Legal Alert

September 2026

Virtual assets service providers regulations 2026

Background

On 22 July 2026, the Cabinet Secretary for the National Treasury published the Virtual Asset Service Providers Regulations 2026 (the "Regulations") which are issued under the Virtual Asset Service Providers Act, 2025 (the "Act").

The Regulations establish the first comprehensive framework governing virtual asset activities in Kenya and supplement the licensing, conduct and supervisory regime introduced by the Act.

The Regulations regulate a broad range of virtual asset activities, including virtual asset exchanges, token issuance platforms, wallet providers, stablecoin issuers, tokenisation projects, initial coin offerings, consumer protection, cybersecurity, market conduct and prudential requirements. They also establish detailed obligations relating to governance, reporting, financial resources, operational resilience and regulatory oversight.

One of the most significant developments introduced by the Regulations is the broad territorial scope of their application. The Regulations apply to any person offering virtual asset services in or from Kenya, including those without a physical presence in Kenya where their activities target the Kenyan market or derive economic benefit from it. This provision significantly expands the potential regulatory reach of Kenyan authorities. Foreign exchanges, custodians, wallet providers and token issuers that market services to Kenyan users or generate revenue from Kenya may now be required to consider whether they fall within the Kenyan regulatory perimeter. Businesses with cross-border operating models should therefore undertake an immediate regulatory perimeter assessment to determine whether licensing obligations may apply.

The Regulations represent a significant development in Kenya's digital assets landscape. Beyond introducing a licensing framework, they seek to bring virtual asset activities within a regulatory environment that mirrors many of the standards applicable to regulated financial institutions. Businesses affected by the Regulations should begin assessing their readiness for increased regulatory scrutiny and compliance obligations.

Objectives of the Regulations

Rather than simply introducing a licensing framework, the Regulations establish a comprehensive supervisory regime designed to enhance consumer protection, strengthen market integrity, promote financial stability and support innovation within a regulated environment.

Licensing

The Regulations establish various categories of licenses as provided in the table below:

Licence Category	Application Fee (KSh.)	Licence Fee (KSh.)	Renewal Fee/ Period	Paid-up Capital	Liquid Capital	Key Specific Requirements
Virtual Asset Wallet Provider	100,000	500,000	500,000 or 0.15% of gross turnover, whichever is higher Renewal is to be done on an annual basis.	150,000,000	30,000,000 or 100% of current liabilities for at least 30 days, whichever is higher	Must provide business rules if applicable; indicate types and amounts of assets to be held for consumers; maintain segregation of consumer assets; monthly reconciliations; consumer custody disclosures and agreements.
Virtual Asset Exchange	100,000	1,000,000	500,000 or 0.5% of previous year gross revenue, whichever is higher Renewal is to be done on an annual basis.	100,000,000	20,000,000 or 8% of total liabilities, whichever is higher	Must submit business rules under Regulation 20; list class of virtual assets to be traded; maintain market integrity systems; perform due diligence before listing; monthly listing/delisting notifications.

Virtual Asset Payment Processor	100,000	200,000	Threshold-based: 20,000 to 15,000,000 depending on annual gross transaction value Renewal is to be done on an annual basis.	10,000,000	100% of current liabilities for at least 30 days	General licensing requirements apply; no special category-specific application items noted in searched extracts beyond standard requirements.
Virtual Asset Broker	100,000	100,000	100,000 Renewal is to be done on an annual basis.	10,000,000	2,000,000 or 8% of total liabilities, whichever is higher	General licensing requirements apply.
Virtual Assets Investment Advisor	10,000	50,000	50,000 Renewal is to be done on an annual basis.	Nil	Nil	General licensing requirements apply.
Virtual Asset Manager	50,000	200,000	0.05% of assets under management, subject to min. 200,000 and max. 5,000,000 Renewal is to be done on an annual basis.	20,000,000	4,000,000 or 8% of total liabilities, whichever is higher	General licensing requirements apply; special ongoing obligations in relation to valuation and assets under management.
Virtual Asset Offering Provider – Initial Coin Offering	100,000	500,000	500,000 or 0.15% of gross turnover, whichever is higher. Renewal is to be done on an annual basis.	20,000,000	4,000,000 or 8% of total liabilities, whichever is higher	In addition to licence, ICO issuance requires CMA approval; submit white paper, governance structure, monitoring policies, proceeds account details, Kenya records location, promoter details; approval fee is 0.25% of successful offer value, min. 200,000 max. 30,000,000.

