

Technology & Communications

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Proposed directive on crypto transactions

South Africa's cryptocurrency landscape may be in for a shift as the Financial Intelligence Centre (FIC) released a proposed directive regarding crypto asset transfers

On the back of the recent announcement for the issuing of licences to 75 crypto asset service providers (CASPs) by the Financial Sector Conduct Authority, the FIC subsequently published Directive 9 on 18 April 2024. Directive 9 aims to tighten the reins on CASPs by ensuring that accountable institutions engaging in crypto asset transfer activities implement more detailed and stricter requirements while engaged in digital transactions.

The scope will apply to any institutions that facilitate domestic or cross-border transfers of crypto assets, including acting as an intermediary in receiving or transmitting crypto assets for or on behalf of a client.

The directive introduces what is known as the 'travel rule', mandating that CASPs and intermediaries exchange specific transaction details in an effort to prevent criminals having unchecked access to digital funds.

Ordering CASPs will now be required to obtain information regarding originators and transmit it to recipient CASPs in relation to crypto asset transfers, including full names, identity or passport numbers (for originators who are not South African citizens or residents), residential addresses, dates and places of birth, and wallet addresses. Similar requirements will apply for cross-border crypto asset transfers and CASPs will also be required to conduct

a reasonable due diligence on counterpart CASPs. This information gathering includes a risk assessment to determine when to allow, reject or suspend a transfer of cryptocurrency due to a lack of information.

There have been some concerns expressed that these requirements may prohibitively increase the cost of compliance for small and medium enterprises, bearing in mind that an ordering crypto asset provider may not proceed to execute a transfer if it cannot comply with the requirements under the directive.

Whilst the ambition to enhance the detection of illegal digital crypto transactions by the FIC is laudable, there are still major concerns being raised on the centralisation of highly sensitive and confidential information, including data privacy risks, as end-user data has to be shared with external crypto exchanges.

The FIC is calling for comments on Directive 9 on its website, which can be accessed [here](#).

Written comments should be provided no later than the close of business on 31 May 2024. For further clarity or assistance, please contact **tayyibah.suliman@cdhlegal.com**.

As South Africa inches closer to potentially enforcing these regulations, and questions swirl around the practicality of implementing the directive, the onus lies on cryptocurrency platforms to navigate the evolving regulatory landscape and embrace compliance as a priority.

Tayyibah Suliman and Lutfiyya Ramiah

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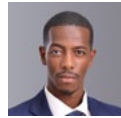
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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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