa, Maslen mentions that the South African Reserve Bank (SARB) anticipated that greylisting could raise administrative, financing and transaction costs. More broadly, enhanced due-diligence requirements during greylisting increases the operational burden on local financial institutions and their clients while technical-assistance programmes are intended to strengthen supervisory capacity and support a more calculated approach.

These patterns are conceptualised as part of the "dark side" of FATF standards in the paper "The dark side of anti-money laundering: Mitigating the unintended consequences of FATF standards" (Pavlidis. 2023). While recognising the need for robust AML/CFT frameworks, he highlights how the expansion of FATF's mandate and the uneven implementation of its risk-based approach have contributed to three unintended effects: de-risking, financial exclusion and the unwarranted targeting of NPOs. The paper stresses that these outcomes are not only caused by the FATF standards themselves, but also by failures in implementation. These problems are most pronounced when proportionality is ignored. In these cases, authorities use risk-averse, one-size fits all rules instead of tailoring controls to real risk levels. This critique is extended in the case study of India by Chakrabarty (2023) where she examines how states can strategically use FATF standards to their own advantage. She argues that the combination of vague, broad AML/CFT recommendations and strong peer-review pressure allows governments to use FATF compliance as a form of"rhetorical adaptation" (pp 427). This justifies security-focused laws that shrink space for civil society and are used against minorities and political opponents, especially in the non-profit sector.

The above-discussed studies show that regulatory and institutional responses to FATF standards reshape business environments. This is through several interconnected channels: tighter CDD and supervisory expectations, banks de-risking of entire client segments, the withdrawal of correspondent banking, and the political use of AML/CFT reforms in domestic governance. For firms in sectors such as tourism, these dynamics can mean higher compliance costs, more complex cross-border transactions and, in some cases, loss of access to formal financial services. There is still little empirical work on how specific stakeholder groups in South Africa experience and manage these regulatory pressures in practice. Addressing this gap is central to this study's focus on stakeholder perspectives during South Africa's greylisting period between 2023-2025.

## 2.4 Tourism risk, perception and reputational effects

There is still no empirical study on how greylisting affects the tourism industry in South Africa. However, some literature shows how reputational signals and risk perceptions can shape behaviour in both tourism and financial markets.

Policy and research on FATF increasingly describe greylisting as a reputational event. Maslen's (2023) review concludes that, even without formal sanctions, being placed on the greylist can lead other jurisdictions to treat a country as higher risk. This can affect investment, aid and access to finance. Similarly, Khouny and Drissi (2024) argue that for developing countries, greylisting has great reputational consequences. De Koker, Howell and Morris (2023) formalise this by modelling greylisting as a market signal. They identify that the signal alters perceptions of legal, regulatory and reputational risk. This ultimately influences how banks, investors and development partners price and manage exposure to greylisted jurisdictions. South African policy documents echo this focus on reputation. The National Treasury's fact sheet on greylisting states the most significant implication for a greylisted country is reputational damage. This is because its effectiveness in combating financial crime is seen as falling below international standards. Reputational concerns then feed into higher compliance costs and greater scrutiny in cross-border transactions. A United Nations (UN, 2023) report on South Africa's greylisting makes a similar point. It notes that reputational effects are widespread and difficult to measure. They may influence capital inflows, access to development finance and the cost of doing business. These effects are likely to be stronger when greylisting is layered on top of existing structural constraints and negative narratives. Therefore, this literature suggests that greylisting amplifies existing perceptions of risk rather than creating them from scratch.

Tourism research provides a useful parallel for understanding how such reputational signals translate into behaviour. Older work by Sönmez and Graefe (1998) focus on risks related to political instability, crime and terrorism, and that this affects tourists' destination choices and avoidance behaviour. People tend to avoid destinations they see as dangerous. Positive experiences can reduce earlier concerns. In the South African context, George (2010) finds that tourists' perceptions of crime and safety in Table Mountain National Park are closely linked to their intentions to return. Although this is different to the case of financial crime, it is still important to take into consideration other types of crime, especially when it concerns the same country. Later work on tourists during the 2010 FIFA World Cup in South Africa confirms that perceived crime risk and safety are central to destination image and repeat visitation (George, 2013).

These studies point to insights that matter directly for greylisting. First, risk is partly socially constructed. At times, it is filtered through media coverage, word-of-mouth and prior beliefs, not only through crime and conflict statistics. Second reputational damage can persist even after safety conditions improve. Perceptions often change slower than formal risk indicators. Shaw (2012) shows that concern over crime and political instability has been a key element of risk narratives about South African tourism for long. These narratives have implications for investment and local development.

