



Financial
SAFEGUARD



More about



Investments:
Digital assets

Introduction

Digital assets have undergone significant changes in South Africa's financial and investment landscape over recent years. Initially viewed with scepticism, crypto assets and other digital assets are now regarded as the "money of the future" by many South Africans.

The growth in digital assets has been driven by new technology making it easier to use digital money and more people wanting to use financial services that don't rely on traditional banks. In 2022, the Financial Sector Conduct Authority (FSCA) officially declared crypto assets as financial products. This means they are now treated like other financial products and need to follow certain rules.

The growth of digital assets has caught the attention of important government bodies in South Africa. This includes the South African Revenue Service (SARS), which is now focused on making sure people follow the rules and pay taxes on their crypto transactions. The Financial Sector Conduct Authority (FSCA) is also involved because it licenses financial institutions that provide crypto services. These are called crypto asset service providers (CASPs).





1. What is digital currency?

Digital currencies are forms of money that exist only in digital or electronic form, not in physical form like coins or banknotes. They can be used for online transactions, and examples include crypto assets like Bitcoin and Ethereum, as well as digital versions of traditional currencies issued by central banks.

Digital currencies offer the convenience of quick and easy transactions, often with lower fees compared to traditional banking methods.

So, how have payments with digital currencies made things more efficient?

To encourage faster and cheaper payments, and to deepen financial inclusion of consumers and small business, South Africa launched PayShap in March 2023. PayShap is a new, easy-to-use payment system that allows people to send and receive digital money instantly using their mobile phones.

Instead of needing bank account numbers, you can use mobile phone numbers or other unique identifiers to make transactions. It's designed to be fast, safe, and accessible, making it easier for everyone, including those who might not have traditional banking services, to manage their money.

Examples of digital currencies:

- Crypto assets
- *Virtual currencies
- **Central Bank Digital Currencies (CBDCs)

*Virtual currencies are a type of digital currency that is not issued or regulated by a country's central bank. They are created and controlled by their developers and used within specific virtual communities, examples include loyalty points and in-game currencies. On the other hand, central bank digital currencies (CBDCs) are digital forms of a country's fiat currency, issued and regulated by a country's central bank. They are designed to be a digital equivalent of physical cash, making them real money in digital form.

Digital currencies include crypto assets. Let's explore these further.

2. Crypto assets

The FSCA formally defines a crypto asset as:

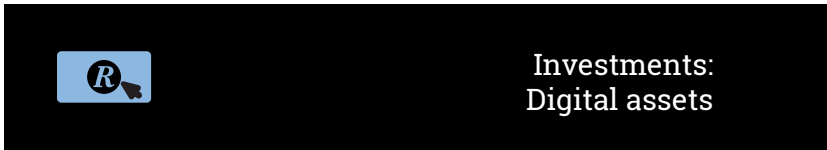
- "A digital representation of value that is not issued by a central bank, but is capable of being traded, transferred or stored electronically by natural and legal persons for the purpose of payment, investment and other forms of utility;
- Applies cryptographic techniques; and
- Uses distributed ledger technology."

This means that one does not need the services of a bank or electronic payment system to make transactions using crypto assets.

In slightly simpler terms, crypto assets are digital representations of value that are not issued by a central bank, and so are not currency, not legal tender and not guaranteed by the South African Reserve Bank.



More about



Some well-known crypto assets include:

- Bitcoin (BTC)
- Ethereum (ETH)
- Litcoin
- Namecoin
- PPCoin

Crypto assets have been used for payments, investments, and as a method to raise capital for projects.

3. How and where to buy crypto assets

You can get crypto assets in three simple ways:

3.1 Buy crypto online

The easiest way to get crypto is by buying it on a crypto exchange. These are websites or apps where you can use your local money (like Rands) to buy crypto, such as Bitcoin or Ethereum.

Examples of exchanges in South Africa include:

- VALR
- Luno
- Binance

3.2 Trade for crypto

You can also trade goods or services for crypto. For example, if someone owes you money or you sell something, they can pay you in crypto instead of cash. This works like a barter deal.

3.3 Mining crypto

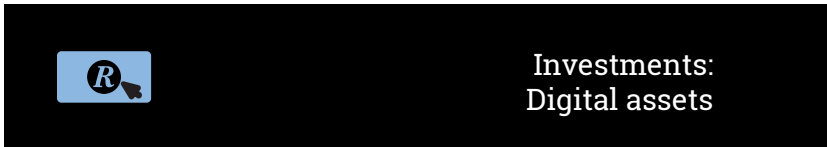
Mining is a more technical way to get crypto. It involves using computers to solve difficult puzzles that help verify transactions on the blockchain. However, this method is complicated and not common for beginners.