Virtual Asset Offering Provider – Virtual Asset Tokenization	100,000	500,000	500,000 or 0.15% of gross turnover, whichever is higher. Renewal is to be done on an annual basis.	10,000,000	2,000,000 or 8% of total liabilities, whichever is higher	Additional licence application documents: rules of ownership, transferability, compliance and profit distribution; independent systems audit. Tokenized offering also requires CMA approval with white paper, valuation report, technology disclosure, custody arrangement, evidence asset is clear of encumbrances; approval fee is 0.25% of successful offer value, min. 200,000 max. 30,000,000.
Virtual Asset Offering Provider – Token Issuance Platform	100,000	500,000	500,000 or 0.15% of gross turnover, whichever is higher. Renewal is to be done on an annual basis.	20,000,000	4,000,000 or 8% of total liabilities, whichever is higher	Must submit business rules under Regulation 20; market integrity systems; listing and delisting controls; asset admission due diligence.
Virtual Asset Offering Provider – Stablecoin Issuance	100,000	2,000,000	2,000,000 or 0.15% of gross turnover, whichever is higher. Renewal is to be done on an annual basis.	300,000,000	60,000,000 or 100% of current liabilities for at least 30 days, whichever is higher	Requires stablecoin issuance licence; white paper; CBK-related approval process; reserve asset requirements; custody by approved custodian; redemption, reserve segregation and disclosure obligations.

No person may undertake regulated virtual asset activities without first obtaining the appropriate licence from the relevant regulatory authority. Under the Regulations, oversight of virtual asset activities is shared principally between the Capital Markets Authority ("CMA") and the Central Bank of Kenya ("CBK"), depending on the nature of the activity.

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The relevant regulatory authority has broad powers to license, supervise, inspect, require information, approve ownership changes, and impose administrative enforcement measures, including suspension or revocation of licences and remedial directions. The CMA has a central role in approving and supervising initial coin offerings, tokenisation activities and related listings, including maintaining the register of ICO issuers and overseeing promoter changes and listing compliance. The CBK is specifically responsible for authorising conversion of virtual assets to or from foreign currency and for supervising stablecoin issuance, including reserve assets, custody, reporting and financial stability concerns.

In addition, the Regulations establish a Virtual Assets Services Coordination Forum, chaired by the National Treasury and comprising agencies such as the CBK, CMA, Office of the Data Protection Commissioner, Financial Reporting Centre and others, to support information sharing, coordinated supervision and cross-sector regulatory cooperation.

Applicants are required to provide detailed information relating to directors, senior officers, significant shareholders and beneficial owners, together with business plans, source of funds information, fit and proper assessments and comprehensive compliance documentation. In addition, applicants must provide evidence of adequate governance structures, cybersecurity controls, Anti-Money Laundering, Countering the Financing of Terrorism, and Countering Proliferation Financing ("AML/CFT/CPF") frameworks, consumer protection measures, risk management systems and business continuity arrangements.

Additional requirements include compliance with paid-up and liquid capital requirements, audited or opening financial statements, evidence of adequate human and technological resources, and an independent information systems audit report which captures vulnerability assessment and penetration testing results. Cross-border operations, affiliates and regulatory status in other jurisdictions must also be disclosed.

Applications may be rejected where applicants fail to respond to clarification requests, fail fit and proper requirements, have regulatory non-compliance history, or where approval would pose financial stability risk.

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Regulation of virtual asset advertisements and promotions

The Regulations establish a dedicated regime for advertising that prohibits any person from advertising or promoting virtual asset services, including Initial Coin Offers (“ICOs”) and Non-fungible tokens (“NFTs”), unless they comply with the prescribed rules including:

a. Advertisements must be fair, clear, complete, concise, unbiased, not misleading or deceptive, presented in plain language, suitable for the target market, and must fairly present returns, benefits and risks, while also disclosing the type of service, deposit and withdrawal terms, associated fees, and where full terms may be accessed.

b. Online promotions must keep risk warnings, fees and key conditions prominent, readable and accessible, and must not conceal them through small fonts, scrolling, pop-ups or poor placement; third parties acting on behalf of licensees are also bound, and records must be kept for seven years.

This means virtual asset marketing is no longer a purely commercial exercise but a regulated compliance activity, increasing transparency, reducing misleading promotions and extending accountability across online and social media channels.