Bringing these findings together, the emerging literature on FATF and greylisting suggests that greylisting adds an extra reputational layer to existing narratives about governance, crime and institutional quality. Some highlight that international banks, donors and institutional investors may read greylisting as a proxy for broader governance risk (Maslen, 2023; Khouny and Drissi, 2024). This happens even though FATF itself does not require countries to impose sanctions. Pavlidis (2023) shows how fear of regulatory penalties and reputational damage can drive overly cautious responses. These include wide-ranking de-risking and the withdrawal of services from whole categories of clients or sectors. Such responses can harm financial inclusion and restrict the ability of legitimate actors to access cross-border finance.

For South Africa, this implies that greylisting interacts with an already complex set of risk stories. These include long-standing concerns about crime and safety in tourism, perceptions of corruption and debates about institutional capacity. Most existing studies look at these issues at a macro level, through capital flows or credit ratings. Others examine specific sectors, such as tourism risk and country image.

There is very little empirical work that follows how banks, compliance officers, regulators and tourism actors themselves interpret greylisting as a reputational signal. There is also little research on how they think it affects the behaviour of clients, investors and visitors. This gap motivates the qualitative focus of this study. The thesis therefore explores stakeholder views on the economic, regulatory and reputational effects of South Africa's greylisting between 2023 and 2025.

## 2.5 Linking greylisting to stakeholders: the theoretical gap

The previous sections show that greylisting is now widely seen as an economic and reputational signal. Macro studies link greylisting to capital-flow disruptions, higher borrowing costs and changes in access to finance. Legal and policy work on South Africa highlights deep institutional weaknesses behind greylisting. Regulatory studies stress de-risking, compliance burdens and changes in banking relationships. Tourism research shows how risk perceptions and country image shape behavior by visitors and investors.

However, much of this work focuses on countries and markets as the main units of analysis. Greylisting appears as a shock to the economy rather than something interpreted by particular groups of stakeholders. Investors, banks, regulators and tourism firms are usually assumed to respond in similar ways to a common signal. Their perceptions, conflicts and different incentives are rarely examined in detail. As a result, the literature says little about how greylisting is understood inside organisations or how these understandings shape concrete decisions.

There is also a gap between macro accounts of market signalling and micro accounts of risk perception. Studies of de-risking and capital flows show that greylisting affects cross-border finance, but they do not explain how individual institutions interpret the FATF label when they review clients, price deals or manage correspondent relationships. Tourism and country-image research shows that perceptions of crime, instability and governance matter. Yet, this work hardly engages with FATF processes or financial compliance debates.

Conceptually, we know that greylisting sends a powerful signal about legal, regulatory and governance risk. We also know that risk is socially constructed and filtered through existing narratives. What is missing is an account that links these two insights. In other words, there lacks theory and evidence on how stakeholder groups receive, interpret and sometimes react to greylisting. This gap is particularly clear for the case of South Africa. The literature documents the country's legal shortcomings, institutional constraints and reputational vulnerabilities. It also notes likely impacts on capital flows, banking relationships and the tourism industry.

This thesis addresses that gap by focusing on stakeholders as key interpreters of greylisting. It links macro-level ideas about market signalling and reputation to the lived experiences of people who implement, negotiate and respond to AML/CFT rules in South Africa. By examining how different stakeholders perceive the economic, regulatory and reputational effects of greylisting, the study aims to understand the overall effects of greylisting.

# 3. Methodology and Research Design

The following section presents and argues the methodological choices that guide the thesis. In qualitative research, describing methods is not only a requirement but also an essential part of showing the study's credibility and alignment with its research aims. As this thesis explores perceptions and sector-specific impacts of South Africa's FATF greylisting, it is important to indicate why particular strategies, designs, and analytical approaches were selected. The section begins by outlining the research approach and the ideas that guide it. This is followed by an explanation of the research design, explaining why this type of case study is suitable because this topic is current, complicated, and not well researched. Next, a description of the sampling strategy and data collection methods. Providing detail on sampling is essential because qualitative studies rely on depth and relevance and showing how and why participants were selected strengthens legitimacy of the insights from them. Data management procedures are included to demonstrate ethical handling, transparency and compliance with research standards. The section then outlines the Reflexive Thematic Analysis (RTA) approach used to analyse data. Explaining this analytic method is crucial in qualitative research because as the researcher, I play an active role in interpreting the meaning of the responses gathered through the interviews. Subsequently, I discuss credibility, dependability, transferability, and confirmability to show how the study meets recognised standards of qualitative trustworthiness. Ethical considerations are then outlined to explain how participant safety, anonymity, and informed consent were ensured. The section concludes by addressing methodological limitations and the role of the researcher in the study to offer a transparent view of its strengths and limitations The section then addresses the study's ethical considerations and lastly I outline the methodological limitations and discuss researcher positionality.

