



Financial Sector  
Conduct Authority

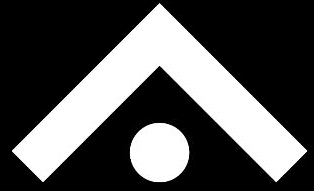
# Crypto Asset Service Providers

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**Presenter:** Felicity Mabaso  
Divisional Executive: Licensing and Business Centre

Diketso Mashigo  
Departmental Head: Licensing





# FSCA

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## Index

- Regulatory landscape
- Status of licence applications
- Challenges
- Business models
- Pre-licensing onsite visits
- Factors considered during the pre-licensing onsite visits
- Unauthorized business
- Next steps



# Regulatory landscape

19 Oct'22

**FSCA  
Declares  
Crypto Assets  
as a financial  
product**

## Effect of the declaration:

- i. Any person who as a regular feature of the business of such person, renders financial services (i.e., advice and/or intermediary services) in relation to crypto assets must:
  - ✓ be authorized under the FAIS Act as a financial services provider (“FSP”) under section 8 of the FAIS Act; or
  - ✓ be appointed as a representative of an authorized FSP; and
  - ✓ comply with the requirements in terms of the FAIS Act and subordinate legislation

**Transitional  
Licensing  
Arrangements**

## General exemption:

A person who, as a regular feature of business renders a financial service in respect of crypto assets may continue to render such financial service in respect of crypto assets without being licensed provided that:-

- ✓ they submit a licence application between 1 June 2023 and 30 November 2023;
- ✓ immediately comply with section 2 of the Determination of Fit and Proper Requirements (Honesty, integrity and good standing);
- ✓ immediately comply with section 2 of the General Code of Conduct (rendering financial services honestly, fairly, with due skill, care and diligence and in the interest of clients and the integrity of the financial services industry; and
- ✓ comply with information requests from the FSCA

**Applications  
Deadline**

**30 November 2023**

# Status of licence applications

No.	Status of licence applications	Totals
1	Total number of licence applications received	355
2	Total number of licence applications received by 30 November 2023	308
3	Total number of licence applications received from 1 December 2023 to date	47
4	Total number of licence applications approved as at 12 March 2024	59
5	Total number of withdrawn licence applications	34
6	Total number of licence applications in progress	262

# Challenges

The licence application process is consultative and requires ongoing engagement with the applicants. The outcome of the engagements has resulted in the withdrawal of the licence applications.

**Withdrawn licence applications to date: 34**

## **Reasons:**

- lack of/inability to demonstrate compliance with the competency requirements;
- lack of clear and comprehensive business plans, policies, processes and procedures that incorporate crypto asset activities; and
- general lack of operational readiness to conduct crypto asset-related services.

# Business models

## Advisory services

- Advice only given to clients on the different crypto assets

## Exchanges

- Provision of a marketplace for multiple buyers and sellers of multiple crypto assets

## Digital custodial/wallet services

- Digital service that enables electronic payments as well as storage of digital or crypto assets.

## Crypto asset arbitrage

- The purchasing of crypto assets from an offshore exchange trading at a discount (i.e., less than in South Africa) and the immediate sale of the same crypto asset in South Africa (i.e., trading at a premium) resulting in profit made from the price discrepancies

## Payment gateways

- The provision of payment rails by payment processors in the digital or crypto asset environment enabling the payment (including cross-border payments) in digital assets.

## Tokenization services

- The process of digitizing real-world assets through the creation of tokens that reference real-world assets such as a share, a share index, property etc. thus creating digital representation and ownership of real-world assets on-chain

## Provision of index-based products

- The creation of reference instruments which track the performance of a baskets of crypto assets

## Crypto-to-fiat & crypto-to-crypto conversion

- The provision of a service that enables clients to convert and offer fiat (e.g., Rand) for a crypto asset and vice versa as well as converting and offering one crypto asset for another crypto asset

# Pre-licensing on-site visits

1. Different crypto asset activities and business models exhibit different risks.

2. Certain business models are subject to pre-licensing onsite visits, based on the risk profile of the applicant.

3. The objectives of the onsite visits include:

- enhanced business modelling understanding from a practical day-to-day operations point of view;
- verification of the existence and veracity of the policies, procedures, control measures, frameworks submitted at application stage;
- testing (largely through questions and answers sessions as well as practical demonstration/walk-through) of processes, policies and controls.

4. The following business model are subject to pre-onsite visit

- Exchanges
- Digital asset custodial services
- Online trading platforms
- Tokenization services

# Factors considered during the pre-licensing onsite visits

- i. The veracity of the information provided by applicants is assessed against their respective business practices during the onsite visits.
- ii. The information assessed relates broadly to :-
  - business models (products, services, distribution of products and services etc.)
  - existence and implementation of key operational processes, policies and procedures;
  - governance arrangements and oversight;
  - risk and compliance management;
  - adequacy, reliability, performance of key systems, business continuity/disaster recovery plans and programmes as well as general security around key systems
  - contractual arrangements with clients and outsource parties



# Unauthorized business

- ❑ CASPs are required to be registered with the FIC as Accountable Institutions and FSPs in terms of the FAIS Act
- ❑ A total of 43 out of 81 FIC-registered CASPs have applied for FAIS licences
- ❑ Further investigation to be conducted in relation to entities conducting unregistered business (including the 38 FIC-registered CASPs that have not applied for authorization)

# Next steps

1. Communication of the outcome of the licence applications to the applicants

2. Authorised CASPs will be subject to ongoing supervision post licensing.



Ongoing supervision

Unregistered business



3. Investigation process relating to persons conducting financial services relating to crypto assets without authorisation will commence.



**THANK  
YOU**