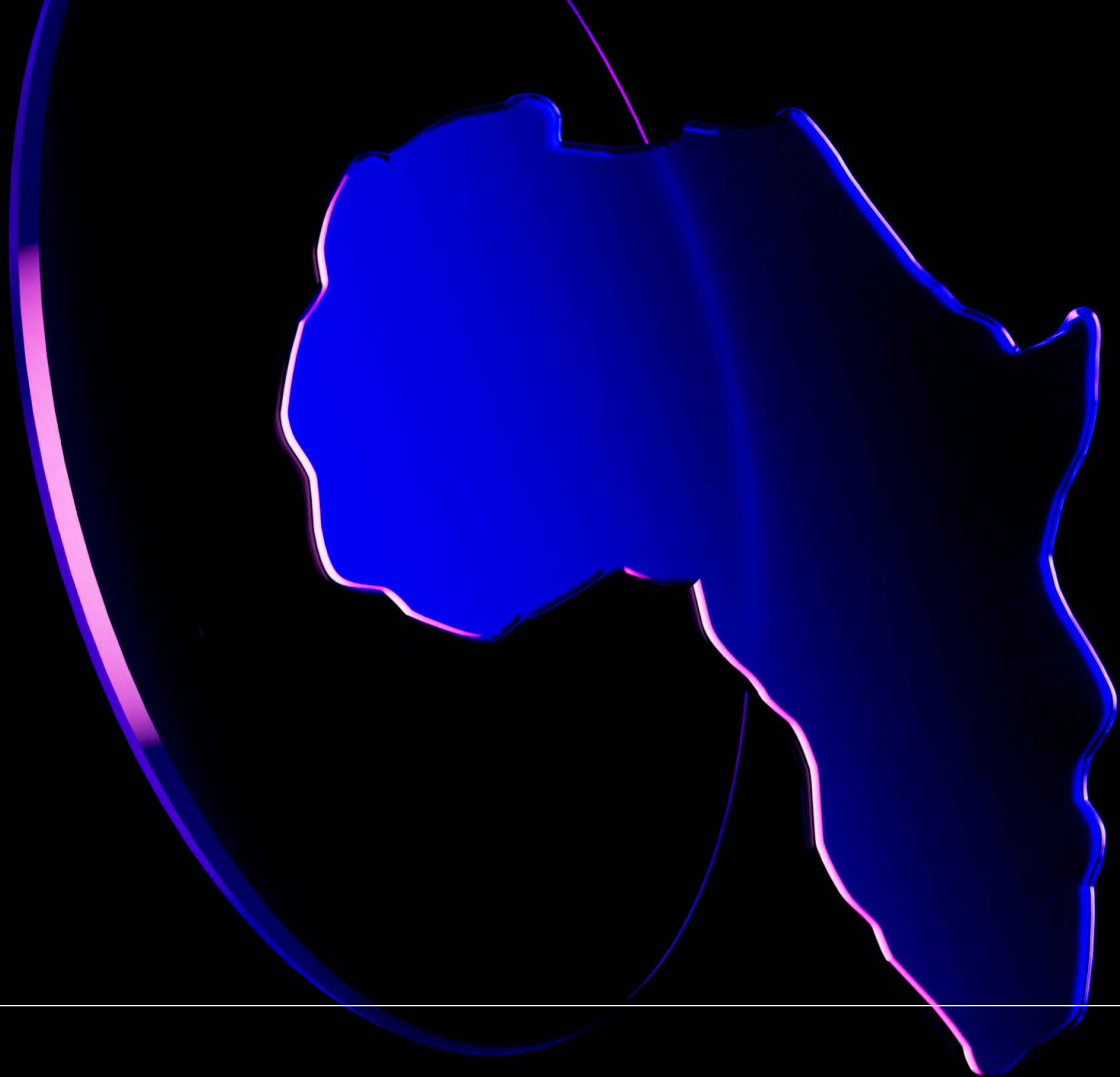




# The State of Crypto in Africa

QUARTER 1, 2024



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# Foreword

While the US and the rest of the West drive the majority of crypto trading volumes globally, Africa is starting to lead the way in the use of cryptocurrency. Nigeria, for example, ranked second on the 2023 Chainalysis Crypto Adoption Index, with the first spot going to India, another developing nation you don't hear much about in cryptocurrency conversations. The US ranked fourth, behind Vietnam.

For this report, we talked to people on the ground in Nigeria and other African countries to get a glimpse of the current state of cryptocurrency in these regions; how it's being used, the positives, the immense potential, and the challenges, of which there are many.

Kayode Babarinde of the Africa Blockchain Institute talks about the immutability of blockchain technology and how its being applied in various industries in Africa, while Philip Adiamah of Chainalysis gives background to their recent findings about crypto use in African countries.

In South Africa, financial advisers paint a picture of large-scale retail adoption waiting to happen, driven by a regulatory framework that could bring a fresh influx of institutional investors into the fold.

With Bitcoin's market cap recently overtaking that of silver, many say that cryptocurrency has finally made the leap into the mainstream as an investment. What this means for the use of cryptocurrency in bringing real solutions to Africa and beyond remains to be seen. This new quarterly report aims to track that progress. ■

**Update:** At the time of writing this report, Luno was yet to receive its financial services provider (FSP) licence by the regulator in South Africa. Luno has since then officially been authorised by the regulator as an FSP.

*\*Investing in cryptocurrency may result in the loss of capital as the value can fluctuate.*

*This information is not intended to be nor does it constitute financial, tax, legal, investment or other advice; nor is it a call to trade. The information is intended as general market commentary for information purposes only. Before making any decision or taking any action regarding your finances, you should consult a qualified Financial Advisor.*

# 01

## Cryptocurrency in Africa, closer to the ideals?



## **Could cryptocurrency truly fulfil its decentralised potential in African countries and other developing nations? The experts, and the numbers, suggest so.**

Following a Bitcoin-related trip visiting entrepreneurs throughout Africa, Twitter and Block founder Jack Dorsey posted on his Twitter profile in 2019, “Africa will define the future (especially the bitcoin one!).” But how has his statement held up? Is Africa really primed to be ground zero for the use of crypto in the real world, to lead the decentralised revolution?

Kayode Babarinde is the Executive Director of the Africa Blockchain Institute. In an interview with Luno, he explained that “actual use of cryptocurrency in day-to-day activities such as payments is generally driven by financial exclusion, high volumes and high costs of remittances.”

These are important problems to solve. “By providing a secure platform for financial transactions, decentralised finance applications can extend services to the unbanked and underbanked populations, fostering economic growth and stability,” Babarinde explains. In a region like North America, for example, where just 5% of the population is unbanked, it would be reasonable to assume there is less need for crypto’s use cases outside of investing.

