

FSCA Press Release

15 April 2020

FSCA warns the public against Forex trading platforms promising income streams during COVID-19 lockdown

The Financial Sector Conduct Authority (FSCA) warns the public against doing any financial-related business with forex trading platforms that promise an income stream during the COVID-19 lockdown.

It was brought to the attention of the FSCA that some forex trading platforms are telling the public that risks associated with forex trading are quite low and that people with limited trading experience can earn a steady income in volatile financial markets. These platforms also offer CFDs (Contract for Difference), a highly leveraged financial product that could result in significant losses.

Even though these trading platforms offer demo accounts, these accounts have been set up to simulate normal trading conditions that would lead to favourable outcomes, and do not simulate the high volatility the financial markets are currently experiencing. Although some of these Financial Service Providers (FSPs) are licensed under the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act), this is not enough, they also need to be licensed as ODPs (OTC Derivative Providers) in order to trade CFDs.

Members of the public should always check that an entity or individual is registered with the FSCA to provide Financial Advisory & Intermediary Services and what category of advice it is that the entity is registered to provide. There are instances where persons are registered to provide basic advisory services for a low risk product and then offer services of a far more complex and risky nature. The FSCA again reminds consumers who wish to conduct financial services with an institution or person to check beforehand with the FSCA on either the toll free number (0800 110 443) or on the website www.fsc.co.za as to whether or not such institution or person is authorised to render financial services.

ENDS

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