Initial Coin Offering (ICO) Framework

The Regulations create a formal ICO approval regime requiring an issuer to apply to the Capital Markets Authority (“CMA”) and submit a white paper, governance structure, policies for monitoring the issuance cycle, details of where proceeds will be held, where records will be retained in Kenya, promoter details and the prescribed fee. The white paper must disclose key matters including directors and advisers, project purpose, business plan, target raise, use of proceeds, rights attached to the token, valuation methodology, risks and mitigants, transfer restrictions, payment methods, refund or withdrawal rights, target market, offer timetable, minimum subscription, audited financial statements, intended trading platform, technology used and issue price; advertising may only begin once the CMA issues a no-objection notice and only for the approved duration.

Material changes to the business model or the white paper require CMA approval, where an issuer wishes to continue the ICO beyond the end date stated in its application, extensions must be sought at least three (3) months before expiry in writing to the CMA for an extension of the issuance and give reasons for it and may only run for up to six (6) months. Where the extended period expires, any further issuance is treated as a new public offer.

The practical implication is that Kenya now offers a regulated fundraising path for token issuers, which strengthens investor confidence but also imposes substantial disclosure, governance and approval obligations on startups and blockchain projects.

Duties of exchanges efore listing assets

Before admitting any virtual asset to trading, an exchange or token issuance platform must assess the asset's regulatory status, supply, demand, maturity, liquidity, complexity, development, associated risks, enforceability of consumer rights, market capitalization, trading volume, technical security audits including smart contract reviews, project fundamentals such as token distribution and community support, and legal and AML/CFT/CPF compliance safeguards. The virtual asset exchange or token issuance platform provider must keep a record of that due diligence assessment for the full duration of the listing and must continuously monitor the asset to determine whether trading should continue or cease. In addition, an asset arising from an ICO may only be listed where it has attained the minimum total subscription disclosed in the approved white paper.

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The implication is that exchanges are transformed from passive trading venues into regulatory gatekeepers with ongoing screening, monitoring and risk-management responsibilities.

Outsourcing risk

The Regulations allow outsourcing of operational functions only where the licensee obtains prior approval from the relevant regulatory authority at least thirty days (30 days) before implementation.

Outsourcing must not impair the quality of the licensee's internal controls or the regulator's ability to monitor compliance, and where the outsourced function is material, the arrangement must ensure that senior officers do not delegate away their responsibilities, consumer obligations remain unchanged, the contract permits regulatory oversight of the third party, and licensing conditions are not undermined. The licensing process also requires applicants to provide outsourcing policies and copies of outsourcing or service level agreements where applicable. In effect for businesses, outsourcing cloud infrastructure, custody, Know-Your-Customer ("KYC") or cybersecurity functions does not transfer the licensee's legal responsibility under the Regulations. The licensed virtual asset service provider remains fully responsible for compliance with the Act and the Regulations, for the adequacy of its internal controls, and for the discharge of its obligations to consumers, even where a third-party service provider performs the outsourced function. At the same time, the third-party outsourcing arrangement is itself regulated: prior approval must be obtained, the outsourcing must not impair regulatory supervision or internal controls, and the contract must allow the regulator to exercise oversight over the outsourced service provider. This means outsourcing changes the operating model, but not accountability, and therefore requires strong vendor oversight, clear contractual protections and active governance by the licensee.

Intervention and statutory management

The Regulations empower the regulator to intervene where a licensee fails to meet obligations to customers, meet financial obligations to other licensees, comply with a regulatory directive, or comply with the Act. In such cases, the regulator may appoint a statutory manager, remove officers or employees responsible for the breach, restrict the licensee from engaging in new virtual asset services, and prohibit the appointment of new agents or require agency arrangements to be terminated. Where a licence is suspended or revoked, a statutory manager may be appointed by Gazette notice for up to twelve (12) months to manage consumer assets, and the statutory manager's costs are recoverable from the licensee's assets in priority to other claims. This signals that the regime is prudential in nature and gives regulators banking-style supervisory tools, which raises the compliance stakes for boards, investors and senior management.