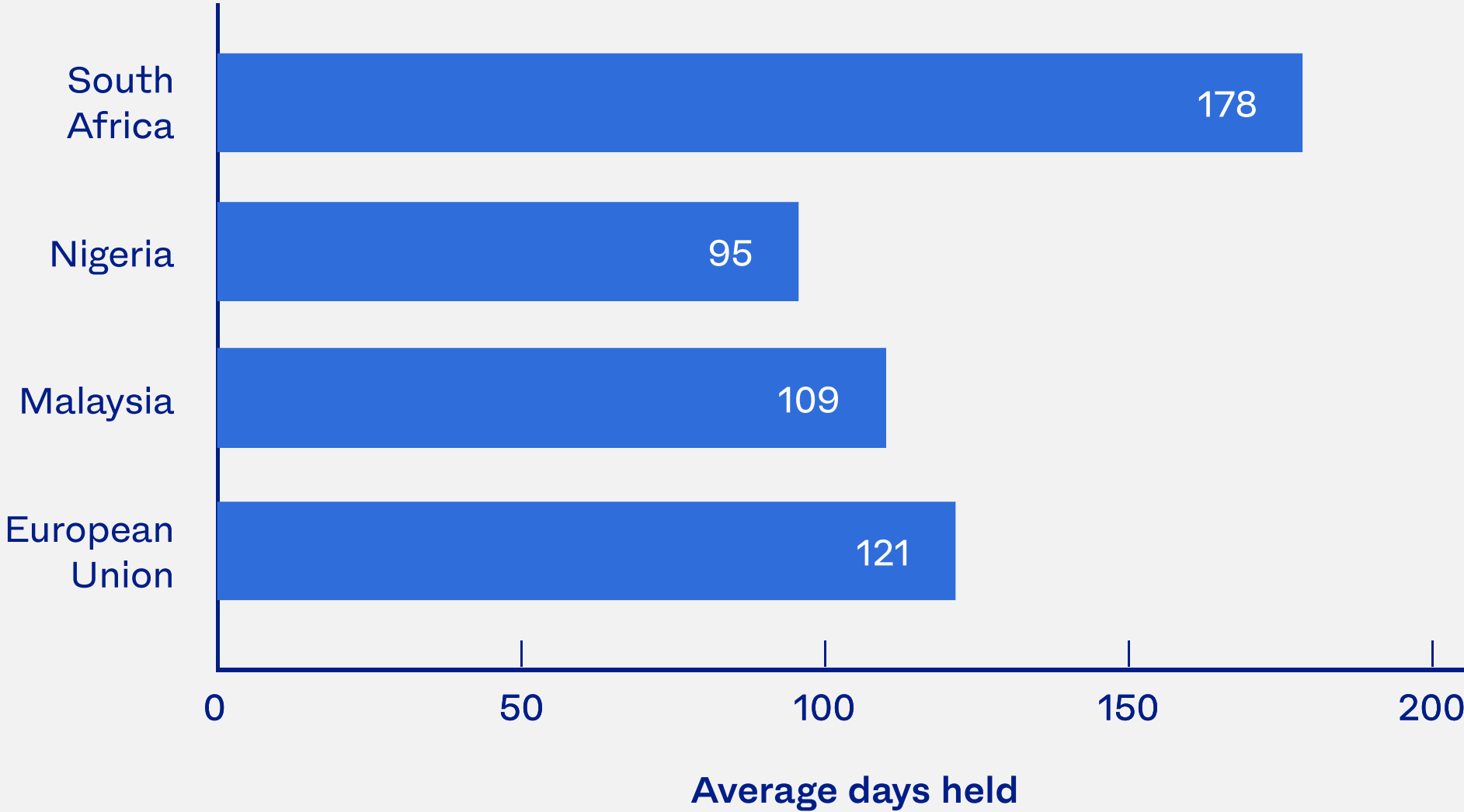
**57%**  
of adults in Africa are unbanked

The effect of this on people’s interaction with cryptocurrency is evident in the data. A 2022 Pew Research Center survey of American crypto investors found that 75% did so simply because they believed it was a good way to make money.

It’s a different story on the African continent. Countries in Africa are among the most underbanked in the world, with roughly 57% of adults not having access to a bank account, according to 2021 data from the World Bank. This varies vastly from country to country, with only 13% of the populations of Guinea and Sierra Leone classed as “financially connected”, versus around 80% in South Africa.

If we considered the length of time hodling as an indication of investment versus usage, investors in the more financially connected South Africa, for example, hold onto their crypto investments for almost twice as long compared to the average holding period in Nigeria. This would appear to suggest that even in different regions on the continent, there is a disparity in attitudes toward crypto, depending on the level of financial connectivity.

How long do Luno customers hold their crypto investments?



Source: Luno



Luno’s South African customers are more inclined to hold onto their crypto investments for longer. They also tend to see crypto as part of their investment portfolio alongside other traditional investments. >

Is it fixing anything?

The problems for which crypto could be a viable solution may tend to be more visible and myriad in Africa, but does this mean that more people adopt crypto in these regions, and is crypto bridging these problems? At the moment, it’s a mixed picture.

Sub-Saharan Africa is one of the smallest crypto economies globally, according to the 2023 Geography of Cryptocurrencies report by Chainalysis, accounting for just 2.3% of global transaction volume between July 2022 and June 2023. However, when it comes to the daily use of crypto, certain major economies on the continent buck the trend. In 2023, Nigeria ranked second in the world in the Crypto Adoption Index, while South Africa and Kenya also ranked highly.

Where Africa really stands apart is its use of Bitcoin and stablecoins for hedging purposes. There’s a particular trend towards a preference for stablecoins tied to the US Dollar in some of these countries, explains Philip Adiamah, Head of sub-Saharan Africa at Chainalysis.

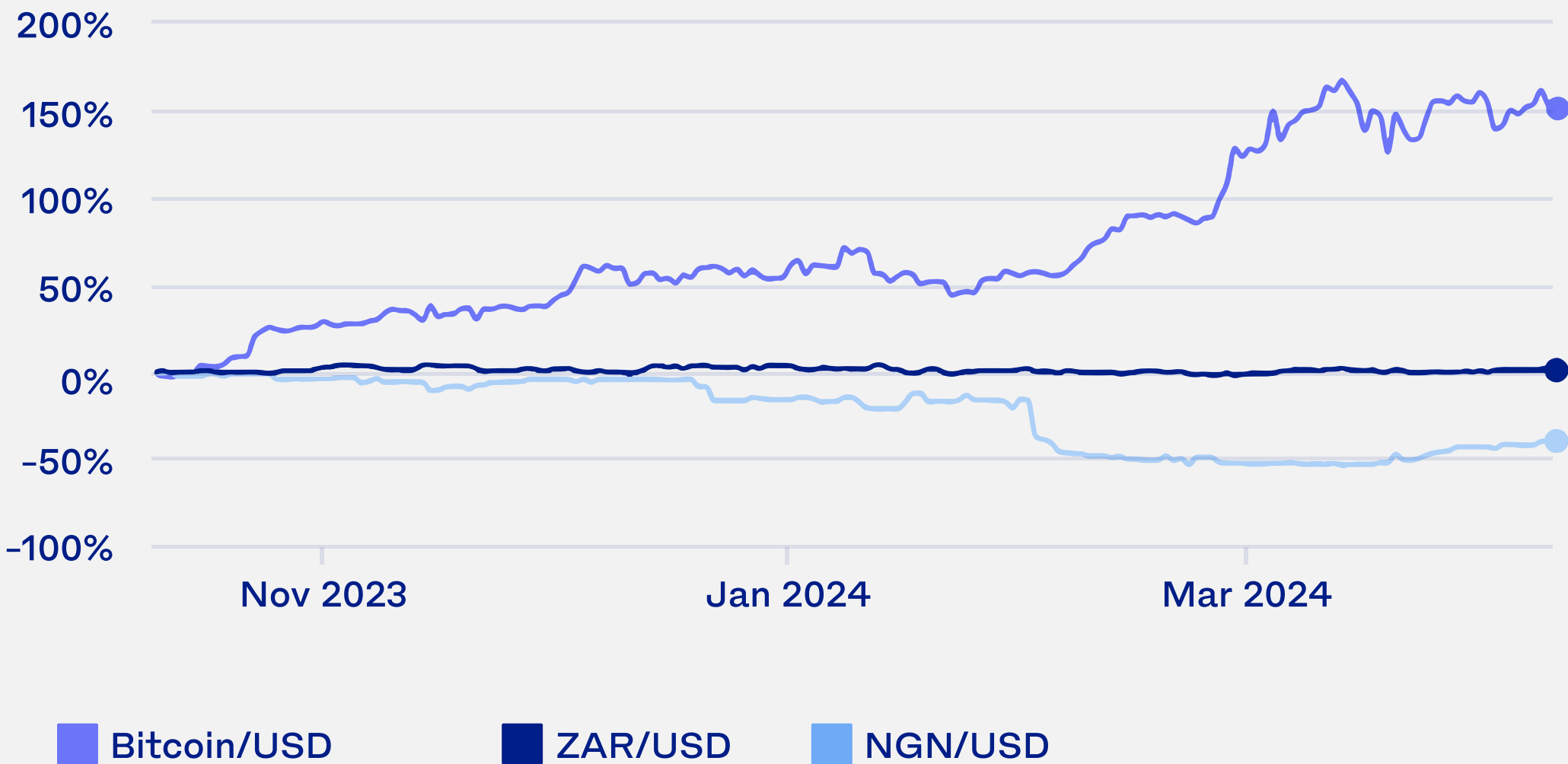
Data by Chainalysis shows a correlation between spikes in stablecoin volumes received by crypto exchanges in Nigeria and a drop in the value of the Naira, the local currency. This appears to be primarily driven by currency devaluation.

“Nigeria, Kenya and South Africa have all faced similar problems in recent years, and all show a great deal of grassroots cryptocurrency adoption,” Adiamah says. “That’s probably no coincidence.”

