

FSCA Press Release

18 March 2021

FSCA issues second crypto health warning for consumers

The Financial Sector Conduct Authority (FSCA) has noted with concern the increasing volume of crypto assets (cryptos) related losses suffered by financial consumers in the past three months. The FSCA urges the public to be extremely cautious and vigilant when dealing with cryptos for any financial services business.

Crypto assets (including cryptocurrencies as they are commonly called), are digital representations of value that are not issued by a central bank. Some of the more well-known crypto assets include Bitcoin (BTC) and Ethereum (ETH). Cryptoassets are traded, transferred and stored electronically. They have been used for payments, investments and capital-raising.

In November 2020, the FSCA as part of the Intergovernmental Fintech Working Group (IFWG) comprising of the National Treasury, South African Reserve Bank and Prudential Authority, Financial Intelligence Centre, National Credit Regulator and South African Revenue Services, published a position paper – *The Draft Declaration of crypto assets as a financial product under the Financial Advisory and Intermediary Services Act* – which made a variety of recommendations pertaining to the regulation of crypto assets. Submissions for public comment was closed on 28 January 2021 and is currently under consideration by the relevant authorities. The draft Declaration in no way impacts the status of crypto assets in the context of other laws such as the Financial Sector Regulation Act (FSR Act) exchange control regulations, requirements under the Pension Funds Act (PFA) and Collective Investment Schemes Act (CIS Act) and so forth, nor does it attempt to regulate, legitimise or give credence to crypto assets.

Recently, following the high volumes of complaints to the FSCA and regular media reports of consumers losing some if not all of their savings in high-risk crypto investments as well

as crypto-adjacent scams, [a crypto health](#) warning was published to the public, highlighting the risky nature of these crypto assets/products, services and scams. The FSCA would like to emphasise, crypto-related investments are not regulated by the Authority or any other body in South Africa. As a result, if something goes wrong, you are not likely to get your money back and will have no recourse against anyone.

The high risks already inherent in crypto assets is further being compounded by scam activity, as well as unregulated firms targeting consumers with marketing material that highlights the rewards, but not the potential downside, of investing in crypto. It is for this reason that the FSCA is working at finding measures to regulate certain aspects and players in the crypto asset space. These measures will be rolled out during the coming months and we are working with other members of the Intergovernmental Fintech Working Group (IFWG) to better understand and regulate where appropriate crypto assets in South Africa.

Retirement fund trustees must also remain vigilant in their fiduciary duties before mandating investment managers to expose their fund assets to risks associated with crypto assets. The FSCA currently discourages such investments by retirement funds until regulation has been finalised to safeguard investors.

The FSCA again reminds consumers who wish to invest in any investment asset or product – specifically unregulated, risky ones such as cryptos – that if it sounds too good to be true, it usually is. Consumer caution is strongly advised to avoid painful or catastrophic financial losses.

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