Conversion of virtual assets into foreign currency

Any person intending to transact the business of converting virtual assets to or from foreign currency must first apply in writing to the CBK for authorisation before commencing business. Any person that intends to carry on the business of converting virtual assets to or from foreign currency must first obtain written authorisation from the CBK before commencing business. In assessing the application, the CBK considers the applicant's financial condition and history and must communicate its decision within ten (10) days. If granted, the authorisation remains valid until 31 December of the year of issue unless earlier revoked, and renewal must be sought at least two (2) months before expiry. A person who undertakes such business without CBK authorisation is liable to administrative sanctions, including a fine of up to Three Million Kenya Shillings (KES 3,000,000) for an individual or Five Million Kenya Shillings (KES 5,000,000) for a company, and may also face suspension or revocation of any relevant approval or a directive to take remedial action. The Regulations therefore place fiat on-ramp (converting traditional currency into virtual assets) and off-ramp (converting virtual assets into traditional currency) activity under a distinct layer of CBK oversight. The business impact is that fiat on-ramp and off-ramp activities now fall under an additional layer of CBK oversight, creating a distinct regulatory checkpoint for operators dealing with foreign currency conversion.

Virtual asset exchanges as regulated market infrastructure

The Regulations require a virtual asset exchange to operate under clear and fair business rules that are legally enforceable by consumers, published, freely available, and approved by the CMA. These rules must address core matters such as access to the platform, hours of operation, system availability and interruptions, admission, suspension and delisting of assets, investor protection measures, custody arrangements, disclosure of material information, order handling, market transparency, market abuse controls, investigations, suspension of trading, transaction reporting, dispute resolution, trading fees, account funding, order matching, settlement and confirmation, deposit and withdrawal procedures, and due diligence procedures for assets. Exchanges must also maintain compliance procedures to enforce those rules and default rules for unsettled transactions where a user cannot meet its obligations.

For a business seeking to operate an exchange, the practical implication is that the platform cannot be run as a simple technology marketplace. It must be structured more like a regulated financial market operator, with a documented rulebook, formal governance arrangements, consumer-facing procedures, surveillance and compliance systems, listing and delisting controls, and clear settlement and custody processes. In practical terms, this means upfront investment in legal documentation, internal controls, compliance personnel, market surveillance capability and operational procedures before launch, as well as ongoing regulatory engagement after licensing. A prospective operator should therefore approach exchange licensing not only as a technology build, but as the establishment of a regulated market institution.

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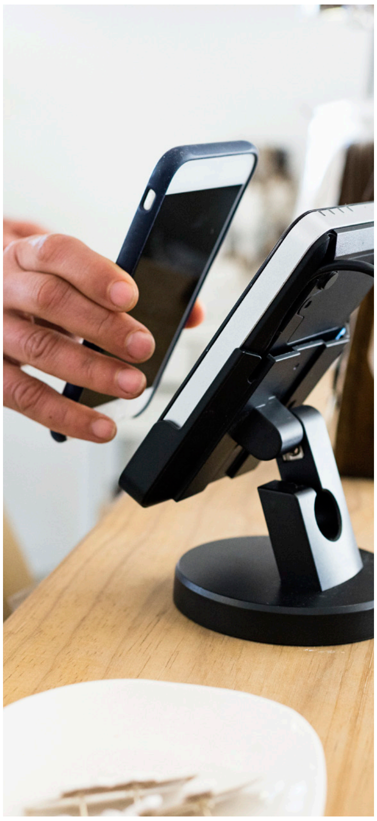

Prohibition of market abuse

The Regulations require licensees to adopt measures, rules and procedures to identify, deter, prevent and report market abuse, including transactions intended to create a false appearance of trading, improper execution of transfers, exchanges, stablecoin issuance, token issuance or ICOs, and conduct intended to assist or conceal market abuse or financial crime. The Regulations specifically prohibit insider dealing, market manipulation, false trading and market rigging, fraudulent inducement, manipulative devices, false or misleading statements, front-running, churning and cold calling. Licensees must also maintain systems and controls that preserve market integrity and demonstrate how they promote professional conduct. The broader significance is that Kenya is aligning virtual asset trading standards with securities-market conduct rules, thereby improving market integrity and deterring abusive practices.

Asset protection and consumer asset segregation

The Regulations require satisfactory safeguarding arrangements, clear contractual terms with consumers, and policies, systems and controls for the safekeeping and management of consumer assets. Licensees must protect consumers' ownership rights, mitigate the risk of loss or diminution in value, segregate consumer assets so they are not available to the licensee's creditors, operate client and proprietary accounts separately through banks licensed in Kenya, ensure transfers are authorised by the consumer, and refrain from using, pledging or encumbering consumer assets for their own account or for third parties except in narrow clearing or settlement circumstances tied to the relevant consumer. Where a licensee holds consumer assets in a pooled or omnibus account, meaning a single account or wallet containing assets belonging to multiple consumers rather than separate accounts for each consumer are used, the licensee must maintain up-to-date records identifying each consumer's assets at all times, while wallet providers must keep separate on-chain and internal ledger accounts, conduct monthly reconciliations and issue periodic statements of holdings. The result is a much stronger consumer protection framework that directly addresses custody, insolvency and misuse risks seen in prior crypto market failures.