“Hedging against currency fluctuations has become a big use case in Nigeria following the devaluation of the Naira,” says Owen Odia, General Manager of Luno Nigeria.

Jason Chlipala, Chief Business Officer of the Stellar Development Foundation (SDF), a non-profit organisation that supports the development and growth of the Stellar protocol, agrees. “In recent years there has been more adoption of stablecoins in particular as a means to protect against devaluation,” he says.

Bitcoin, ZAR, NGN performance against USD



Source: Google Finance



The price of Bitcoin against the US Dollar has climbed significantly over the past six months, while currencies like the Nigerian Naira has devalued due to inflationary pressures. As Adiamah of Chainalysis says, many Africans use Bitcoin to hedge against currency devaluation. >



“Stablecoins are a critical component of a more equitable financial system and there are real use cases on the Stellar network and others that show their utility,” says Chlipala.

### A history of leapfrogging

It isn’t just the need for crypto, in particular, that puts Africa at an advantage when it comes to crypto adoption. Africa has a history of leapfrogging technologies, where adoption of a technology solution in a specific region bypasses older, more established ones. The mobile phone market is a prime example, so too digital agriculture, and mobile money services such as MPESA.

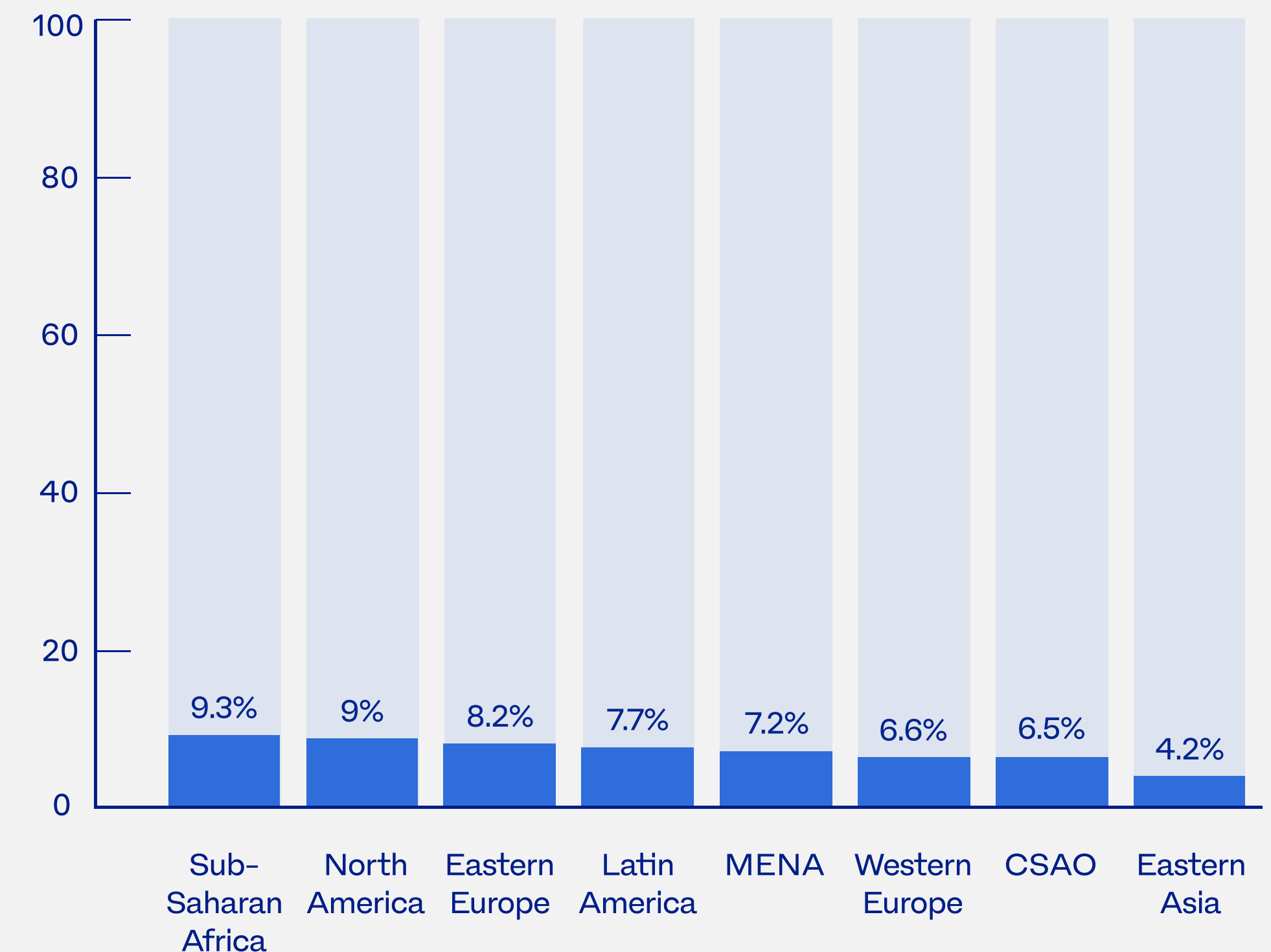
“Similar to how mobile phones bypassed landline infrastructure, and became widespread throughout the continent, cryptocurrency can run in parallel with traditional banking systems and open up financial services to underserved populations, explains Omon Orkhupe, Nigeria Marketing Manager at Luno. The Stellar Development Foundation team recently travelled to Africa to meet with industry builders in Ghana, Nigeria, and Kenya.

It revealed an optimism about the technology, from the people building these solutions to the people using them. “Entrepreneurs said they embrace the opportunity to fail fast and keep moving. On the other side of the equation, customers are open to a range of financial solutions to find solutions that will work better for them. Whether people realise it or not, this technology is already powering tools that they know and use,” says Chlipala. “The utility is real.”

**“Stablecoins are a critical component of a more equitable financial system and there are real use cases that show their utility.”**

Jason Chlipala, Chief Business Officer of the Stellar Development Foundation

Bitcoin’s share of transaction volume



Source: Chainalysis 2023 Geography of Cryptocurrencies report



Bitcoin in sub-Saharan Africa makes up a bigger share of transaction volume than in any other region. >



“The decentralised nature of cryptocurrency aligns well with Africa's entrepreneurial spirit and the growing digital economy, making a compelling case for its accelerated adoption and integration into everyday life across the continent,” Odia of Luno explains.

There are, however, obstacles in the road for crypto adoption. Some infrastructural challenges being unique to Africa and other developing nations, while regulatory challenges are a global phenomenon.

“The absence of traditional financial infrastructure in many African countries has created a demand for alternative financial solutions such as cryptocurrency,” explains Babarinde of the Africa Blockchain Institute.

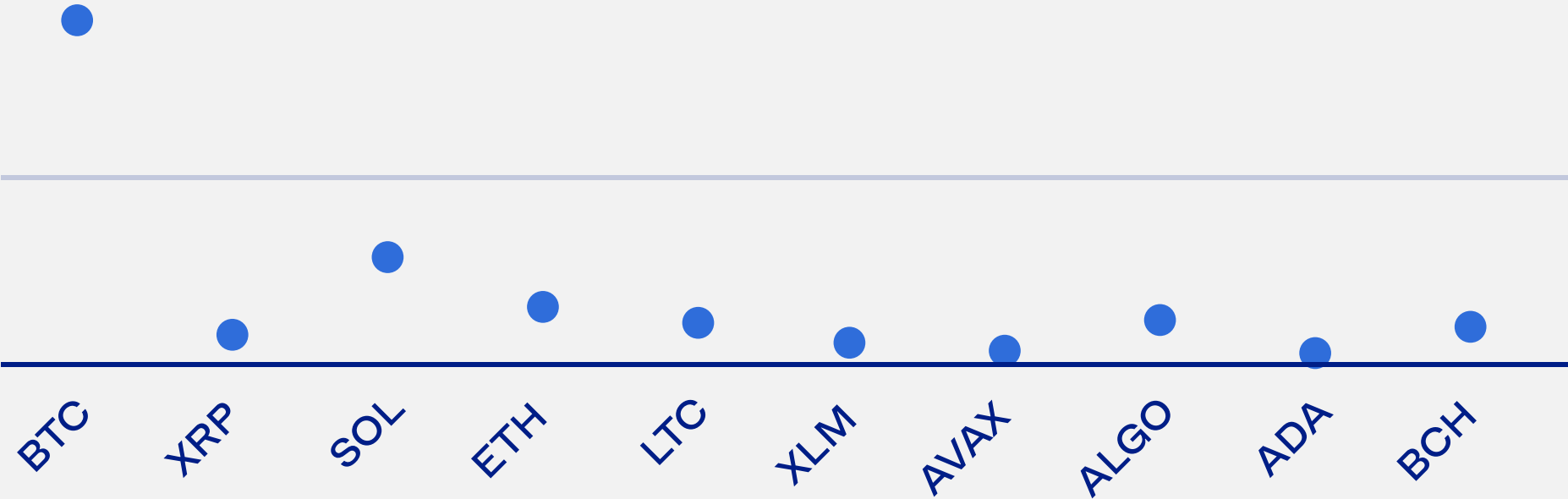
95 days  
average time Nigerian customers  
on Luno hold onto their crypto

“On the other hand, the absence of robust internet and technological infrastructure in certain regions also hinders the widespread adoption and use of blockchain technology. Blockchain networks typically require a stable and reliable power supply to ensure continuous operation. Regions with frequent power outages may struggle to sustain the infrastructure needed for blockchain nodes,” Babarinde says.

