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# FINANCE & BANKING ALERT

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### Trading on COVID-19 – A warning from the FSCA

The high volatility which the financial markets are currently experiencing as a result of the COVID-19 pandemic, has formed the basis of a warning issued by the Financial Sector Conduct Authority (FSCA) this month. According to their warning, the FSCA has been made aware that certain forex trading platforms in South Africa are soliciting clients based on somewhat misleading assertions that clients can earn a low risk steady income despite high volatility in the financial markets. The FSCA commented that assertions have apparently been made by some platforms that the risk associated with forex trading can in fact be low, and that income on forex trading is accessible to even those clients with limited trading experience.

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The FSCA has warned the public that even though online trading platforms offer "demo accounts", these accounts are set up to simulate "normal" market conditions that typically lead to favourable outcomes. The FSCA warns further that these demo accounts may not necessarily simulate the high volatility which the financial markets are currently experiencing as a result of the COVID-19 pandemic and resultant global lockdowns.

Clients have been warned to consider the complexity and high-risk nature of foreign currency trading products and have been reminded to check whether the online trading platforms are provided by entities which are licensed as financial services providers under the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) and where applicable in the case of forex derivatives, whether the providers of the foreign currency derivative instruments (sometimes offered in the form of contracts for difference), are licensed as over-the-counter derivatives providers under the Financial Markets Act 19 of 2012 (FMA).

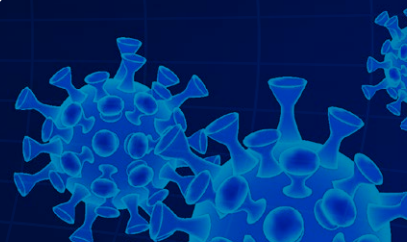
Speculating during times of high market volatility may be attractive to those seeking to profit off market uncertainty, however unlisted derivatives such as contracts for difference are often highly leveraged financial products that could result in significant losses (including loss of a client's entire initial investment).

A copy of the FSCA's Press Release can be found at the following link [www.fsc.co.za](http://www.fsc.co.za) - FSCA Press Release Public warning against Forex trading platforms 15 April 2020.

*Bridget King*

# CDH'S COVID-19 RESOURCE HUB

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## OUR TEAM

For more information about our Finance & Banking practice and services, please contact:



**Deon Wilken**  
National Practice Head  
Director  
T +27 (0)11 562 1096  
E [deon.wilken@cdhlegal.com](mailto:deon.wilken@cdhlegal.com)



**Stephen Boikanyo**  
Director  
T +27 (0)11 562 1860  
E [stephen.boikanyo@cdhlegal.com](mailto:stephen.boikanyo@cdhlegal.com)



**Adnaan Kariem**  
Director  
T +27 (0)21 405 6102  
E [adnaan.kariem@cdhlegal.com](mailto:adnaan.kariem@cdhlegal.com)



**Bridget King**  
Director  
T +27 (0)11 562 1027  
E [bridget.king@cdhlegal.com](mailto:bridget.king@cdhlegal.com)



**Jacqueline King**  
Director  
T +27 (0)11 562 1554  
E [jacqueline.king@cdhlegal.com](mailto:jacqueline.king@cdhlegal.com)



**Izak Lessing**  
Director  
T +27 (0)21 405 6013  
E [izak.lessing@cdhlegal.com](mailto:izak.lessing@cdhlegal.com)



**Mashudu Mphafudi**  
Director  
T +27 (0)11 562 1093  
E [mashudu.mphafudi@cdhlegal.com](mailto:mashudu.mphafudi@cdhlegal.com)



**Preshan Singh Dhulam**  
Director  
T +27 (0)11 562 1192  
E [preshan.singh@cdhlegal.com](mailto:preshan.singh@cdhlegal.com)



**Pierre Swart**  
Director  
T +27 (0)11 562 1717  
E [pierre.swart@cdhlegal.com](mailto:pierre.swart@cdhlegal.com)

**Vusiwe Ngcobo**  
Senior Associate  
T +27 (0)11 562 1329  
E [vusiwe.ngcobo@cdhlegal.com](mailto:vusiwe.ngcobo@cdhlegal.com)

**Kuda Chimedza**  
Associate  
T +27 (0)11 562 1737  
E [kuda.chimedza@cdhlegal.com](mailto:kuda.chimedza@cdhlegal.com)

**Stephanie Goncalves**  
Associate  
T +27 (0)11 562 1448  
E [stephanie.goncalves@cdhlegal.com](mailto:stephanie.goncalves@cdhlegal.com)

**Jordan Maze**  
Associate  
T +27 (0)21 481 6361  
E [jordan.maze@cdhlegal.com](mailto:jordan.maze@cdhlegal.com)

**Andile Sangweni**  
Associate  
T +27 (0)11 562 1046  
E [andile.sangweni@cdhlegal.com](mailto:andile.sangweni@cdhlegal.com)

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### JOHANNESBURG

1 Protea Place, Sandton, Johannesburg, 2196. Private Bag X40, Benmore, 2010, South Africa. Dx 154 Randburg and Dx 42 Johannesburg.  
T +27 (0)11 562 1000 F +27 (0)11 562 1111 E [jhb@cdhlegal.com](mailto:jhb@cdhlegal.com)

### CAPE TOWN

11 Buitengracht Street, Cape Town, 8001. PO Box 695, Cape Town, 8000, South Africa. Dx 5 Cape Town.  
T +27 (0)21 481 6300 F +27 (0)21 481 6388 E [ctn@cdhlegal.com](mailto:ctn@cdhlegal.com)

### STELLENBOSCH

14 Louw Street, Stellenbosch Central, Stellenbosch, 7600.  
T +27 (0)21 481 6400 E [cdh Stellenbosch@cdhlegal.com](mailto:cdh Stellenbosch@cdhlegal.com)

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