## 3.1 Research approach

This thesis adopts a qualitative, exploratory research strategy, suitable for examining a complex and understudied phenomenon: how South Africa's greylisting affected stakeholders in the tourism industry. The qualitative approach enables a deeper contextual understanding of perceptions, behaviours, and lived experiences that cannot be captured through qualitative indicators alone. The study uses inductive reasoning, allowing theoretical insights to emerge from empirical data  rather than beginning with pre-established hypotheses. This aligns with Thomas's (2006) arguments that inductive research is best suited to new or evolving research areas with limited prior empirical grounding, which is precisely the case for South Africa's greylisting sector-specific impacts.

Philosophically, the research aligns most closely with interpretivism, which recognises that meaning is created through dialogues, perceptions, and interpretations of respondents. Reality is understood as socially constructed, varying between stakeholders such as tourism operators, banks, and government actors. I travelled to South Africa to conduct interviews in person, though most interviewees are people in high positions and schedules were tight, so about half of the interviews were done via Zoom or Teams, the other half were done in person. Conducting the interviews in South Africa enhances my contextual understanding of the topic. This also allowed for more flexibility in scheduling of interviews and the opportunity to conduct follow-up interviews was made more accessible. During interviews, I manually took notes while also utilising Otter.AI to ensure accurate recording and transcribing of the interviews. This contributed to a more attentive and responsible interview approach.

## 3.2 Research design

The thesis uses an exploratory case study design, focusing on one embedded case: South Africa during its 2023-2025 FATF Greylisting period. Drawing on Baxter and Jack (2008), a qualitative case study design allows for an in-depth exploration of a complex phenomenon in its real-life context, while incorporating multiple sources of evidence and embedded units of analysis. (tourism firms, finance institutions, policymakers)

## 3.3 Data Collection method

### 3.3.1 Semi-Structured Interviews

Semi-structured interviews were chosen because they balance structure with flexibility, allowing interviewees to share concerns that were not originally anticipated. This approach allows comparability while still capturing individual experiences, as well as follow-up questions tailored to the participants expertise. The interview sample consisted of 12 participants representing a diverse range of sectors that are shown in table *1*. Interviews were conducted both in person and online via Teams or Zoom, with each session lasting approximately 40-60 minutes. The discussions focused on a range of themes, including perceived industry effects, reputational risks, financial system constraints, changes in customer behaviour and operational disruptions. Prior to the interviews, participants were asked to provide informed consent for the use of their responses, the disclosure of their names, and the audio recording of the session.

*Table. 1 Interviewee Information*

| Organisation/Stakeholder group | Interviewee ID(s) | Number of interviewees |
|---|---|---|
| Institute for Security Studies (ISS) **Civil-Society/Anti-corruption** | 1A, 2A | 2 |
| SATSA (South African Tourism Services Association) **Tourism** | 1B | 1 |
| Tourvest - **Tourism** | 2B | 1 |
| Asilia/Western Cape Tourism - **Tourism** | 3B | 1 |
| Investec - Financial Crime compliance - **Banking sector** | 1C, 2C | 2 |

| | | |
|---|---|---|
| FTI Consulting - **Legal and compliance** | 3C | 1 |
| Academic/AML expert - **Academic professor** | 1D | 1 |
| Business/governance boards | 1E | 1 |
| National treasury (South Africa) - **Government** | 1F | 1 |
| Financial Intelligence Centre (FIC Namibia) - **Government** | 2F | 1 |

### 3.3.2 Sampling strategy

For this study, I used both purposive and snowball sampling, both of which were well suited to the research objectives (Bryman, 2012). Purposive sampling ensures that participants had direct, first-hand knowledge of FATF related impacts, while sequential sampling allows additional participants to be included as new themes and insights emerge during the research process. A sequential sampling approach was adopted since the sample size was not fixed in advance, instead participants were added progressively as data collection evolved throughout the study (Teddlie & Yu, 2007) Snowball sampling helped reach stakeholders who were otherwise hard to find. Clear inclusion criteria guided the selection of all participants. They had to either be professionally involved in South Africa's tourism or financial sector, possess familiarity with the implications of FATF greylisting or be able to discuss the consequences for their organisation or industry with regard to the FATF greylist.

### 3.3.3 Data Management

Interviews were transcribed using Otter.ai and later manually corrected if needed (if the sound was not clear and the AI application did not record correctly. Notes were also taken by the interviewer but the use of an app to transcribe and record the whole conversation allowed for me to be more present in the interview. The data was stored securely and anonymised. Manual coding was used for thematic development.