Regulation is one challenge to be navigated, though some regions are ahead of the curve. One of the primary drivers of institutional adoption of crypto in South Africa is the country's clear regulatory approach to crypto, says Christo de Wit, South Africa Country Manager for Luno.

Cryptocurrency develops more responsibly where clear regulation frameworks are in place, also opening up the space to institutional investment. “We saw a lot of interest from institutions when regulation became more formalised after the Financial Services Conduct Authority (FSCA), the financial regulator in South Africa, declared crypto assets a financial product in South Africa in October 2022,” De Wit says.

Top 10 cryptos by Luno wallet volume in Nigeria, Q1 2024



Source: Luno



Investors in Nigeria have an obvious preference for Bitcoin, with Solana and Ethereum following in second and third, respectively. While investors in other regions across the world also tend to be more heavily invested in Bitcoin, experts say its use case in Africa could be closer to its original ideals. >

Cryptocurrency and decentralised finance finding its ultimate use case in Africa and other developing nations is a tidy narrative, but buying and selling for profit remains the main driver of crypto use in these countries.

Investment continues to be the preferred use case and Bitcoin continues to be the preferred investment, especially given the price movements of the last months. But the uses for decentralised finance and crypto in Africa are many. “Africa could emerge as a hub for cryptocurrency innovation, with startups and entrepreneurs developing novel use cases and solutions tailored to local needs and challenges,” says Odia.

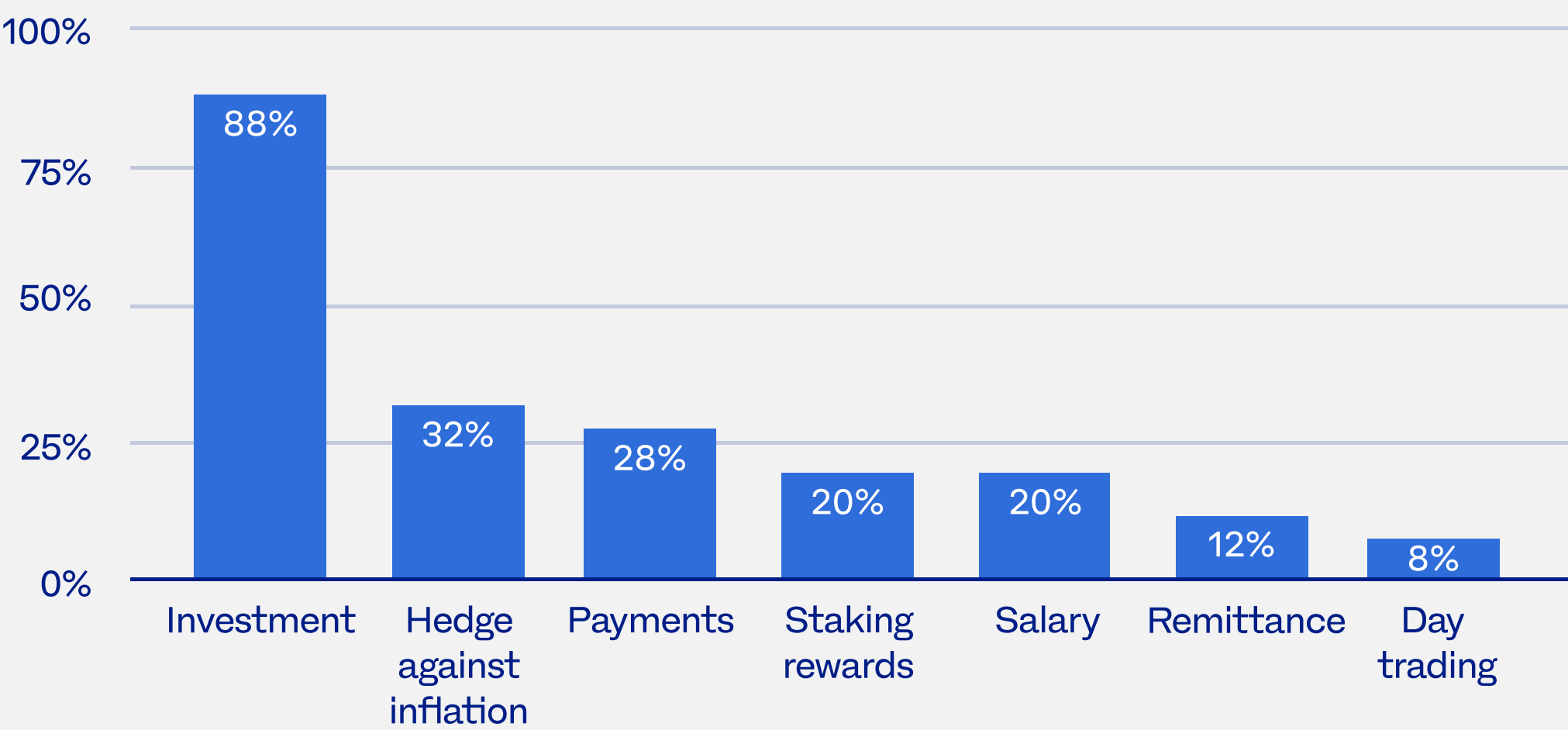
Chlipala of the Stellar Development Foundation agrees. “Evidence shows that digital payments solutions can become a gateway to accessing a broader range of financial services,” he says.

“As users gain more access to solutions powered by blockchain and crypto, there is an opportunity to show that this technology can make things they already do quicker, easier, and more affordable—whether it’s getting paid, sending remittances, scaling their businesses, or saving for the future. Ultimately, it all comes down to utility,” Chlipala explains.

People want solutions that are going to address their financial needs, are easy and reliable to use, and make their lives better, he says.

As Adiamah of Chainalysis notes, “While residents of wealthier nations may buy and sell more cryptocurrency than those of emerging markets, the latter has a greater day-to-day need for cryptocurrency, very much in line with the original vision for Bitcoin and the sector at large.” ■

How the top 1% of Luno customers in South Africa use crypto



Source: Luno



In a November 2023 Luno survey, the majority of Luno customers in the top 1% customer segment in South Africa said they use crypto primarily as an investment.

# 02

## Why is Africa leading in grassroots cryptocurrency adoption?



**The economic uncertainty in various African countries has prompted a growing number of Africans to seek alternative financial solutions for their day-to-day needs.**

In our interview with *Philip Adiamah, the Financial Services Lead for Africa and UAE at Chainalysis*, he delves into the current and future states of cryptocurrency in Africa and its role in empowering Africans to find financial freedom.



Philip Adiamah, Financial Services  
Lead for Africa and UAE at Chainalysis



### Q In your experience, what is the main use case for crypto in a country like Nigeria?

**A** In our 2023 Geography of Cryptocurrencies Report, we found that, similar to previous years, sub-Saharan Africa has the smallest crypto economy of all regions worldwide, accounting for 2.3% of global transaction volume between July 2022 and June 2023. During that time, the region received an estimated \$117.1 billion in on-chain value.

In 2023, Nigeria ranked second on Chainalysis' Crypto Adoption Index, reflecting strong grassroots adoption of digital assets. Nigeria has the largest population and economy in sub-Saharan Africa and is the largest cryptocurrency economy as well. Perhaps even more notable is that Nigeria's crypto economy continues to grow despite market turmoil. In fact, Nigeria is one of only six countries in the top 50 globally whose crypto transaction volume grew year-over-year in the time period we studied. Its growth rate of 9.0% places it third among those six.

