

# First SA-owned forex trading platform with an ODP licence

Forex derivative platforms are popular tools that enable South Africans to invest and access diversified financial markets. They have also unfortunately been identified as a space where scammers and fraudsters ply their trade.



Source: Supplied. Khwezi Financial Services' Cape Town head office.

The Financial Services Conduct Authority (FSCA) is cracking down on these platforms by creating a regulatory framework for the supervision of entities that operate in the Over-the-Counter (OTC) derivative market.

Khwezi Financial Services has officially become a FSCA-licensed South African-owned forex platform and can now offer OTC products on forex, indices and commodities for trading.

"This is the kind of progress that we should be celebrating together as a nation because getting approved by The FSCA is a great achievement that many forex platforms (local and global) fail to achieve," a spokesperson for the company said.

Khwezi Financial Services is providing a safe, secure, and accessible environment to trade.

## An ethical and transparent trading platform

There are numerous unethical forex trading platforms in South Africa, but the FSCA's regulation aims to clean up the industry. Its purpose is to regulate OTC derivatives markets in South Africa through a new regulatory framework to reduce the risk and create a safer environment for those taking part in the market. This aligns South Africa with the G20 obligations to regulate the OTC derivatives market.

The regulation requires brokers to perform enhanced due diligence on their clients, as trading speculative financial products are high risk. It will also enforce strict capital adequacy measures and various other requirements.

The onus is on the broker to submit an end-of-day transaction report to a central repository. These reports provide transparency to the FSCA, ensuring that all forex trading clients are treated fairly and that brokers are operating responsibly.

Monty Barnard, chief operating officer of Kwezi Trade, says: "We are pleased to be identified by the FSCA as one of the leading and competent forex trading platforms in South Africa. This shows that we are not a fly-by-night organisation. We are here to stay and will continue to deliver a consistent and dedicated service to our clients."

## Almost 10 years in the making

Khwezi Trade, a division of Khwezi Financial Services, is an authorised financial services provider, established in 2013. It is a proudly South African regulated forex broker with a category 1 and category 2 Financial Advisory and Intermediary Services (FAIS) licence and has now become the first South African-owned forex trading platform to have an Over the Counter Derivative Provider (ODP) licence.

Although some financial service providers are licensed under the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act), this is not enough; they also need to be licensed as ODPs in order to trade as Contract For Difference (CFD) providers.

The FSCA has instituted this regulation because of the substantial risk to the public in instances where entities and individuals act as issuers of derivative products without adequate financial reserves, risk management systems, or knowledge. The regulation is an ongoing effort to remove FSPs that are prepared to act outside of the law.

## ODP licensing requirements

Khwezi Trade provides South African traders with a safe trading environment using both state-of-the-art online, desktop and mobile trading platforms. The company exemplifies exceptional compliance standards as a forex broker with FSCA-authorized representatives and a management team that holds over 60 years' experience in the forex and CFD industry.

ODP licensing requires Khwezi to:

- \* Meet the operational capital requirements.
- \* Maintain and hold sufficient capital and reserves in the Republic of South Africa proportional to the risks relating to the business as the derivative provider.
- \* Meet the fit and proper requirements of honesty, integrity and competency.
- \* Show the ability to maintain the operational ability to fulfil the responsibilities imposed by the Act.
- \* Possess financial soundness of the business and members of its controlling body.
- \* Meet risk management and internal controls.
- \* Have established an effective compliance function with systems and controls in place to promote and monitor its regulatory obligations.
- \* Have an adequate business continuity plan with proper record-keeping.



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Co-founder and managing Director of Khwezi Trade, Mark Wurr, says, "After being involved in the Forex/CFD online trading business for more than 20 years, I welcome the more stringent regulation that the licence brings. It will certainly help eradicate the unethical providers that seem to have crept into the market over the years."

Khwezi Trade offers Rand-based forex and CFD trading accounts, providing safeguarding of client funds through segregated third-party administrative bank accounts. Unlike foreign brokers, clients' trading money does not go offshore, but remains within the borders of South Africa, and this complies with the South African Reserve Bank laws.

The FSCA reminds the industry that extra care should be taken when dealing with any platform. One level of assurance is to check whether the provider is registered with the FSCA as an FSP or ODP. All ODPs need to be licensed by the FSCA.

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