## 3.4 Data Analysis Method

For data analysis, Reflexive Thematic Analysis (RTA) was used as outlined by Braun and Clarke (2006) and King (2004), following each of the six established analytical phases. The process began with familiarisation, which involved repeatedly reading transcripts, listening to recording, and making initial simple notes to deepen my understanding of the data. This was followed by inductive initial coding, where both semantic codes, capturing the explicit content of participants responses and latent codes, identifying underlying ideas, assumptions, or patterns were created. This stage involved examining each transcript, highlighting significant statements and assigning codes that reflected both what the participants said and the deeper meaning of their answers.Next was the theme construction stage where codes were grouped thematically. In the theme-refinement stage, the consistency and coherence of each new theme were reviewed. The next step involved defining and naming themes to create clear thematic narratives. Finally, the themes were combined into an overall story and interpreted in light of existing research.

## 3.5 Validity, reliability and trustworthiness

To ensure the study's validity, reliability and overall trustworthiness, the research followed Nowell et al.'s (2017) qualitative criteria. Credibility was strengthened through member-checking, where participants were given the opportunity to review and verify the accuracy of their statements, as well as through triangulation with literature and FATF reports. Confirmability was addressed by taking reflexive notes and acknowledging the potential influence of researcher bias throughout the study.

## 3.6 Ethical considerations

The study adhered to ethical principles to ensure protection of all participants. Informed consent was obtained prior to each interview, and participants were clearly informed of their right to withdraw from the study if they felt they wanted to do so. Confidentiality was strictly maintained, in the case of interviewees request and all data was handled securely. Given the politically sensitive nature of FATF compliance and its implications for government actors, care was taken to avoid any potential harm by ensuring no information could be traced back to the individuals. All quotations used on the thesis were anonymised to further uphold ethical research standards.

## 3.7 Methodological limitations

Several methodological limitations should be acknowledged. First, given the regulatory and politically sensitive nature of FATF greylisting, participant responses may be influenced by caution, resulting in potential bias. Sector representation was wide and uneven, as certain stakeholder groups were more difficult to access. Finally, the study relies on self-reported perceptions rather than measurable financial outcomes, which limits the ability to draw definitive causal conclusions and instead reflects how stakeholders experience the effects of greylisting.

# 4. Analysis

In order to complete the analysis I derived main themes from the data that focus on causes, consequences, responses, sector specific impacts, fairness and expectations.

## 4.1 Systematic governance and enforcement weaknesses: the primary causes

*"The truth of the matter, the legacy of systemic corruption and state capture, that undermined the enforcement, if you will of FATF. It was in their interest not to enforce that" (1E)*

*"In terms of the way the government systems were weakened over the last 10, 15 years, there's been sort of insufficient investigation and prosecution of complex money laundering ….. It might have been deliberate or not, we can argue about that, but the point is that it was weakened, it was insufficient investigation there" (1E)*

*"There was poor transparency on the beneficial ownership, if you will, and record keeping" (1E)*

*"None of that (possibly being put on the greylist) came out of the blue" (1D)*

*"They would have known where they saw a report that they will be greylisted unless they fix the issues" (1D)*

*"South Africa is not blessed with a government that is overly concerned about crime" (1D)*

*"If you read the mutual evaluation report, that is what the assessors say (that the previous government regimes' decisions is one of the reasons South Africa was placed on the greylist), so state capture features extensively in the report" (1D)*

*"The politicians were just not interested in pushing through the legislation that had to be pushed through (to improve the AML/CFT framework). The problem is that South Africa's law enforcement agencies are, I think more effective at undermining each other than actually fighting crime" (1D)*

*"So Mr Ramaphosa (South Africa's president), where were you and where are you now?" (1D)*

Participants consistently attribute South Africa's greylisting to long-standing weaknesses in AML/CFT effectiveness, particularly limited investigative capacity, low prosecution rates, poor inter-agency coordination, and gaps beneficial ownership transparency. These issues were further intensified by the institutional deterioration that occurred during the state capture-era. Although technical compliance improved quickly, overall effectiveness continued to fall behind.

This strongly supports Ncube's (2025) argument that greylisting is mainly about weak enforcement and supervision, not just a few technical gaps in the law. By directly referencing state capture and weak prosecutions, stakeholders effectively confirm the MER's assessment that South Africa's system was less effective than its formal rules suggested. The findings therefore reinforce the literature's view of greylisting as a credible signal of underlying institutional weakness (de Koker et al., 2023). They also show how people working in and around the system experience these problems.

