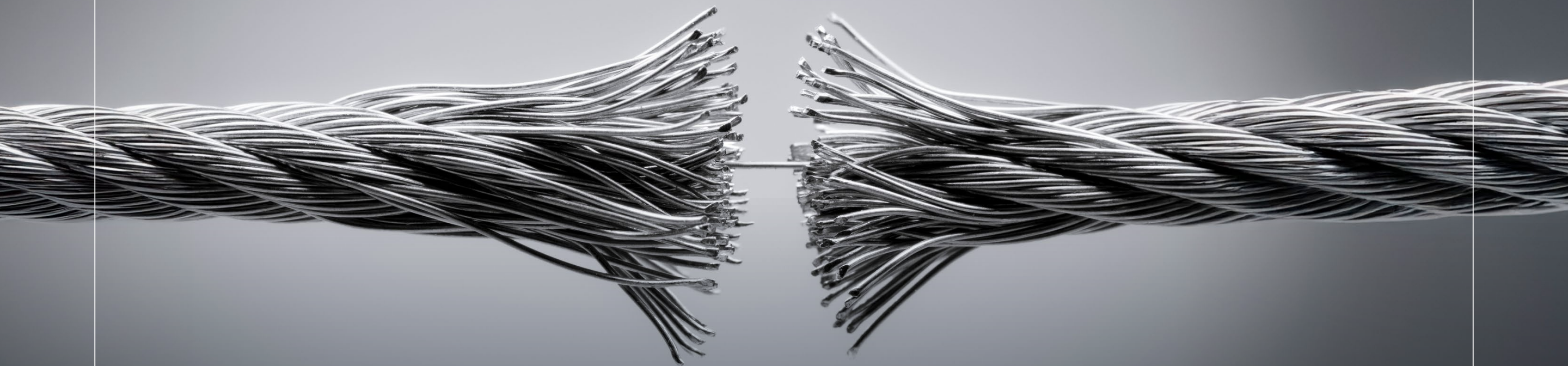


# UNDER PRESSURE

## NAVIGATING FINANCIAL REGULATORY HEAT IN SOUTH AFRICA IN 2025



With regulatory heat intensifying from the Financial Sector Conduct Authority (FSCA) and Prudential Authority (PA), heightened global expectations post-greylisting, and new compliance frontiers such as crypto and environmental, social, and governance (ESG) factors, the stakes for financial institutions have never been higher. We explore key regulatory trends shaping South Africa's legal and compliance landscape in 2025 and offer practical guidelines on how businesses can navigate them.

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## ENHANCED EXECUTIVE ACCOUNTABILITY

There is increasing global pressure, for South African regulators to mirror enforcement regimes where executives are routinely held liable for misconduct.

### CLIENT PLAYBOOK

Define and document executive oversight	Outline compliance roles and keep thorough decision records.
Conduct regular “top-down” compliance reviews	Regularly audit senior leaders and test leaderships’ understanding of key risk areas such as AML/CFT, whistleblowing, market abuse, and Decentralised Finance (DeFi).
Strengthen your “tone at the top”	Align leadership messaging with compliance standards and practically support compliance teams.
Implement crisis protocols	Ensure executives know how to handle direct regulator engagement.
Review fit and proper compliance	Frequently review key executives’ qualifications and ethics and proactively address any risk.

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## REGULATORY RESPONSE TO FATF GREYLISTING

The FSCA, Financial Intelligence Centre (FIC), South African Reserve Bank (SARB), and PA are now co-ordinating to monitor, enforce, and strengthen AML/CFT compliance across all licensed financial institutions and designated non-financial businesses and professions (DNFBPs).

### CLIENT PLAYBOOK

Update your RMCPs

Regularly revise RMCPs to reflect specific business risks and FIC compliance and avoid generic templates.

Automate where possible

Implement real-time transactions PEP screening systems as well as review alerts promptly.

Enterprise-wide training

Provide comprehensive AML training across all levels and train front-line, compliance, and leadership staff on identifying red flags and responding appropriately.

Conduct internal AML audits

Regularly audit internally to proactively identify gaps that align with FATF and FIC standards.

Document, document, document

Maintain thorough documentation of compliance decisions, and escalations.

Engage with the FIC early

Report suspicious activities promptly and effectively to the FIC and ensure section 29 reports are submitted accurately and effectively.

