



Legal Alert

April 2026

Kenya Publishes Draft Regulations to Operationalise the Virtual Asset Service Providers Act, 2025

Introduction

The National Treasury has published the draft Virtual Asset Service Providers Regulations, 2026 (the “Regulations”) for public participation. Issued pursuant to the Virtual Asset Service Providers Act, 2025 (Act No. 20 of 2025) (the “Act”), the Regulations seek to operationalise the framework for licensing and regulating the activities of virtual asset service providers (“VASPs”) in and from Kenya. Comments on the draft Regulations are due by Friday, 10 April 2026.

We set out the key features of the draft Regulations below.

1. Scope and application of the Regulations

The Regulations apply to all persons offering virtual asset services in or from Kenya. Importantly, a person is deemed to be operating “in or from Kenya” where that person derives an economic benefit or income from Kenya, regardless of physical presence. Moreover, the Regulations are to be read together with the Act and other relevant legislation, including the Proceeds of Crime and Anti-Money Laundering Act (“POCAMLA”), the Prevention of Terrorism Act and the Computer Misuse and Cyber Crimes Act.

The Regulations appear intended to capture offshore platforms deriving economic benefit or income from Kenya, even where they do not have a physical presence in Kenya. The practical scope of enforcement will likely become clearer over time.

Perhaps the most commercially significant aspect of the Regulations is the prescribed minimum paid-up capital for each VASP category. The thresholds range from KES 2.5 million for virtual asset investment advisers to KES 500 million for stablecoin issuers, with exchanges and wallet providers set at KES 150 million, and ICO, tokenisation and token issuance platform providers at KES 200 million.

2. Licensing, governance and fees

Several categories of VASPs are contemplated under the Regulations, including virtual asset exchanges, wallet providers, brokers, payment processors, investment advisers, asset managers, initial coin offering (“ICO”) providers, tokenisation providers, token issuance platforms and stablecoin issuers. As noted in our previous alert on the Act [here](#), supervision and licensing responsibility rests with the Central Bank of Kenya (“CBK”) for payment or custody activities and the Capital Markets Authority (“CMA”) for investment or trading functions.

To obtain a license, applicants must satisfy detailed requirements spanning business plans, fit and proper assessments, anti-money laundering/combating the financing of terrorism/countering proliferation financing (“AML/CFT/CPF”) and cybersecurity policies, and proof of adequate resources. Separate authorisation is required for persons seeking to convert virtual assets to or from foreign currency.

On governance, boards must comprise at least three members, with at least one-third being independent directors, and each licensee must appoint a compliance officer. The Regulations also introduce a structured fee regime covering application, license, renewal and transaction-level fees across the various VASP categories.

Persons seeking to operate as VASPs should familiarise themselves with these requirements early and ensure that they are well-positioned to meet them ahead of filing their applications.

3. Capital requirements and insurance

Perhaps the most commercially significant aspect of the Regulations is the prescribed minimum paid-up capital for each VASP category. The thresholds range from KES 2.5 million for virtual asset investment advisers to KES 500 million for stablecoin issuers, with exchanges and wallet providers set at KES 150 million, and ICO, tokenisation and token issuance platform providers at KES 200 million. Where a licensee is authorised for more than one activity, it must hold the prescribed capital for each.

Licensees are also required to maintain insurance coverage for the protection of consumers’ virtual assets.

In practice, these thresholds may favour well-capitalised players and could present a barrier for smaller or early-stage operators.

4. Ongoing obligations, cybersecurity and reporting

Beyond the point of licensing, the Regulations impose a range of ongoing requirements, from maintaining sufficient human and technology resources and business



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continuity plans, to keeping transaction records for at least seven years and submitting periodic reports to the relevant regulatory authority.

The cybersecurity provisions are a notable feature of the framework. Licensees must develop a cybersecurity strategy, implement systems and controls, conduct periodic audits and report cybersecurity risks. Given the frequency of cyber incidents in the digital assets space globally, these requirements align Kenya with emerging international standards.

5. Consumer protection, market conduct and advertising

Consumer protection sits at the core of the Regulations. Licensees must safeguard and segregate consumer assets, ensure consumers understand the risks, enter into consumer service agreements and establish complaint-handling procedures. Security interests over consumer assets are prohibited.

Further, market manipulation, false trading and fraud are expressly prohibited, and licensees must put in place measures to deter market abuse. Detailed rules also govern the advertising and promotion of virtual assets, including risk disclosure requirements and prohibitions on misleading internet marketing practices.

The breadth of these provisions underscores the draft Regulations' focus on consumer confidence, market integrity and the orderly development of the VASP sector.

6. ICOs, tokenisation and stablecoins

The Regulations carve out product-specific frameworks for ICOs, tokenisation of real-world assets and stablecoin issuance. ICOs require prior regulatory approval and publication of a white paper and must be conducted through approved trading platforms.

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Tokenisation of real-world assets requires a separate license supported by evidence of ownership and an independent valuation of the underlying asset. The issuer must also publish a white paper disclosing the rights conferred by the token (including whether it represents direct or fractional ownership), the custody arrangements for the underlying assets, risk assessments and the valuation methodology.

Stablecoin issuers face the highest capital threshold and are subject to requirements on reserve assets, custody of reserves, redemption at par value, ongoing disclosure to holders and a prohibition on granting interest.

7. Regulatory coordination, enforcement and wind-down

To address coordination challenges inherent in a multi-agency model, a point flagged in our previous alert on the Act [here](#), the Regulations establish a Relevant Regulatory Authorities Coordination Committee to harmonise supervisory approaches between the CBK and CMA.

The relevant regulatory authority retains broad enforcement powers, including inspections, intervention in management, appointment of

statutory managers and the issuance of freezing and seizure orders over virtual assets. Non-compliance with a freezing or seizure order is a criminal offence. The Regulations round off with provisions governing the voluntary and involuntary liquidation of licensees, ensuring that the framework covers the full lifecycle of a VASP, from entry to exit.

Conclusion

The draft Regulations represent an important step in operationalising the Virtual Asset Service Providers Act, 2025 and establishing a more detailed regulatory framework for virtual asset activities in Kenya. As the framework moves from legislation to implementation, stakeholders across the virtual assets ecosystem — existing operators, prospective entrants, investors and consumers — should take advantage of the public participation window to engage with and shape the final form of the proposed framework.

For further context on the Act under which these Regulations are issued, please refer to our January 2026 Legal Bulletin on the Virtual Asset Service Providers Act, 2025, below: <https://www.pwc.com/ke/en/publications/legal-bulletin.html>.



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