## 4.2 Economic and operational consequences

**Quotes**

*"South Africa, I know for sure publishes those administrative fines that they levy against banks for breaches of AML" (2F)*

*"I think it was affected most was banking, because of the additional due diligence that was placed on them" (3C)*

*Momo*

*“correspondent banks, many of them have put us (South Africa) on an enhanced due diligence” (1F)*

Instead of a single, dramatic macro-level shock, participants described a set of widespread but meaningful operational frictions. Cross-border transactions increasingly encountered enhanced due diligence requirements, repeated requests for documentation, and occasional delays by foreign counterparties, particularly in transaction channels affected by the EU’s high-risk jurisdiction list. Banks and non-bank financial institutions reported substantial increases in inspections, regulatory demands, staffing needs, and technology upgrades. Customer onboarding and monitoring became much more demanding because banks now had to identify more owners of a company and verify their information more carefully. Academics and compliance professionals additionally highlighted signs of displacement: some payments and settlements moving away from traditional banks towards alternative rails such as fintech wallets and money service businesses. While this can maintain transaction flow, it may also reduce regulatory oversight and elevate AML/CFT risk if controls are weaker in these areas. Overall, the accumulated costs and frictions were felt most in compliance-intensive sectors, with secondary impacts on customers and the global trade environment.

These patterns give concrete, micro-level evidence to the capital flow and de-risking channels described in macro studies such as Kida and Paetzold (2021) and Maslen (2023). Whereas Kida and Paetzold show statistically that capital inflows fall after greylisting, the interview data reveal how this happens in practice: through enhanced due diligence, slower onboarding and stricter scrutiny from banks. At the same time, the displacement of payments into alternative channels resonates with Pavlidis’ (2023) concerns about financial exclusion and unintended consequences of AML/CFT standards. The findings are therefore significant because they bridge the gap between evidence of reduced flows and the day-to-day operational changes that firms and clients must navigate after greylisting.

## 4.3 Reputational effects

**Quotes**

*"The reputational dent outlives the listing;risk committees remember the headlines long after the follow up" (1D)*

*"Europe reads the (grey) list conservatively - once the risk label is on, you spend months proving normality again" (3C)*

*"And I sometimes wonder whether those lists (EU & UK blacklists) doesn't carry more weight than the greylisting, because the Europeans are very risk adverse" (3C)*

Interviewees describe greylisting as something that intensifies existing reputational concerns, such as crime, governance pressures, and service delivery issues, rather than a factor that independently determines investment or tourism decisions. In their view, greylisting often "confirms" a pre-existing risk narrative that some stakeholders already held, giving foreign banks or partners a rationale to proceed with de-risking decisions they were likely considering anyway.

Tourism and business representatives underscore the importance of communication: credible action plans, frequent progress updates, and clear signals from authorities helped limit reputational spillovers. However, in cases where counterparties operate under strict internal policies linked to EU high-risk lists, reputational caution still resulted in practical hurdles in transactions, even as South Africa's fundamentals were improving.

This supports literature that sees greylisting as a strong risk signal (de Koker et al., 2023; Khouny & Drissi, 2024), but it also shows that this signal is rarely decisive on its own. Stakeholders portray greylisting as something that adds to existing concerns about crime, governance and instability rather than it causing too much worry on its own. This is particularly important for tourism, where work on political risk and safety perceptions suggest that travellers and operators already consider multiple concerns simultaneously. The findings therefore offer a more nuanced view of reputation. They suggest that the greylisting label adds to rather than replaces other risk stories about South Africa. They also indicate that clear communication by authorities can shape how long the reputational shadow lasts after delisting.

## 4.4 Government response

**Quotes**

*“Once we got greylisted I can vouch for strong support from our cabinet, literally almost every four months we got all the legislation we needed to pass” (1F)*

*“we got all the operational improvements that we needed..” (1F)*

*“the political leadership supported their officials to make sure that they were performing better” (1F)*

*“you need the political support to achieve those improvements” (1F)*

*“If the political will wasn't there I don't think it would have been possible to exit the greylist so easily” (1F)*

*“The good thing about greylisting, and there was a few things that was good, but the best thing, i say this because I have been around for a long time, I have never seen the government agencies work this well together” (3C)*

*“Never in my 21 years working in this industry have I seen the government (SARB, FIC, Treasury, FSCA (financial sector conduct authority) work this well together” (3C)*

*“... a lot of good things in terms of us (South Africa) being able to respond quickly, efficiently as a country and I think that is the message that the greylisting has given us, it's not about a single government organization, it's about the country working together” (3C)*

Interviewees observe a significant post-greylisting shift in political alignment and inter-agency collaboration. The Treasury, FIC, supervisory bodies, and law-enforcement agencies accelerated legislative reforms and operational improvements, along with more frequent inspections and tighter supervision. Several participants commend both the speed and scope of the legal clean-up and the improved culture of coordination between institutions, taking the de-listing as evidence of solid progress.