3



## REGULATION OF CRYPTO ASSETS

As at the end of 2024 the FSCA has approved 248 new crypto asset service providers (CASPs) who are now subject to the licensing regime, AML/CFT compliance, and consumer protection obligations.

### CLIENT PLAYBOOK

Licensing compliance	CASPs must ensure they meet all licensing conditions and adhere to AML/CFT obligations.
Risk management	Develop and implement comprehensive risk management frameworks that address the unique risks posed by crypto assets and decentralised finance platforms.
Continuous monitoring	Maintain regular oversight of regulatory developments and ensure ongoing alignment with FSCA requirements in this rapidly evolving market.
Train staff	Ensure staff understand FICA and sanctions rules.
Consumer communication	Review all marketing and risk disclosures to ensure they align with the FSCA’s financial product advertising standards and avoid misleading or incomplete information.

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DECENTRALISED FINANCE (DEFI): THE NEXT FRONTIER

Decentralised finance (DeFi) has seen explosive global growth and is gaining traction in South Africa.

CLIENT PLAYBOOK

Identify exposure	Map all exposure, direct and indirect, regarding DeFi involvement.
Evaluate legal risk	Assess if platforms could be seen as providing “unlicensed” financial services and therefore attracting the oversight of regulators.
Strengthen on-ramps	Keep AML controls strong when bridging DeFi.
Engage with regulators	Proactively consult the FSCA, PA, and other relevant regulators to pre-empt future enforcement issues.
Watch the horizon	DeFi regulation is coming – it’s a matter of ‘when’ not ‘if’.

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## INTEGRATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS

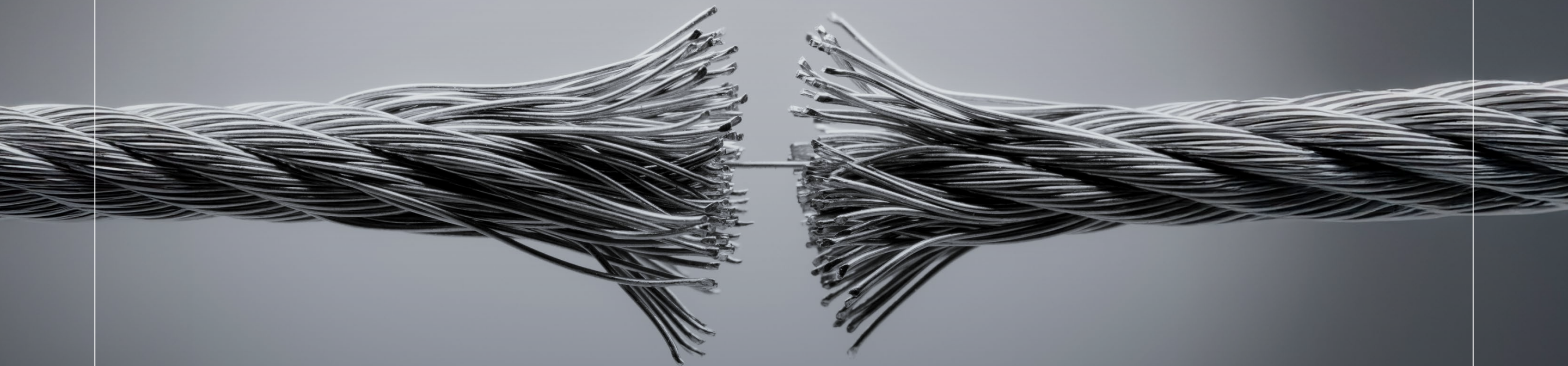
There is a growing regulatory focus on integrating ESG considerations into financial services, driven by both investor expectations and evolving regulatory initiatives.

### CLIENT PLAYBOOK

ESG policy development	Formulate clear ESG policies that align with regulatory expectations and global best practices.
Transparent reporting	Share accurate and transparent ESG data.
Stakeholder engagement	Engage with stakeholders’ ESG concerns and incorporate into corporate strategies.
Integrate ESG into risk appetite statements	Boards should state what ESG risks are acceptable to guide decisions and align teams.

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In a regulatory environment defined by heightened scrutiny, and increasing expectations, financial institutions in South Africa can no longer adopt a reactive compliance posture. The institutions that will thrive in 2025 and beyond are those that see regulation not as a constraint, but as an opportunity to build resilience, bolster credibility, and drive long-term value.

For practical insights or to discuss how these developments affect your business, contact our authors for more information.



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