

# The future of crypto in Africa

By  Alice Tomdio

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Following a bull run in 2021, the crypto industry in 2022 entered a deep bear market that turned out to be quite unpredictable and turbulent.



Source: Supplied. Alice Tomdio, chief financial officer at Yellow Card Financial.

Cryptocurrency traders, enthusiasts, and industry insiders went through a series of highs and lows. The market capitalisation of crypto assets shrunk by more than \$2.2tn.

There was the collapse of Terra, and the bankruptcy of 3AC and FTX. But there was also massive institutional adoption of crypto with Disney, Fidelity, BlackRock, Goldman Sachs, and Starbucks embracing blockchain and crypto.

A huge win was the Ethereum merge in September 2022, where the blockchain transitioned from proof-of-work to proof-of-stake, reducing Ethereum's energy usage by an incredible ~99.9%.

Crypto has proven that it can survive unfavourable times.

As of November 2022, the number of crypto owners crossed the 400 million mark. During the year, the monthly average adoption growth rate was 2.9%. Crypto.com expects that the number of global crypto owners could reach 600 to 800 million in 2023. I therefore think that in 2023, the industry will mature at an even quicker pace given its resilience in 2022.

In Africa specifically, three key themes will emerge: acceleration in regulation and reforms, a shift towards higher quality digital assets, and crypto becoming a dominant form of payment.

## Accelerated regulation

Due to the numerous fallouts encountered by top crypto organisations last year, many in the industry are predicting increased regulation and oversight in 2023.

In Africa, regulators are moving from a caveat emptor approach to regulating the sector, furthering their objectives of consumer protection, and combating money laundering and terrorism financing.

Some African countries have already taken the lead. In October 2022, South Africa's Financial Services Conduct Authority classified crypto assets as financial products, and crypto asset service providers will be required to apply for licensing from 1 June 2023.

Both Botswana and Mauritius introduced the first crypto-specific licensing regimes in February 2022, while the Central African Republic (which has adopted Bitcoin as legal tender) also implemented a crypto-specific licensing regime.

In Nigeria, the Securities and Exchange Commission (SEC) published new rules relating to the issuance, exchange and custody of digital assets, although there is a conflict with the Central Bank of Nigeria yet to be resolved, as Nigerian financial institutions are currently restricted from doing business with crypto-related businesses.



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Although not crypto-specific, Kenya, Uganda, Ghana, Zambia, Namibia, and Eswatini have rolled out fintech sandboxes, with the Central Bank of Nigeria announcing its fintech sandbox in December 2022, all in an effort to better understand emerging financial technology.

Even in jurisdictions where crypto has been either directly or indirectly banned - or where there has been regulatory hostility to crypto - public announcements have been made that regulators are working on developing crypto-specific regulatory frameworks, for example. in the economic and monetary community of central Africa (CEMAC) by means of the Bank Of Central African States (BEAC); Kenya, Uganda, and Morocco.

I expect more regulators across Africa will follow suit and issue crypto-specific regulations in the not-too-distant future.

## Higher quality digital asset

Customers will transition to higher quality crypto assets like bitcoin, ether, and USDC in 2023.

While we at Yellow Card still see a demand for multiple coins across Africa, particularly by traders exploiting arbitrage opportunities, we expect the volume to reduce based on investment apathy towards what may be perceived as less mature and relatively illiquid digital assets.

In Africa today, many are using crypto for commercial payments and as a store of wealth. They therefore tend to already trade in higher quality and less volatile digital assets such as USDT and USDC. We expect this use case to not change, and if anything, volumes to increase as more African countries are facing high inflation and economic uncertainty.

## Dominant form of payment

According to a survey conducted by Arca, an institutional crypto asset management firm, respondents in countries with underdeveloped financial markets strongly believed that crypto is the future of money - more than those in fairly developed financial markets. For example, 63% of respondents in Nigeria believed crypto is the future of money as compared to 23% in the United States and 20% in the United Kingdom.

This is a common theme across central and south America, Africa, and Asia. It is therefore not surprising that economies in these regions, such as the Central African Republic and El Salvador are taking the lead in either adopting crypto as legal tender or announcing plans to do so.

When it comes to the future of crypto in Africa, although much is still uncertain, the possibilities for growth and integration are endless. Crypto and web3 have reached more users - to a point that clearly signals that the technology is here to stay.

Our job is to make the technology accessible, reliable, and safe for users. We are the agents that will continue to redefine how we think about money, ownership, and identity. I'm very excited to see what 2023 brings as we at Yellow Card continue to accelerate financial freedom for all on the African continent.

## ABOUT ALICE TOMDIO

Alice Tomdio is a Cameroonian-American professional and the current chief financial officer of Yellow Card Financial, a leading pan-African crypto currency exchange.  
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