However, some interviewees warn against only meeting requirements on paper and note that the real credibility depends on translating policy into concrete results: strong investigations, successful prosecutions, and effective asset seizures, all backed by solid data and performance metrics. They argue that vigilance must continue past the immediate FATF deadlines and remain consistent across leadership transitions, as compliance gaps could increase the likelihood of being placed back on the greylist.

This mix of ongoing reform and doubt reflects Ncube's (2025) view of greylisting as both a constraint and an opportunity. It pushes for change but it does not automatically lead to better enforcement. It also links to Issa et al. (2022), who find that stronger AML rules can improve banking stability if they are carried out in a credible way. Interviewees put emphasis on prosecutions and this shows that they understand the difference between having rules on paper and making them work in practice. The significance of these findings is that delisting is only a partial success, while sustaining credibility and avoiding re-listing is the real objective for the government and policymakers.

## 4.5 Sector specific impacts

**Quotes**

*"I think that the industry that probably was the most victimized in the process is the non-profits" "Banks that did not want to do business with South Africa used greylisting as an excuse" (3C)*

*"I think essentially because the banking sector and the non bank, financial institution sector, you know, which in South Africa is predominantly your insurance industries or insurance companies and your asset management. They would have been impacted in one way or the other" (2F)*

Finance and non-bank financial institutions faced the most direct and measurable pressures. These included tighter security from correspondent banks, heavier enhanced due-diligence requirements, more frequent inspections, and substantial increases in compliance spending on staff and technology. Interviewees note that customer onboarding and periodic review processes grew slower and more resource-intensive, with the effects felt most strongly by Small and Medium Enterprises and cross-border clients.

Tourism effects were more uneven. Larger intermediaries and card based Business-to-Customer (B2C) transactions often saw limited direct volume changes. In contract, Business-to-Business transfers, especially from markets with more risk-averse banks, experienced delays or occasional denials. Tourism stakeholders therefore tended to greylisting as an added friction and reputational layer rather than the main driver of booking patterns, which they link more closely to safety perceptions, flight capacity, and broader macroeconomic factors shaping tourism demand. Overall, this highlights how the practical impact of greylisting depends heavily on transaction channels, such as card versus bank transfers, and on the risk policies of foreign partners.

## 4.6 Fairness, misconceptions and the geopolitics of FATF processes

**Quotes**

*"If we are added to the greylist, its an autotrigger for the EU and the UK to assess whether we should be put on their blacklist" (3C)*

*"So especially with Dubai that went off , and particularly with political agenda. And in FATF, US that pays 40% of fees and suddenly Dubai is off the list. So there is a lot more in terms of a brutal reality" (3C)*

*"There is a misconception that is being told by many people that you know, after greylisting you get blacklisted, which is not necessarily factual or correct" (2F)*

*"The public statement of the FATF, when FATF greylists you or a country or jurisdiction, they are essentially telling the global community that the jurisdiction is working with FATF and the global community to immediately strengthen the AML framework" (2F)*

Several participants question how fair and consistent global listing and delisting practices are. They argue that well-resourced countries often exit more quickly, while developing countries face heavier and more prolonged burdens. A key concern is proportionality: the EU automatically classifies all FATF greylisted countries as high-risk, which triggers mandatory enhanced due diligence to these countries even when actual risk levels differ among them. Interviewees highlight that these effects can, at times, be more consequential than FATF's own monitoring.

A key fairness concern relates to proportionality. The EU automatically classifies all greylisted jurisdictions as high-risk. This triggers enhanced due diligence, even though risk profiles may differ. Some see this as unfair because one-size-fits all labels ignore each country's progress, institutions, and the specific reasons it was greylisted.

Academics point out that the UK is moving toward a more risk-based approach, in contrast to the EU's one-size-fits all designation. Compliance professionals also note that geopolitical factors and market incentives influence how foreign banks and institutions respond. In some cases, greylisting becomes a convenient justification for risk-averse behaviour that was already emerging, calling into question how genuinely risk-based these reactions actually are.

Compliance professionals also stress that market reactions are not driven by FATF directions alone. Foreign banks and institutions may use greylisting as a convenient justification for pre-existing ideas. Ultimately, this implies that some responses attributed to FATF are shaped by market incentives and geopolitics as by actual AML/CFT risk. Participants therefore question how genuinely "risk-based" these reactions are, particularly when reputational harm is increased beyond what FATF makes it out to be.

# 5. Discussion

This chapter discusses the findings of the study in relation to the research question. It synthesises the themes identified in the analysis with existing literature on FATF, greylisting, regulatory impacts, and tourism risk. The discussion also considers the implications of South Africa's removal from the greylist in October 2025 and reflects on what the case reveals about the politics and fairness of global AML/CFT governance.