Although sub-Saharan Africa has consistently been one of the smallest cryptocurrency markets, a closer analysis reveals that crypto has penetrated key populations and become an important part of many residents' day-to-day lives. No country exemplifies this better than Nigeria. Other countries in the region ranking high on the index include Kenya (21), Ghana (29), and South Africa (31).

Citizens flock to Bitcoin and stablecoins to protect against inflation and debt – in no region is Bitcoin more dominant than sub-Saharan Africa, as the world's first cryptocurrency makes up a bigger share of transaction volume there than in any other region.

### Q Why the disproportionate uptake of Bitcoin?

**A** It may be that sub-Saharan African residents are turning to so-called digital gold for an alternative store of value. Many countries in the region have struggled with rising inflation and debt, making cryptocurrency an attractive means of storing value, preserving savings, and attaining greater financial freedom.

In Ghana, for example, inflation reached 29.8% in June 2022 after 13 consecutive months of increases — that marks its highest level in two decades. With relatively few financial opportunities, many Ghanaians have turned to Bitcoin. Nigeria, Kenya, and South Africa have all faced similar problems in recent years, and all show a great deal of grassroots cryptocurrency adoption — that's probably no coincidence.

However, experts on the ground tell us that some market participants have turned away from Bitcoin and towards stablecoins of late, as these generally see less price volatility than Bitcoin.

### Q What is the regulatory approach to crypto in some of the key regions in Africa?

**A** There are diverse approaches within Africa to regulating crypto. We see South Africa emerging as the regional leader in terms of crypto regulation, with the Financial Sector Conduct Authority (FSCA), likely to issue licenses this year. Regulation has also brought activity to exchanges in sub-Saharan Africa.

## South Africa

“South Africa in particular has been one of the region's leaders in terms of crypto regulation and the development of supportive trading frameworks.”

At the end of 2022, the FSCA announced a licensing regime for cryptocurrency businesses and declared that crypto assets are financial products, lending them greater legal clarity, and also empowering financial investigators to better fight illicit activity in the space.

## Nigeria

Positive news from Nigeria, with the reversal of their earlier stance, now allowing banks and financial institutions to provide services to virtual asset service providers (VASPs), where they are licensed and supervised by the Securities and Exchange Commission (SEC) in Nigeria. The revised policy is a positive step towards a regulated framework that will allow consumers and businesses to engage with digital assets in a safe and responsible way. It enables banks and financial institutions to provide services to VASPs where they are licensed and supervised by the SEC. >

In doing so, Nigeria is following in the footsteps of Singapore, UAE, and South Africa, amongst other countries which have provided clear guidance on how banks and financial institutions can engage with the digital asset ecosystem in a secure manner.

The country's proactive approach to regulation has removed a lot of regulatory uncertainty, and encouraged the trading of both established and emerging digital tokens. In fact, citizens of the country have traded billions of dollars' worth of digital currency in recent years.

The Nigerian government approved a national blockchain policy, highlighting ways blockchain adoption can benefit the country and paving the way for future legal frameworks.

According to Marius Reitz, General Manager Africa at Luno, "Presently, the predominant use case for crypto in South Africa revolves around investment. Over the last 3 years, the number of customers holding a meaningful crypto balance on Luno has increased by almost 50%."

He added, "In markets with no regulatory bans, we tend to see the industry develop more responsibly as the market operates above the ground, with more productive interaction between regulators and exchanges."

But bans aren't stopping people from wanting crypto, Reitz noted. "The crypto industry will continue to grow with or without regulation. It is just in everyone's interest that there is some pragmatic regulation in place that protects consumers and creates a safer operating environment for all."

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**“The Nigerian government approved a national blockchain policy, highlighting ways blockchain adoption can benefit the country.”**

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## Kenya

The Central Bank of Kenya (CBK) has also been navigating the crypto landscape, issuing statements on potential volatility risks at the same time as leaders consider the implementation of a central bank digital currency (CBDC). At the beginning of 2023, the government proposed a bill advocating for a consistent securities definition of digital currencies and diligent record-keeping by licensed crypto traders.

In Mauritius, which is slightly behind Kenya in terms of raw cryptocurrency transaction volume, the Virtual Assets and Initial Token Offering Services Act of 2021 has provided comprehensive legislation for new token issuance. The country's sustained dedication toward protecting consumers has helped promote crypto adoption and attracted traders while other countries in the region have issued explicit or implicit bans on certain crypto-related activities.

The increased regulatory clarity provided by the flurry of recent legislation may be helping Africa's local cryptocurrency industry.

Many of the most important crypto regulations enacted by Africa's biggest countries came around early 2023.

**Q Many African countries have a history of leapfrogging technologies, is there a case to be made for the same happening to crypto?**

**A** Economic uncertainty in many African countries has encouraged many citizens to seek financial alternatives, increasing the value proposition of cryptocurrency.

It is certainly not only about the technology aspect of crypto, but the comprehensive use case for consumers, embedded in a developing regulatory environment, an almost functional interaction of consumer demand, economic and regulatory situation, and the state of technology, made crypto increasingly successful in Africa.

The future of cryptocurrency in sub-Saharan Africa looks bright, with large countries like Nigeria already taking their place as global leaders in crypto adoption. >



Increasing regulatory clarity throughout the region also appears to be bolstering growth, which local crypto operators appear primed to take advantage of. The key lesson, though, is the same obtained from studying emerging markets over the years. While residents of wealthier nations may buy and sell more cryptocurrency than those of emerging markets, the latter has a greater day-to-day need for cryptocurrency, very much in line with the original vision for Bitcoin and the sector at large.

**Q** Current obstacles in these markets?

**A** Adoption of crypto is still, both globally and within Africa, in its early stages. While use is growing rapidly, things like a lack of access, the absence of clear regulations to promote consumer protection, and concerns about price volatility can all slow the pace of adoption and change who adopts what — for instance, stablecoins are often seen as preferable to Bitcoin due to lack of price volatility.

**Q** Gridless, a bitcoin company mining working symbiotically with energy producers in Africa, has been one of the outstanding uses of crypto across the region, your take on this?

**A** In less developed economies, Bitcoin mining has the potential to promote both energy infrastructure expansion into underserved areas and provide greater grid stability. It can also help make sustainable energy infrastructure, such as wind, solar, and hydroelectric, cost-effective. These are all very worthwhile developments and positive things that Bitcoin mining can promote.

**Q** Where do you see cryptocurrency in Africa in the next decade?

**A** As with any rapidly evolving technology, it is very hard to make predictions about what will come next with blockchains and cryptocurrency, especially over a long time-frame. At the moment, our research suggests that the adoption of crypto will continue across Africa. For now, the trends suggest that more people will likely come to use crypto in the coming years and that they will undertake new, innovative things with blockchain technologies. ■

# 03

## Trust, grassroots and pending potential



## The Africa Blockchain Institute is aiming to solve Africa's biggest challenges by leveraging blockchain technology.

We spoke to *Kayode Babarinde, Executive Director of the Africa Blockchain Institute*, about the immense potential of blockchain technology in Africa and the structural challenges in the way of development.



Kayode Babarinde, Executive Director  
of the Africa Blockchain Institute



**Q How does the use of cryptocurrency vary from region to region globally?**

**A** There are different adoption patterns and drivers in different regions. Looking at the 2023 Global Crypto Adoption Index by Chainalysis, countries in Central, Southern Asia and Africa, particularly those in the lower to upper middle-income categories have seen significant grassroots crypto adoption. It's an indication of average, everyday people in these regions owning cryptocurrency.

Additionally, a Statista report mentioned that consumers from countries in Africa, Asia, and South America were most likely to be owners of cryptocurrencies in 2023. These findings suggest that crypto ownership and adoption are relatively high in these regions. This indicates that crypto is likely to form a significant part of the future in these regions. In terms of legal tender, El Salvador in Central America, and the Central African Republic have passed legislation to enable cryptocurrency to be used as legal tender.

This demonstrates a proactive approach to crypto adoption in these regions. However, it still comes with its challenges as well. Overall, crypto adoption is not uniform across the globe, with certain regions, particularly in Central and Southern Asia, and Africa, experiencing significant grassroots adoption and ownership of cryptocurrencies.

