

The emerging and growing promotion of cryptocurrencies



As a follow-up to our previous statement which was issued on 9th November 2017, I wish to remind members of the public including the media that other foreign currencies in the country are traded by institutions duly licensed by the Central Bank of Lesotho. These are currencies issued by authorized monetary authorities and enjoy legal tender status in their countries.

Status as a (foreign) currency

Cryptocurrencies, however, do not fall in any of the aforementioned categories – (1) being a legal tender in Lesotho issued by the Central Bank of Lesotho and (2) being a currency issued by another country and traded by the licensed institutions in Lesotho.

Status as an investment asset/security

Members of the public are hereby warned that, by virtue of being offered as (financial) investment opportunities to the public, cryptocurrencies directly expose their promoters to violation of Sections 27 and 28 of the Central Bank of Lesotho Capital Market Regulations of 2014 that require investment advisers to be licensed by the Central Bank of Lesotho.

While the Bank and other institutions in the international financial regulation space, acknowledge innovation and adoption of new technologies in the financial industry thus viewing these initiatives as beneficial to the industry and its users if deployed in a manner that sufficiently safeguards the interests of the users, this statement wishes to reiterate the message which was conveyed in our previous communication warning members of the public on the emerging and growing promotion of cryptocurrencies in Lesotho that:

- The Central Bank of Lesotho is the legislated sole issuer and redeemer of currency in Lesotho.
- Cryptocurrencies do not fall under the purview of the regulatory scope of the Central Bank of Lesotho and as such there shall be no recourse to the Bank in the event of losses. As such the members of the public are warned to be cautious.

In other words, due to the nature of cryptocurrency transactions that do not require any disclosures, the public is warned that their promotion and or participation in virtual currencies may lead to violations of existing tax laws, exchange control laws and anti-money laundering/combating of terrorist financing laws which are prosecutable transgressions.