4. The risks associated with crypto assets

- **Volatility:** Crypto assets are highly volatile, with prices subject to sudden and extreme fluctuations. This can lead to significant financial losses.
- **Lack of regulation:** Many crypto assets operate in a regulatory grey area, which can expose consumers to fraud, scams, and market manipulation.
- **Security risks:** Consumers are at risk of cyber-attacks, hacking, and theft, especially if they do not securely store their private keys.
- **Misleading information:** There is a prevalence of misleading advertisements and information, often via social media and influencers, which can lead to poor investment decisions.
- **Limited recourse:** In the event of fraud or theft, consumers often have limited legal recourse or protection, as crypto assets typically fall outside existing financial services regulations.



More about



- Operational risks: Technical issues, such as software bugs or network failures, can result in the loss of funds or access to assets.
- Market manipulation: The relatively unregulated nature of crypto markets makes them susceptible to manipulation, which can adversely affect consumers.



NOTE: Crypto crime is large and increasing. Global crypto asset theft increased by 500% in 2021. Scammers worldwide stole an estimated \$14 billion (R252 billion). Even the largest and most trusted exchanges have been hacked.

4.1 Dealing only with Authorised Financial Service Providers (FSPs)

From 19 October 2022, providers of financial services related to crypto assets were required by law to act with honesty, integrity, due skill, care and diligence in the interests of clients. These providers must also apply for a licence with the FSCA from 1 June 2023.

Should you believe you have been financially prejudiced because of the financial service rendered to you in respect of crypto assets, you should first approach the FAIS Ombud.

4.2 How to protect yourself

4.2.1. Beware of fake FSPs using company names.

There are fraudsters pretending to be registered FSPs. They create counterfeit communication channels and phishing websites, and craft convincing offers, creating a mirage that closely mirrors legitimate financial institutions. The intention is to present an illusion of trustworthiness, making it challenging for consumers to distinguish between real and fake!

- Be vigilant about the latest warnings from FSCA.
- Stay informed on the latest scams targeting customers.
- Verify communication before disclosing personal information.
- Be sceptical of unsolicited investment opportunities.
- Regularly update your passwords for online accounts.



Refer to the following themes, [Financial Safeguard](#) and [Financial Violations](#), for more on protecting yourself.

5. The FSCA's regulation of crypto assets: A timeline of developments

5.1 Before 2019

- Exponential increase in the provision and use of crypto assets in South Africa.
- Increasing cases of fraud, misrepresentation and mis-selling.

5.2 2019

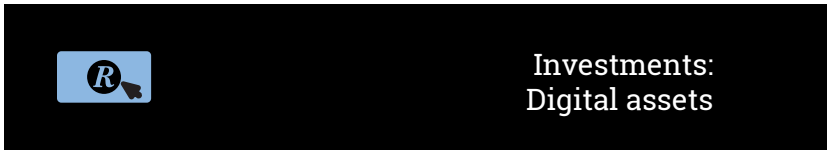
- In 2019 the Financial Action Task Force released country review findings and recommendations relating to Crypto Asset providers.

5.3 2020

- In November 2020, the FSCA declared crypto assets as 'financial products' in terms of the Financial Advisory and Intermediary Services Act 2002 (FAIS Act), effective from 19 October 2022.



More about



5.4 2023

- Since 1 June 2023, crypto assets FSPs need to apply for a FAIS licence.
- FSCA considers and grants/declines such applications.
- Once a crypto asset service provider (CASP) is licensed, all requirements of the FAIS Act will apply to it (except the requirements from which they are exempted).
- Customers can report mis-selling of crypto assets to the FAIS Ombud.

© 2025 FSCA

Disclaimer

The information contained in this information booklet has been provided by the Financial Sector Conduct Authority (FSCA) for information purposes only. This information does not constitute legal, professional or financial advice. While every care has been taken to ensure that the content is useful and accurate, the FSCA gives no guarantees, undertakings or warranties in this regard, and does not accept any legal liability or responsibility for the content or the accuracy of the information so provided, or, for any loss or damage caused arising directly or indirectly in connection with reliance on the use of such information. Except where otherwise stated, the copyright of all the information is owned by the FSCA. No part of this information booklet may be reproduced or transmitted or reused or made available in any manner or any media, unless prior written consent has been obtained from the Financial Sector Conduct Authority's Office of General Counsel.

FSCA Contact Details

Riverwalk Office Park, 41 Matroosberg Road, Ashlea Gardens, Extension 6, 0181, Pretoria, South Africa | 012 428 8000 |
Share call number: 0800 20 FSCA (3722) | info@fsc.co.za | www.fsc.co.za