**Q Other than investing, where can blockchain technologies be used in Africa?**

**A** The potential is significant, particularly in finance, supply-chain, and the education sector. It's also proving useful in the public services sector.

Financial inclusion is an important area where blockchain is also making a substantial impact. By providing a secured platform for financial transactions, decentralised finance applications can extend services to the unbanked and underbanked populations, fostering economic growth and stability. In supply-chain management, blockchain offers a solution to enhance transparency and traceability.

Furthermore, blockchain's potential in identity management, education, and renewable energy presents a promising outlook for the continent's sustainable development. Blockchain technology in Africa has been on the rise, with a growing number of businesses, startups, governments, and individuals using it to solve real-world problems. As blockchain grows, collaborations and partnerships are vital in contributing to the overall success and adoption of the technology across Africa.

**Q You mentioned that blockchain is also being used in the education sector?**

**A** Blockchain-based solutions in this sector hold a lot of promise in addressing challenges related to academic credentials, verification processes, and educational transparency. In many African countries, traditional paper-based academic records can be prone to fraud, and are often difficult to verify. Blockchain can streamline these processes, leading to more efficient and trustworthy credential verification.

By leveraging blockchain in the education sector, African countries can not only combat issues related to credential fraud but also contribute to building a more robust and accessible educational infrastructure.

**Q Where are the main cryptocurrency hubs in Africa, and why do you think it has centered around these regions?**

**A** In Nigeria, Lagos and Ibadan have emerged as the most crypto-ready cities in Africa, with Lagos ranking 14th and Ibadan ranking 24th in the top 50 cities recognised as crypto hubs globally. Other cities in Africa that have been recognised as crypto hubs include Johannesburg and Cape Town in South Africa, Nairobi in Kenya, and Accra in Ghana.

It is centered around these regions because of the need for financial inclusion, the high cost of remittances, and the potential for economic growth. >

**Q Is there a correlation between economic development and crypto adoption?**

**A** Yes, the absence of traditional financial infrastructure in many African countries has created a demand for alternative financial solutions such as cryptocurrency. On the other hand, the absence of robust internet and technological infrastructure in certain regions also hinders the widespread adoption and use of blockchain technology. Blockchain networks typically require a stable and reliable power supply to ensure continuous operation. Regions with frequent power outages may struggle to sustain the infrastructure needed for blockchain nodes.

**Q Is there a case to be made that blockchain technology is of more use in Africa than in other more developed economies?**

**A** Of course, Africa has seen significant adoption of blockchain, with countries like Nigeria, South Africa, and Kenya accounting for over 80% of blockchain innovations, according to research by the African Economic Consortium.

It indicates a strong demand for blockchain technology on the continent. Blockchain technology has shown promise in addressing various developmental obstacles in Africa, such as poverty, lack of financial inclusion, and a lack of trust in institutions.

The majority of sub-Saharan Africans are unbanked, thereby creating a substantial market for blockchain-based financial solutions. In contrast, the US has a more developed infrastructure, regulatory framework and financial system. While blockchain technology is being adopted and integrated into various sectors, the unique developmental challenges and the potential for leapfrogging traditional systems make a compelling case for the technology's greater utility in the African context.

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**“My hope is that blockchain in Africa will serve as a catalyst for positive change.”**

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**Q How do you see blockchain development impacting Africa?**

**A** My hope is that blockchain in Africa will serve as a catalyst for positive change, addressing developmental obstacles such as poverty, lack of financial inclusion, and a lack of trust in institutions. It has the potential to facilitate digital payment infrastructures, enhance public spending and governance, enable peer-to-peer energy trading, provide digital claims to land ownership and education credentials, and facilitate trade.

As the continent continues to adopt and integrate blockchain technology, it is poised to overcome challenges and harness the full potential of this innovative technology, ultimately contributing to the continent's growth and development. ■

# 04

## Is crypto getting serious in South Africa?



**Cryptocurrency adoption is still in its infancy in South Africa, but incoming regulation and institutional interest could open the asset class to more investors.**

In a recent Luno survey of South African crypto investors, just 18% of respondents said they consult a financial adviser before investing in crypto. This is also supported by anecdotal evidence from financial advisers on the ground, but institutional momentum could bring crypto into these conversations.

Jacques De Kock, Portfolio Manager at MitonOptimal, an authorised financial services provider and discretionary fund manager in South Africa, told us, “We just haven’t really had requests from clients to help them build a crypto portfolio or include crypto in their standard portfolios.” That’s not to say that they would recommend it, anyway. “It’s probably still a while before we get to a stage where wealth managers see cryptocurrency in the same light as other traditional assets,” De Kock explains. But the recent issue of licences to crypto platforms by regulators could well be about to change that. “An FSP licence will open the conversation,” he adds.

In a 2022 survey by Jaltech Fund Management, almost half of South African financial advisers said that less than 5% of their clients were invested in cryptocurrency.

In a recent Luno social media survey in South Africa, 66% of respondents said they don’t consult a financial adviser when investing, while 16% indicated that they use a financial adviser for investment advice but not for cryptocurrency investment.

The majority of investors said they use crypto investment to diversify their portfolios. Interestingly, in other studies such as the Daily Investor 2024 South African Investor and Banking report, which surveyed a broader base of investors beyond crypto natives, more than half of respondents said they consulted a financial adviser.

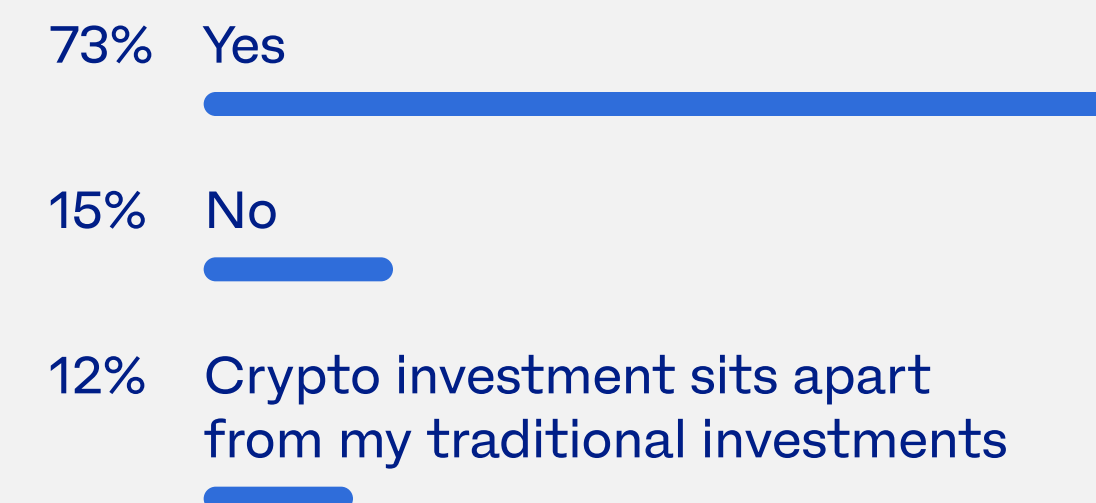
The discrepancy in the numbers may be another indication of a different type of investor, be it in age or risk appetite, that is yet to be introduced to crypto as an investment.

36%

of advisers see a lack of regulation as a barrier to recommending crypto.

## How do South African investors view crypto?

Is crypto part of your diversification strategy



Do you consult a financial adviser when making investment decisions?



Source: Luno



Most respondents in a March 2024 social media survey in South Africa noted that crypto investment is a way to diversify their portfolios. There still seems to be a discrepancy between investors seeking professional financial advice when investing in traditional investments compared to crypto. This could change as crypto increasingly becomes more mainstream through inclusive regulation and widespread adoption. >

In a 2022 survey by Jaltech, 36% of financial advisers said they were put off recommending crypto to their clients because of a lack of regulation. This lack of regulation is changing, following a decision announced in October 2022 by the South African financial regulator, the Financial Sector Conduct Authority (FSCA), which classified crypto assets as financial products in terms of the Financial Advisory and Intermediary Services Act (FAIS). This meant that any individual or business giving advice or providing intermediary services related to cryptocurrency had to register with the FSCA for a financial services provider (FSP) licence.

The FSCA approved 59 crypto licences in March 2024, which is looking set to change the perception of crypto among institutional investors, and so too the everyday investor in South Africa, given the interwoven relationship between advisers, financial products, and investors in the country.

