

Reserve Bank changes its stance on crypto regulation

By  Katja Hamilton

15 Jul 2022

The Reserve Bank now regards crypto as a financial asset and intends to regulate it as such.



Source: [Pxabay](#)

This was the message of Kuben Naidoo, deputy governor of the South African Reserve Bank, during PSG's *Future of money, banking and crypto* webinar, which headlined on 12 July as part of its Think Big series.

"Our view has changed. There is a need to bring crypto into the mainstream.

"In terms of South African law, there's nothing stopping South Africans buying and selling crypto assets on the local exchange," Naidoo said.

"Where we do need regulation and will need to do know-your-customer (KYC) compliance, is the point at which they change their rands to crypto assets, and on the other side of the exchange, where they want to change their crypto asset to rands."

Naidoo said the anticipated regulatory framework for crypto trading would focus on its role as a financial asset, not a currency.

"Crypto is not a currency," he said. "You can't go to a shop and exchange it for goods. It's also far too volatile to be used as a payment."

To this end, the Reserve Bank is looking to align crypto with the required licensing requirements set out by the Financial Sector Conduct Authority.



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"The first step would be to declare it a financial product, which would allow the Reserve Bank to list it as a scheduled financial product under the Financial Intelligence Centre Act.

"The second would be to have basic KYC and to develop a regulatory framework for the exchange control rules, which would mean South Africans would know how to legally transact with it across borders."

Awaiting sign off is the proposal that if South Africans intend to trade in more than R1m in crypto assets, they'd have to show that they're a South African resident, and they'd have to show their source of income.

"This would be reported to the central bank, recorded, and the tax authorities would issue a tax clearance certificate and a source of funds statement," Naidoo said.

A health warning on the financial product is also key in the regulation of crypto, Naidoo said.

"People need to know that they could lose money when trading in crypto, that [a crypto pledge] is not a bank deposit and that the [ecosystem in which it trades] is not a bank.

Money laundering a key challenge

"[Regulating crypto] legitimises the industry, prevents money laundering and allows for a safe transaction platform for people," Naidoo said.

"The shift that we are seeing in stance from the Sarb is coming through in parts as a result of SA being hit by two big scams already and triggering a lot of concern about theft and money laundering. We're investigating eight to 10 big pyramid schemes per year. The big ones were Triple-M and Sharemax."

"Similarly, 90% of the transactions in the US using crypto assets as payment transactions are either for opioids or the gambling industry.

"People think crypto gives them anonymity and that it's harder to trace them, which is why it's used in cross-border cyber attacks and kidnappings, and as ransomware.

"We're seeing if we can sift out the good apples from the bad apples, and create a regulatory environment that is safer....

"We want to create a regulatory environment that will make digital currency safer. Whether it goes up or down is not an issue. The job of the central bank is not to pick winners and losers in an investment race, but to regulate it so that people have an adequate health warning and investor protection."

Naidoo said SA's regulatory framework for crypto trade would be rolled out within the next 12 to 18 months.

ABOUT KATJA HAMILTON

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