

24 June 2021

PRESS RELEASE REGARDING AFRICRYPT (PTY) LTD.

The FSCA confirms that it is aware of the concerns regarding investments made by the public in Africrypt (Pty) Ltd. and that we are continuing to investigate complaints for indications of whether or not a financial product or service was offered to the public, which would have required Africrypt to be registered with the Authority. At this stage we have only found evidence of crypto asset transactions. Currently crypto assets are not regulated in terms of any financial sector law in South Africa and consequently the FSCA is not in a position to take any regulatory action.

The Authority has warned the public and continues to do so with respect to the high-risk nature of investing in crypto assets. Besides the underlying concerns around the suitability of crypto assets as an asset class for investment, due to the lack of an underlying business model and the risk of large fluctuations in the market price in most cases, the Authority is concerned over the large number of scams being perpetrated by persons purporting to provide the crypto asset to the public. Many of these entities (which we refer to as intermediaries) are often not based in South Africa or have poor security in place to protect the crypto asset being acquired by the public, and in theory held on behalf of the customer. Often however, these intermediaries are just fraudulent operators. The crypto asset sector has a number of legitimate players offering a legitimate service (albeit in a product which we have high concern over), but the public must be aware of the very large number of unscrupulous players in this sector.

To protect the public, the Authority is in the process of considering declaring crypto assets as a financial product, which would give the FSCA jurisdiction over these transactions. Despite this, the public is once again warned that crypto assets are a highly speculative and risky area which is not appropriate for the majority of investors in South Africa.

Our preliminary observations concerning Africrypt lead us to believe that regardless of what mechanisms we are putting in place, this entity was offering exceptionally high and unrealistic returns akin to those offered by unlawful investment schemes commonly known as Ponzi's. The public is urged to understand that unrealistically high returns suggests that the investment scheme is likely to be fraudulent. Moreover, no investments should be made without seeking the assistance and advice of properly licensed financial service providers who should only offer products from legitimately licensed financial institutions.

The FSCA will continue to update the public as more information becomes available regarding Africrypt and Crypto Asset regulation in South Africa.

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. The FSCA reminds customers 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 https://www.fsca.co.za/Fais/Search_FSP.htm whether such institution or person is authorised to render financial services.

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