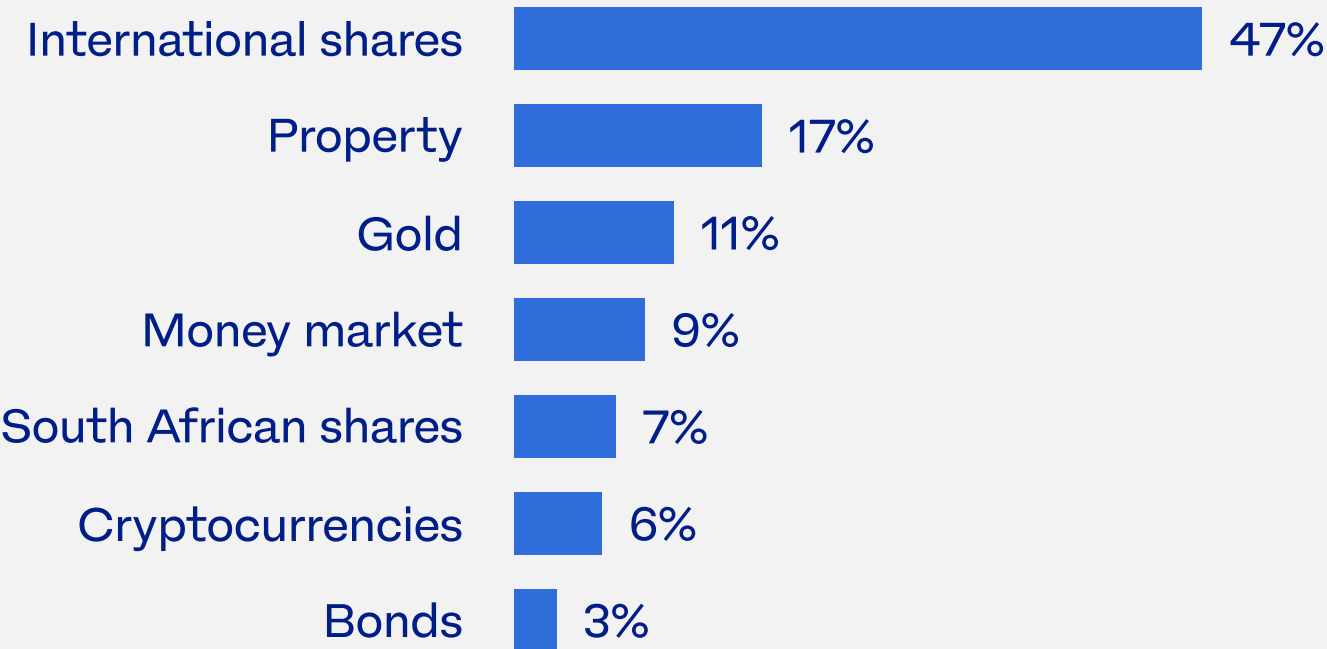
This could have a significant impact on how crypto is seen in the country. “I think that the perception of cryptocurrencies will change,” says De Kock.

And it will start with regulation and the concurrent maturation of cryptocurrency in South Africa and abroad, he explains. FSP licences to cryptocurrency services providers will draw a clear distinction between legitimate companies and fraudulent schemes. “It will introduce more belief in the market,” he notes. Leon-Ben Lamprecht, an independent financial adviser in South Africa, agrees. “It’s the best thing that could happen for the industry,” he says. “When people hear cryptocurrency, many still think of the Mirror Trading International (MTI) scam.”

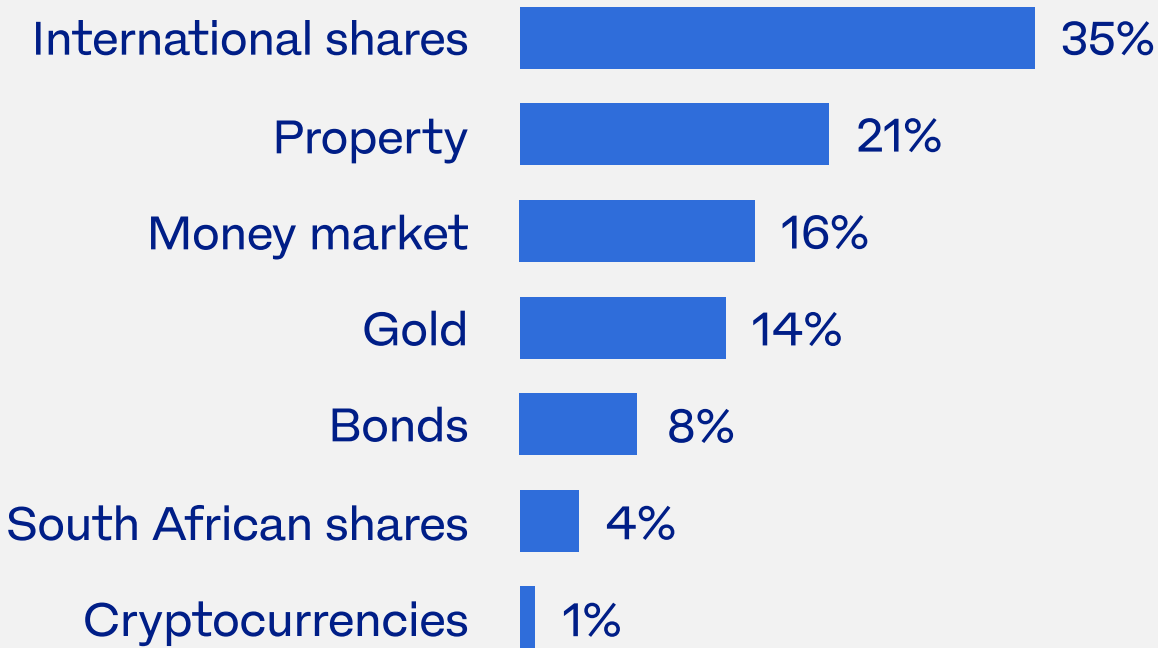
Annatjie van Rooyen, CEO of asset manager MyWealth, echoes this, explaining that regulation will continue to change the perception of cryptocurrency in the country. “The asset class should attract the attention of more sophisticated investors against a backdrop of financial services that are rendered in a professional and responsible manner,” she explains. “It will also help protect investors against unscrupulous financial advice, in line with the mission of the FAIS Act.” >

South African investor sentiment

Asset classes that investors think provide the best returns



Asset classes that investors think protect against losses



Source: Daily Investor 2024 South African Investor and Banking report



### Retail and institutional

Following the Security and Exchange Commission's (SEC) approval of the spot-Bitcoin exchange-traded funds (ETFs) in January, the price of Bitcoin shot up from around \$46,000 to more than \$72,000 in March 2024, a new all-time high. This acceptance into the financial mainstream could also be a shot in the arm for the perception of crypto as a legitimate financial asset, according to financial advisers – it's certainly driven retail interest, with Google Search data peaking when the SEC made its announcement.

"The recent approval of Bitcoin ETFs by the SEC in the US, has endorsed the viability of crypto as an asset class. The possibility of approved ETFs of other cryptocurrencies will build on the institutionalisation of this asset class as a mainstream asset," says Van Rooyen.

As Matt Hougan, CEO of BitWise, one of the Bitcoin ETF providers in the US, said in a comment on X, "Investors who are buying bitcoin ETFs today are retail investors, registered investment advisors, family offices, hedge funds, venture capital funds, and asset managers."