Obligations of the vasps

Once licensed, VASPs become subject to extensive ongoing obligations designed to ensure consumer protection, market integrity and operational resilience. Every licensee must ensure services are conducted fairly, transparently and efficiently to reduce systemic risk and support orderly market operations. VASPs must maintain sufficient human and technology resources, employ fit and proper staff, and ensure management has the necessary experience and expertise.

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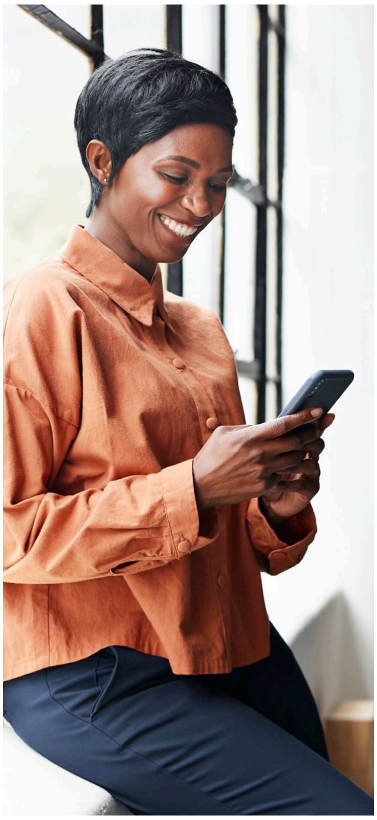

Governance

The Regulations establish governance standards comparable to those applicable to regulated financial institutions. Boards must comprise at least three directors, one-third of whom must be independent directors. The roles of Chairperson and Chief Executive Officer must remain separate and boards bear ultimate responsibility for strategy, financial reporting, risk management and regulatory compliance.

It is typical of virtual asset businesses to operate through founder-led governance structures. However, the Regulations now introduce a shift toward financial institution-grade governance and accountability mechanisms for businesses.

Consumer protection

Consumer protection is a central feature of the new framework. VASPs must provide consumers with clear, accurate and non-technical disclosures relating to licence status, services offered, fees and charges, material risks, complaint-handling procedures, cybersecurity measures and conflicts of interest.

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Customer suitability and due diligence

VASPs must understand their customers to ensure advice or transactions are suitable in light of their circumstances. Customer due diligence must be completed prior to onboarding in line with anti-money laundering legislation. This requirement moves the sector closer to traditional financial services standards and may require significant enhancements to onboarding procedures and compliance controls.

Recordkeeping and reporting

Licensees must maintain detailed and accurate transaction records and audit trails, submit monthly reports on transaction volumes, fraud incidents, service interruptions and complaints, and provide quarterly and annual financial statements. Records must generally be retained for at least seven years. Businesses should invest early in compliance monitoring systems, regulatory reporting capabilities and data retention frameworks to support ongoing compliance.

Complaints handling

Licensees must establish effective complaint procedures, maintain complaints registers, and provide timely updates and outcomes to complainants. A consumer care system must be established within six (6) months of commencing services. This demonstrates the regulatory keenness to ensure customer complaints are handled swiftly by VASPs and accountability to customers is upheld.

Asset safeguarding

VASPs must maintain accurate, current records of customer assets, track ownership and movements, and reconcile consumer holdings on a consumer-by-consumer basis considering relevant off-chain and on-chain records.

Cybersecurity

VASPs must implement an appropriate cybersecurity strategy and notify the regulatory authority within twenty-four (24) hours of discovering a cybersecurity incident, followed by a detailed report within five working days. Appropriate insurance against risks such as theft, loss of keys and operational failure is also expected.

Regulators are likely to scrutinize cybersecurity governance, technology infrastructure and incident management capabilities both during licensing and throughout ongoing supervision of VASPs.

Stablecoins

The Regulations establish a comprehensive framework governing the issuance and operation of stablecoins. Stablecoin issuers must be licensed, publish Central Bank of Kenya (CBK) approved white papers which must contain detailed information about the issuer, stablecoin characteristics, associated risks, reserve arrangements and redemption rights, and must state the issuer bears sole responsibility for its contents.