The findings confirm many patterns identified in existing literature, but they also add detail on how greylisting is interpreted and managed inside organisations. In doing so, the study helps bridge the gap between macro-level work on capital flows and reputation, and micro-level work on risk perception and sectoral impacts

## 5.1 Underlying governance and enforcement failures

The first major finding is that stakeholders interpret South Africa's greylisting as the outcome of governance and enforcement weaknesses rather than an unexpected shock. Interviewees consistently pointed to state capture, weak inter-agency collaboration and poor beneficial-ownership transparency as main drivers of the greylisting of South Africa. These perceptions agree with the conclusions of the MER and Ncube's (2025) legal analysis. In this sense, stakeholders treat greylisting as an external confirmation of institutional weaknesses they had already observed previously. The emphasis on state capture and low political engagement with financial crime aligns with broader work that sees greylisting as something that reveals government deficits. At the same time, the interviews show how these structural problems are experienced from within. These are in forms of inconsistent application of CDD rules, unclear responsibilities and institutional rivalries.

## 5.2 How macro impacts play out in practice

The second finding concerns economic and operational consequences. Quantitative studies show that greylisting is associated with lower capital inflows and higher funding costs (Kida and Pasetzold, 2021; Maslen, 2023; Khouny and Drissi, 2024).

This study adds detail on how those effects appear in practice. Stakeholders did not describe a single financial shock. Instead, they described many smaller pressures. Cross-border payments were affected and faced more questions and more delays. Overseas banks often treated South African clients as higher risk. Financial institutions responded by hiring more compliance staff, upgrading systems and dealing with more supervisory checks. Clients, especially SMEs and international businesses experienced longer onboarding processes and stricter reviews. There was also a shift in some payments towards alternative channels such as Revolut.

These findings match the literature on de-risking (Durner and Shetret, 2015; Erbenová et al., 2016; Pavlidis, 2023. They show that greylisting affects the economy through many small decisions through risk and compliance teams. The study therefore helps to connect the previously studied macro-level patterns to the daily effects on institutions and firms.

## 5.3 Reputational effects and tourism risk

A third key finding is that greylisting is seen as a reputational layer. Stakeholders stressed that South Africa already had reputational problems which are linked to crime, corruption and political uncertainty.

Greylisting is understood as something that reinforces this image rather than being created by it. For some foreign banks and investors, it has confirmed their concerns that they already had. It also gave them a simple reason to reduce exposure or tighten conditions.

Those in tourism described a similar pattern. For most travellers, concerns about personal safety, crime and general instability are still present. This matches earlier tourism research (Sönmez and Graefe, 1998; George, 2010,2013; Shaw, 2012). I found that greylisting is not a deciding factor for those wanting to travel to South Africa but was still important to discuss. However, stakeholders agreed that reputational damage lasts longer than the greylisting itself. Even though South Africa left the greylisting in October 2025, they expect some banks and institutions to remain cautious for some time. The study therefore suggests that reputational effects can still persist and reputational recovery after delisting is not automatic.

## 5.4 Delisting and the challenge of sustaining reforms

Several interviewees said they had never seen this level of coordination before. The National Treasury, the FIC, SARB and other agencies worked together more closely. They viewed South Africa's removal from the greylist in October 2025 as proof that these efforts were recognised by FATF. This supports Ncube's (2025) idea that greylisting can in some way have positive effects, not just negative.

At the same time, stakeholders were cautious. They argued that being sustainably credible depends on what happens after delisting. Putting laws into place is a good start, but being able to maintain them along with meaningful sanctions are needed to ensure positive long-term effects. These concerns bring up wider debates about the "tick box" compliance. South Africa's real test is not only exiting the greylist, but avoiding being placed back onto it. Long-term success will depend on whether the government can maintain a strong AML/CFT framework over time.

## 5.5 Sector-specific impacts

The study also finds that the costs of greylisting were unevenly distributed. Financial institutions felt the largest impact. They faced stricter checks from correspondent banks and higher operating costs. Non-profit organisations were also heavily affected. Interviewees described them as victims or risk-averse behaviour. This finding reflects concerns in the literature that NPOs often suffer the consequences of AML/CFT measures (Bisset et al., 2023; Pavlidis, 2023).

Tourism impacts were minimal. Some B2B payments and booking faced delays. Tourism operators saw greylisting as one factor among several that decide destination risk. These patterns highlight that greylisting was not experienced in the same way by everyone. Large institutions with strong compliance systems were better able to handle the changes. Smaller entities and those working with overseas clients have greater negative effects.

