

The Standard Bank of South Africa (SBSA)

Test case

Participants	Participants' core business	What was in the sandbox?	Testing Status
The Standard Bank of South Africa Limited (Standard Bank)	Standard Bank is a financial institution that offers banking and financial services to individuals, businesses, institutions and corporations in Africa and abroad.	The sandbox test will explore the tokenisation of an existing Standard Bank 1invest exchange-traded fund (ETF) on the bank's Aroko blockchain platform. The solution should enable clients to transact on a single platform, in a safe and efficient manner. The objective of the testing is to explore the impact of tokenising a financial instrument on existing legislation and regulation.	Testing was completed successfully in April 2023

Insights gained during RSB

The Standard Bank of South Africa (SBSA) applied to the IFWG Regulatory Sandbox (RSB) during the application period, between April 2020 and 15 May 2020. The application was to test the tokenisation of an inward-listed Exchange Traded Fund (ETF). Initially the intent was to create a blockchain-based collateralised token using a USD money market linked ETF, however, it was decided during testing to rather tokenise the JSE Top 40 ETF. A proprietary SBSA blockchain platform, initially referred to as the RAVN tokenisation platform, but later rebranded to the Aroko blockchain channel/platform, was used to create the ETF-collateralised tokens. At the time of application, the regulatory framework for ETF products, was silent on the tokenisation of ETF products, and testing of a tokenised ETF was therefore intended to inform future frameworks.

SBSA provided a Close-out Report for the SBSA ETF product on 28 February 2023. A central objective of testing was to assess compliance against existing requirements for (non-tokenised) ETF products and to highlight any gaps or regulatory uncertainties associated with tokenisation and the application of a new technology, blockchain technology, prior to implementing the solution.

Following the successful testing phase in the RSB for a period of approximately one year, gained valuable insights into the technical, operational and regulatory dimensions of asset tokenisation using DLT. Key learnings included:

- Fractionalised ownership - Tokenisation enabled fractional ownership of ETF units, which could significantly reduce investment costs and lower barriers to entry, particularly for retail investors.
- Transparency and data privacy via DLT - The use of DLT, specifically blockchain, enhanced transparency across the product lifecycle while maintaining data privacy controls. This dual benefit supports both regulatory oversight and consumer protection.
- Enhanced accessibility and instant settlement - Tokenised ETFs offers improved accessibility for investors and could facilitate near-instant settlement of transactions. This may reduce counterparty risk and can improve operational efficiency across the value chain.
- Seamless system integration via underlying token - The use of an underlying token enabled integrated operation within the broader system architecture, supporting automation, interoperability, and potentially the scalability of financial services.

Next steps

Following the conclusion of successful testing and extensive engagement, the FSCA had no material objection to SBSA proceeding with further development of the tokenised ETF product, subject to the following actions:

- Apply to the FSCA to add the relevant product subcategory under its existing FAIS license i.e. category 1.27 for a crypto asset.
- Register as an accountable institution in terms of item 12 of Schedule 1 to the Financial Intelligence Centre Act (FIC Act), which includes financial service providers (crypto FSPs), if SBSA is not already registered under item 12 as an FSP.
- Ensure ongoing compliance with all applicable regulatory and legislative existing and planned requirements governing crypto assets and the tokenisation of real-world assets.

The IFWG is set to explore the policy and regulatory implications of tokenisation, including the implications for tokenisation under South Africa's financial markets framework. As the regulatory frameworks on crypto assets and tokenisation continue to develop in a phased and structured manner, it would be important for SBSA to stay abreast of emerging regulatory developments to ensure sustained compliance and alignment with future policy direction.