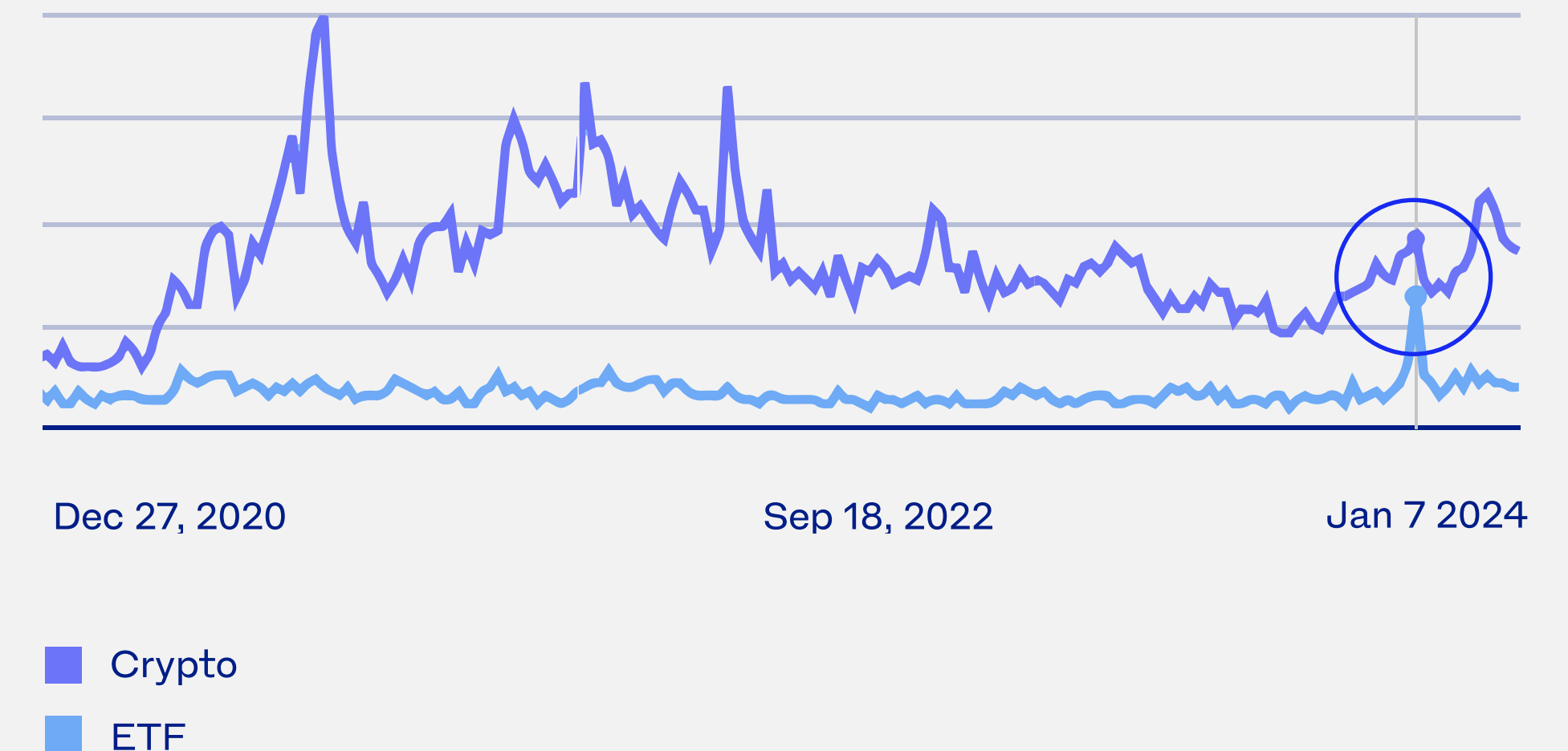
He sees corporations and institutional consultants enter soon, followed by pension funds and nation states.

"I believe the US approvals set the stage for other regions to follow suit," notes Van Rooyen.

**"The recent approval of Bitcoin ETFs by the SEC in the US, has endorsed the viability of crypto as an asset class"**

Annatjie van Rooyen, CEO of MyWealth

### Crypto and ETF Google search trends, South Africa



Source: Google Trends



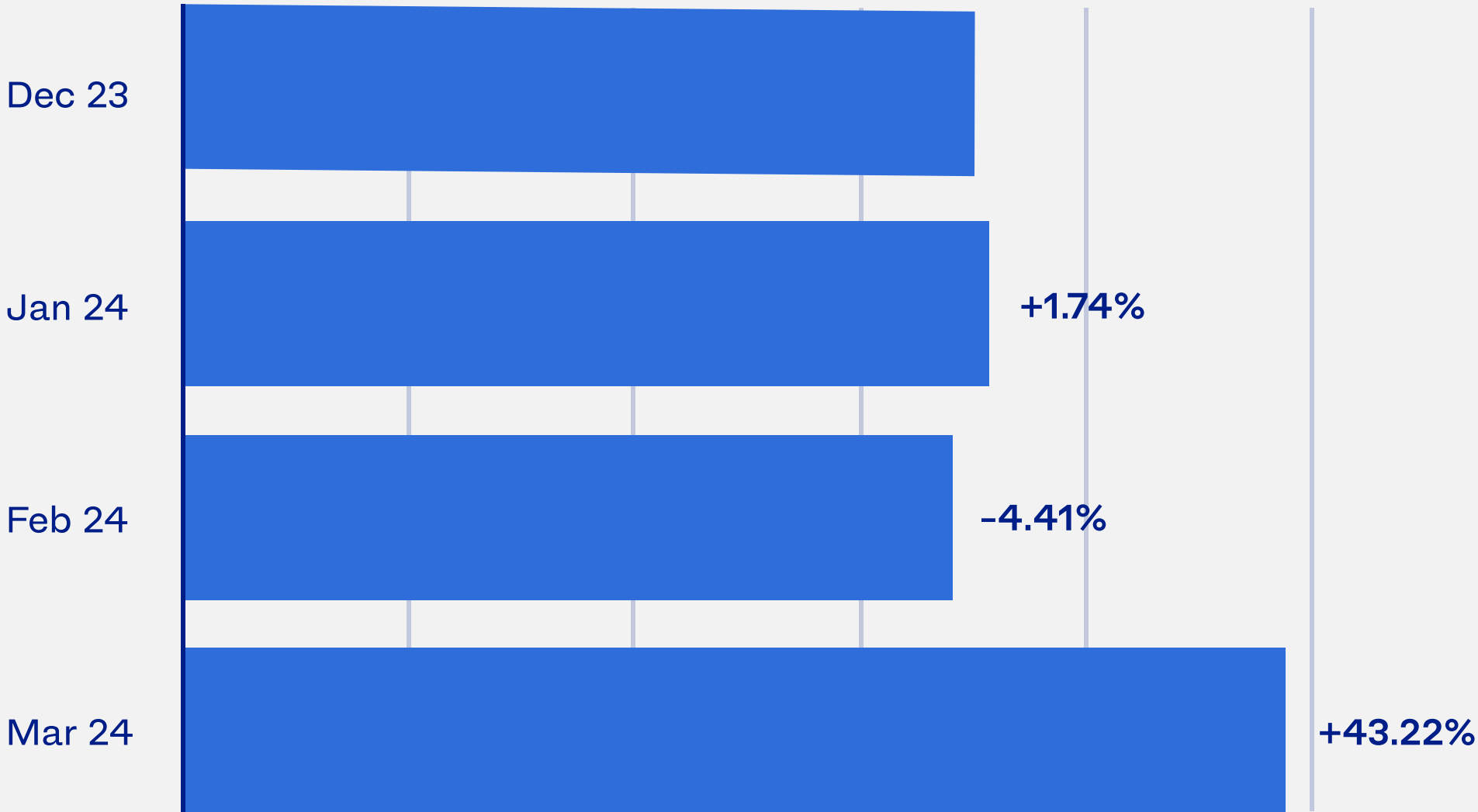
There's a correlation between search trends on Google for "crypto" and bull markets. The latest price rally also correlated with a pulse in search trends for "ETF" in January, around the same time that spot-Bitcoin ETFs were approved in the US. >

Crypto isn’t there, yet

At the moment, asset and fund managers, and so too advisers, are bound by what is allowed by regulation. “Even if we wanted to include cryptocurrencies, we can’t at this stage,” says De Kock. With cryptocurrencies being recognised as a legitimate, regulated asset class, the scope is open for advisers, fund managers and asset managers to see where these types of investments could make sense in a traditional portfolio. It will also allow fund managers to seriously consider crypto as part of a diversified portfolio. “We know there is an appetite from the financial industry in South Africa to bring a more diversified product to their customers,” says Christo de Wit, South Africa Country Manager for Luno.

The latest OK from the South African regulator may just be motivation for institutional investors and retail investors across different demographics to familiarise themselves with this new asset class. ■

First-time buyers in South Africa on Luno in Q1 2024



Source: Luno



March saw a significant increase in first-time buyers on Luno, in the same period that Bitcoin posted a new all-time high and other cryptos rallied to multi-year highs.



A big thanks to the individuals and companies who contributed their invaluable insights and time to this report. The Luno Crypto in Africa Quarter 2 report will be available for download in July 2024.