



SECURITIES AND EXCHANGE COMMISSION
Protecting Investors in the Capital Markets

NOTICE ON CRYPTOCURRENCIES AND RELATED DIGITAL PRODUCTS/ASSETS

The Securities and Exchange Commission (“the Commission”) has noted the rise in popularity and prominence of cryptocurrency and related digital assets. These products/assets are numerous with their ever broadening form spanning from the famous Bitcoin, alternative coins, Initial Coin Offerings (“ICOs”) to other products/assets that are emanating from blockchain technology. Their market has grown rapidly with more and more people opting to use or invest in them.

The question running through most people’s minds is whether these products/assets are financial securities? The answer to this question largely depends on the characteristics and use of the particular product/asset under consideration. Some of the above mentioned products/assets, for example ICOs seem to possess features of financial securities. This is not to say that these products/assets are indeed financial securities but that they possess similar attributes. Whether any digital assets/products fit the description of a financial security in accordance with the Securities Act No. 41 of 2016 (“the Act”) will be assessed on a case by case basis focusing primarily on each asset/product’s characteristics, features and uses as indicated above.

Many have asked whether these products/assets are safe to invest in and if they fall under the Commission’s ambit. The fact of the matter is that currently these products/assets are not regulated by the Commission unless they meet the definition of a security as defined by the Act and this, as indicated above will be considered on a case by case basis.

It is for this reason that the Commission would like to urge any individuals or entities that are currently investing in or intend to invest in cryptocurrencies and related products/assets to exercise restraint and caution as they do so as the products/assets are largely unregulated and not subject to the jurisdiction of the Commission. It is also cardinal to recognize the fact that cryptocurrency product/asset markets span national borders and that significant trading occurs on systems and platforms outside Zambia. Invested funds therefore can quickly move across therein amplifying numerous risks including making it particularly difficult to pursue perpetrators in the event of fraud or any other undesirable occurrence.

The Commission would also like to advise investors, both current and potential, to observe extreme caution when dealing with self-proclaimed cryptocurrency educators, trainers and advisors (whose numbers are rapidly increasing) as the credibility and accurateness of their teachings and advice are unverified.

The Commission would further like to caution those that are operating any systems and platforms within Zambia that effect or facilitate transactions for the above mentioned products/assets to ensure that they are not in any way abrogating any part of the Act and that those that meet the description of securities in accordance with the Act are registered with the Commission.

In conclusion, we at the Commission believe that the emergent technology on which cryptocurrencies and other related digital assets/products are based may prove to be positively disruptive, transformative and efficiency enhancing. This could ultimately lead to an increased assortment of investible products/assets within financial markets and possibly enable the investment process to be made more efficient. However, as this process continues to develop, it is important that caution be observed by investors.

ISSUED: 13th February, 2018

A handwritten signature in black ink, appearing to read 'Phillip K. Chitalu', is written over a large, stylized 'X' mark.

Phillip K. Chitalu (Mr.)
CHIEF EXECUTIVE OFFICER
SECURITIES AND EXCHANGE COMMISSION

Tel: +260 211 227012/222369

Fax: +260 211 225443

Email: info@seczambia.org.zm