## 5.6 Limitations

It is important to note that the study does have some limitations. While the sample size is diverse, it does not cover all affected sectors. The number of interviews is focused on specific stakeholder groups. Some sectors, such as small domestic businesses are not fully represented. The data are self-reported and shaped by organisational and political sensitivities. It is crucial to acknowledge that the way in which interview questions are worded will have an impact on the answers that one receives. This study aimed to keep questions as neutral as possible while tackling the key themes being researched. The study also examines perceptions rather than concrete numbers and figures. It does not attempt to measure the exact financial or tourism impact of greylisting or delisting through statistics. Its focus is on how stakeholders experience and describe these effects.

Finally, the findings are context-specific. South Africa is a large, middle-income country with a history of state capture and it plays a central role in Africa, globally. The results may not apply in the same way to smaller or more fragile countries.

## 5.7 Future research

Future research could address the gaps mentioned in the limitations section. Mixed-methods work could combine interviews with data on capital flows, CBRs or looking at the tourism arrivals before, during and after greylisting. It is also important to mention that South Africa was delisted during this study. This meant that all interviews were already conducted before South Africa was delisted, meaning that questions on delisting  were not fully focused on. Future studies could also look at how different countries experience listing and delisting. Further research could also follow South Africa in the years after its removal from the greylist to see whether reforms hold and how quickly reputation recovers.

# 6. Conclusion

## 6.1 Answering the research question

This thesis has explored how key financial, regulatory and policy stakeholders perceive the economic, regulatory and reputational effects of South Africa's FATF greylisting between 2023 and 2025. It used a qualitative case-study design and semi-structured interviews, analysed through reflexible thematic analysis.

Stakeholders see greylisting as a consequence of enforcement weaknesses which are deepened by state capture. It is a source of ongoing operational and compliance frictions, rather than one economic shock. Greylisting acts as an extra negative reputational layer that sits on top of existing concerns in South Africa. FATF and greylisting prompts legal and institutional reform, but it is not a guarantee of lasting improvement in enforcement outcomes. Overall, greylisting can be seen as both a cost and opportunity. It raises questions, increases compliance work and risk aversion. At the same tim, it pushes institutions to coordinate better and show progress on AML/CFT.

The thesis also asked two sub-questions.

Sub-question 1: *How do these stakeholders perceive the geopolitical dynamic of global FATF listing and delisting processes?*

Stakeholders think FATF decisions depend on rules, but also on politics. Many view the system as uneven, some countries are seen differently and are under more pressure than others with similar risk. FATF does not in any way directly impose sanctions on countries, but has the greylist and blacklist in order for countries to improve their AML/CFT frameworks. Interviewees find it unfair that powerful jurisdictions, such as the EU, apply high-risk lists in a more rigid way. Some see greylisting not just as a technical decision, but as a sign of a wider power imbalance in the global financial system.

Sub-question 2: *Do stakeholders view the reputational effects of greylisting as an additional layer to existing narratives in South Africa, or as a decisive factor shaping investment and tourism decisions?*

It is clear that greylisting is generally seen as an additional layer, and not as a standalone factor. For investment and tourism, they stress that existing narratives about crime, corruption, governance and safety matter more. Greylisting simply reinforces these narratives. Greylisting can influence some decisions, but most people do not see it as the main reason people make decisions, rather it matters because it changes how people talk about South Africa's risk and future.

## 6.2 Main contributions

This thesis makes three main contributions. First it provides a qualitative, multi-stakeholder account of South Africa's greylisting. This study brings together views from banking, compliance, tourism, government, academics and civil society. It shows how these actors interpret greylisting and how it affects them Second, it links market-signalling ideas to how stakeholders talk about risk. The findings show how people read the greylisting label and add to what they already think about South Africa. This helps explain why economic, regulatory and reputational effects can last even after FATF reviews are over. Lastly, it adds to debates on unintended consequences of AML/CFT regimes. It shows that some sectors face heavier burdens and de-risking becomes more common. There is also a risk that some activity shifts into less-regulated channels. At the same time, external pressure can trigger reform, but its impact depends heavily on what happens inside the country. If governments are serious about reform and key institutions cooperate, FATF pressure can lead to long-term positive change.

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# Appendix A - Interview Guide

*Table 2. Interview Questions*

| |
|---|
| General |
| 1. *What field do you work in? What is your role?* |
| FATF and South Africa |
| 2. *When did you first hear of FATF and the term greylisting? What is your experience with the greylisting of South Africa, what do you know?* |
| 3. *What do you think caused South Africa to be on the greylist?* |
| 4. *How has the greylisting of South Africa affected you, your business or your industry?* |
| View and responses |
| 5. *How do foreigners view a country that is placed on the greylist? What are the reputational effects?* |
| 6. *What has been the government's response to greylisting? Is their response effective? How is their collaboration with FATF?* |
| Future outlook |
| 7. *In the current situation, where do South Africa stand when it comes to being removed from the greylist?* |
| 8. *How do you see South Africa's next few years in terms of their AML/CFT framework?* |