Redemption rights

Stablecoin holders have a direct claim against the issuer and may redeem at par value. Redemption requests must be honoured within two working days. Where purchased using Kenya Shillings, redemption must also be available in Kenya Shillings. Issuers must establish a clear redemption policy covering conditions, procedures, valuation principles, settlement arrangements and measures for managing reserve fluctuations. Issuers and service providers may not grant interest to holders.

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Reserve requirements

Stablecoins must be fully backed by reserve assets whose value at all times equals or exceeds the value of outstanding stablecoins. Permissible reserves include: cash, CBK reserve deposits, bank deposits, certain short-dated government securities, short-term repurchase agreements, and other assets approved by CBK. Reserve assets must (i) be segregated from operating assets and from reserves backing any other stablecoin, (ii) remain sufficiently liquid for redemption, and (iii) be available for CBK examination. At least 30% of funds received must be held in segregated trust accounts in commercial banks in Kenya. Issuers must publish ongoing information about circulation, reserve composition and audit summaries, and comply with periodic audit and reporting obligations.

The stablecoin framework is likely to have significant implications for product design, treasury management, reserve structuring and operational processes. Businesses considering payment, settlement or tokenised financial products should assess these requirements at an early stage.

Tokenisation of real-world assets

The Regulations introduce a dedicated framework for the tokenisation of real-world assets. This represents one of the most innovative features of the new regime and establishes a regulated pathway for the digital representation of traditional assets. Depending on implementation, the framework may facilitate tokenisation projects involving real estate, infrastructure assets, commodities, intellectual property and other forms of value.

The tokenisation provisions may create new opportunities for capital raising, investment participation and asset distribution within a regulated environment. Businesses exploring tokenisation initiatives should evaluate potential licensing and disclosure requirements before launch.

Key considerations for virtual asset service businesses

Regulatory perimeter assessment

Businesses should determine whether their activities constitute regulated virtual asset services and whether they fall within the “in or from Kenya” test.. This is critical, especially for offshore operators, technology providers and group structures.

Licensing

Businesses should identify the relevant licensing category for their products and services and review whether the current business model, ownership structure, governance and outsourcing framework are in line with the requirements of the Regulations.

Internal policies and controls

Businesses should ensure they have in place documented and operationalised frameworks covering AML/CFT/CPF, risk management, market conduct, cybersecurity, data protection, complaints handling, consumer protection and business continuity.

Governance review

Board composition and management structures should be reviewed against independence and governance requirements in the Regulations.

Capital and liquidity

Businesses must assess compliance with prescribed capital and liquidity thresholds and ability to evidence source of funds and financial standing.

Operational readiness

Businesses must evaluate technology infrastructure, custody arrangements, audit trails, reconciliation systems, consumer onboarding and incident response plans. They must also commission independent information systems audits, vulnerability assessments and penetration tests early to identify gaps.

Legal documentation

Businesses must review consumer agreements, custody terms, disclosures, website content, complaint procedures, promotional materials and outsourcing contracts toe ensure compliance with the requirement under the Regulations. For stablecoin issuers, preparation and assessment for compliance with the Regulations must extend to reserve asset structuring, trust account arrangements, redemption mechanics, white paper preparation and CBK engagement.

Transition period

While the Regulations do not prescribe a detailed stand-alone transition framework, the Act provides for a transition period ending in November 2026. Existing operators should view the transition period as an opportunity to identify compliance gaps, prepare licensing documentation and engage proactively with the relevant regulators.

The transition period should not be treated as a grace period for regulatory inaction. Instead, businesses should use the available time to undertake compliance readiness assessments and implement necessary governance, operational and compliance enhancements in line with the Regulations.

Future circulars, implementation notices or sector-specific guidance will likely shape how the transition is supervised.

Conclusion

The Regulations mark an important transition in Kenya's approach to virtual assets. The sector is moving from a largely unregulated space to a structured framework characterised by licensing, consumer protection, prudential oversight and market integrity obligations.

For businesses, the opportunity is that Kenya now offers a clearer legal pathway for participation in the virtual assets ecosystem, including in areas such as stablecoins, token issuance and tokenisation. Entry into the Kenyan market will now require stronger governance, more robust controls and greater regulatory readiness than many firms may currently have in place.

Businesses that begin compliance preparations early are likely to be better positioned to secure licences, engage constructively with regulators and take advantage of opportunities in Kenya's evolving virtual assets market.

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