

2024 FINTECH YEAR AHEAD: MID-YEAR UPDATE

We are halfway through the year and it's a great time to review some of the expected trends Webber Wentzel predicted for 2024. South Africa's fintech landscape is set to undergo significant change, owing to regulatory changes, technological advancements, and increased competition.

GENERATIVE AI AND MACHINE LEARNING

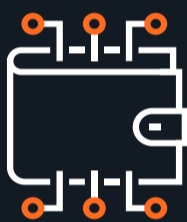
What we expected to see: Guidelines for the effective use of artificial intelligence (AI) in highly regulated industries such as the financial sector are expected. These will shape how these powerful tools are used, ensuring innovation with safeguards.



What we have seen thus far: In April 2024 the Department of Communications and Digital Technologies published the AI Planning Discussion document. The document is South Africa's first step in creating an AI policy and regulatory framework.

PAYMENTS

What we expected to see: The National Payment System Act and the finalisation of the Conduct of Financial Institutions Bill are estimated to have provisions dealing with payment system-related activities. This will open doors for non-bank players and set new rules for system access.



What we have seen thus far: In April 2024 the National Treasury published the Digital Payments Roadmap: *Towards Inclusive, Accessible, Effective and Sustainable Digital Payments in South Africa*. The document sets out the SARB's two-year plan for moving South Africa towards a cashless society and achieving the policy statements set out in the National Payment System Framework and Strategy Vision 2025: Action Plan published in March 2018. Read the article titled: [On the road to a cashless society – SARB digital payments roadmap](#).

CRYPTO AND BLOCKCHAIN

What we expected to see: The Financial Sector Conduct Authority (FSCA) is anticipated to issue formal approval of various crypto asset service providers' licenses in the first quarter of 2024. The finalisation of the Conduct of Financial Institutions Bill is expected to have provisions dealing with crypto assets. Further regulation and standards around the regulation of crypto assets dealing with the cross-border flow of funds and the market conduct of crypto asset service providers are also anticipated.



What we have seen thus far: As at 2 July 2024, the FSCA has issued 138 crypto asset service provider licenses. The Financial Intelligence Centre called for comments on the proposed implementation of *Directive 9: The Implementations of the Travel Rule for Accountable Institutions that engage in crypto transfers*. The draft Directive is intended to give more oversight and supervision to domestic and cross-border crypto transfers.

In its effort to ensure that crypto traders report the tax implications of their trading activities, the South African Revenue Service (SARS) has begun issuing notices to crypto traders. SARS has reiterated that crypto profits fall within the South African tax net and crypto traders are required to comply with the South African tax reporting requirements. Although crypto assets are not currency (ie legal tender) in South Africa, they may be considered either capital or revenue depending on the circumstances.

OPEN BANKING AND OPEN FINANCE

What we expected to see: The adoption of guidelines regulating the activities of financial institutions and third-party providers by the FSCA. The finalisation of the Conduct of Financial Institutions Bill is expected to have specific provisions dealing with data sharing, consent, and security within the open finance framework.

What we have seen thus far: The Fintech industry is still awaiting formal feedback following the FSCA's consultative process in 2023 on Open Finance. In June 2023, the FSCA published a draft Position Paper on Open Finance which builds on the FSCA's initial assessment of the Open Finance landscape published in its 2020 Consultation and Research Paper on Regulating Open Finance.

MOBILE BANKING AND MOBILE FINANCIAL SERVICES

What we expected to see: More entrants and players providing financial services through mobile telecommunication services. Further foreign investment in local players as well as entrants from other international regions are also expected to enter the South African market.

What we have seen thus far: The mobile financial services industry is buzzing with activity and we expect to see further acquisitions, mergers, and joint ventures from players in the market.



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