

South African businesses primed for crypto expansion as institutions embrace licenses

As South Africa witnesses a surge in businesses seeking crypto licenses, predominantly from registered financial service providers, the landscape is poised for a significant expansion in crypto offerings.



Source: Tarris Arnold, business development manager at Luno.

“Very few of the licence applications submitted to the Financial Services Conduct Authority (FSCA) are not from licensed financial services providers,” says Tarris Arnold, business development manager at Luno.

“Of those who applied for licences, 73 are accountable institutions registered with the Financial Intelligence Centre. In addition, since the application window opened in June, we have seen much higher interest in crypto and engagements from incumbents and businesses in South Africa.”

In addition, crypto assets are attractive to financial services companies as an investment class. “Even financial services companies that don’t buy into the fundamental value of crypto or its other use cases see value in the volatility associated with crypto assets.

“Volatility is beneficial as it often equates to greater profit margins. In addition, crypto is a non-correlating asset class and thus provides some mitigation for investments in traditional markets,” says Arnold.

While crypto was still unregulated, it was specifically excluded from investments by pension funds and other institutions. However, regulation of the sector opens the door to institutional investment - a much greater pool of capital than retail investors.

Businesses experiment beyond investment

Says Arnold, "We see an uptick in interest from institutions. South Africa's large banks have had crypto teams for years and there are signs that they are gearing up to offer their customers crypto products and services."

SA businesses are experimenting with crypto beyond its investment proposition and are using crypto in their operations.

"Financial services giant Old Mutual Wealth and Inves Capital announced their financial backing for the ZARP (SA Rand pegged) stablecoin network and say they promote its use in decentralised finance. This may add to the popularity of stablecoins," says Arnold.

"Greater institutional adoption of crypto will bring significant growth to the industry and we are excited to see how this unfolds in 2024."

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