

Statement on crypto assets

Wednesday, 16 January 2019: The Financial Intelligence Centre (FIC), Financial Sector Conduct Authority (FSCA), National Treasury (NT), South African Revenue Service (SARS) and the South African Reserve Bank (SARB) this week released a consultation paper on crypto assets.

Commonly referred to as crypto currencies, crypto assets are digital representations or tokens that are accessed, verified, transacted and traded electronically by a community of users.

An initial public statement on crypto assets was issued by South African authorities¹ in 2014. Their statement warned members of the public about the risks associated with the use of crypto assets for the purpose of transacting or investing, and advised users to take extreme caution in this regard. The statement further noted that no specific legislation or regulation existed on the use of crypto assets. Therefore, no legal protection or recourse was offered to users of, or investors in, crypto assets.

As a result of the growing interest and rapid innovation in the financial technology (fintech) and crypto assets domain, an Intergovernmental Fintech Working Group (IFWG) was established, comprising members from NT, the SARB, FSCA, SARS and FIC. The aim of the IFWG is to develop a common understanding among regulators and policymakers of fintech developments, as well as policy and regulatory implications for the financial sector and economy. The approach to reviewing fintech innovation is a balanced one, considering both its benefits as well as taking cognisance of associated risks.

At the start of 2018, a joint working group was formed under the auspices of the IFWG to specifically review the position on crypto assets. This consultation paper is an outcome of this work. The paper provides background and context for the review and provides the scope of the crypto activities assessed. At this stage, two crypto assets use cases (scenarios) have been analysed – buying and selling crypto assets, and making payments with crypto assets. The paper highlights the benefits and risks of the related activities, reviews the approaches by other jurisdictions, and presents recommendations for dealing with crypto assets from a South African perspective.

Members of the public and any impacted stakeholders are requested to provide comments on the document by **15 February 2019**. Input may be submitted by email to SARB-FINTECH@resbank.co.za.

Input received will feed into a crypto assets policy paper that will set out the manner in which crypto assets will be managed within the regulatory perimeter in South Africa.

¹ Issued by National Treasury in 2014 as a joint initiative with the South African Reserve Bank, the Financial Services Board (now the Financial Sector Conduct Authority), the South African Revenue Service and the Financial Intelligence Centre. At the time this statement was issued, the term ‘virtual currencies’ was used to refer to crypto assets.