



PwC Kenya Legal Bulletin

**Kenya enacts Virtual Asset Service
Providers Act, 2025**

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The enactment of the Act marks a step forward in the country's digital asset journey, shifting virtual assets from an innovation-driven space to one grounded in legal and regulatory certainty.

On 15th October 2025, His Excellency President William Ruto assented to the Virtual Asset Service Providers Act, 2025 (the "Act"), marking a milestone in Kenya's financial regulatory landscape. The Act introduces a legal framework for the supervision of virtual asset service providers ("VASPs"), a category encompassing cryptocurrencies like Bitcoin and Ethereum, as well as stablecoins, tokenised assets and blockchain-based instruments, thereby aligning Kenya with emerging international trends on digital asset governance.

According to PwC's Global Crypto Regulation Report 2025, regulators worldwide are increasingly adopting comprehensive frameworks for VASPs to build trust and encourage responsible innovation in the crypto economy. Kenya now joins a growing number of African jurisdictions taking proactive steps to establish regulatory clarity and support innovation in blockchain technologies and virtual currencies.

This comes at a time when governments across the globe are grappling with how best to integrate digital assets, artificial intelligence ("AI") and emerging fintech models into secure and trustworthy financial ecosystems. Importantly, the move also reflects Kenya's commitment to aligning its financial system with international standards on anti-money laundering ("AML") and counter-terrorism financing ("CTF").

1. Understanding the Act: Scope and definition

The Act defines a 'Virtual Asset' as a digital representation of value that can be traded or transferred digitally and used for payment or investment purposes, excluding fiat currencies (legal tender), securities and traditional financial assets. The First Schedule of the Act lists 'Virtual Asset Services' to include wallet providers, exchanges, payment processors, brokers, investment advisors, asset managers and offering providers.

The Act excludes from its scope, non-financial non-fungible tokens ("NFTs"), closed-loop systems (such as loyalty programs) and virtual service tokens, aligning Kenya's regime with international norms that differentiate between financial and non-financial digital tokens. The Act also excludes from its reach, central bank digital currencies ("CBDCs").

2. Regulatory oversight and institutional coordination

Supervision under the Act will fall within Kenya's existing financial regulatory architecture. The Central Bank of Kenya ("CBK"), the Capital Markets Authority ("CMA") and any other public body designated by the Cabinet Secretary for the National Treasury will have concurrent oversight powers, depending on the nature of the virtual asset activity. The regulators are empowered to:

- Issue and revoke licenses
- Supervise and enforce compliance
- Issue directives and administrative sanctions
- Undertake inspections and investigations for non-compliance.

It is noteworthy that the version of the bill passed by Parliament scrapped the earlier creation of a standalone Virtual Assets Regulatory Authority ("VARA"). Instead, supervision and licensing responsibility will rest with existing regulators, namely, the CBK for payment or custody activities and CMA for investment or trading functions.

Parliament's approach suggests a pragmatic posture of embedding oversight within institutions that already have the regulatory infrastructure.

While the multi-agency regulator model allows flexibility and comprehensive coverage across various digital asset functions, it could raise potential coordination challenges where products straddle both payment and investment functions.



3. Licensing and governance requirements

Under the Act, a VASP must either be a local company incorporated under the Companies Act, 2015, or a branch of a foreign company and be licensed to conduct or offer one or more Virtual Asset Services.

Entities offering Virtual Asset Services in or from Kenya must obtain licenses from the relevant regulator. Licenses are valid until 31 December each year and are non-transferable without prior approval. To obtain a licence, applicants must demonstrate fit and proper qualifications for directors and beneficial owners, capital adequacy, insurance coverage, cybersecurity safeguards and adequate policy and compliance frameworks.

4. Strengthening AML and CFT safeguards

The Act integrates VASPs into Kenya's AML and CFT regime, designating them as reporting institutions under the Proceeds of Crime and Anti-Money Laundering Act, Cap 59A of the Laws of Kenya ("POCAMLA") and the Prevention of Terrorism Act, Cap 30 of the Laws of Kenya. VASPs will therefore be required to implement customer due diligence ("CDD"), know-your-customer ("KYC"), transaction monitoring and suspicious activity reporting, among other compliance requirements.

This aligns Kenya with the Financial Action Task Force ("FATF") recommendations and the global digital finance standard 'travel rule', that requires traceability of virtual asset transactions, enhancing compliance and market credibility.

5. Consumer protection and market integrity

The Act introduces several obligations aimed at protecting investors and maintaining market confidence, including segregation of client assets, audited financial reporting, disclosure of beneficial ownership and requirements for physical presence and transparent record-keeping in Kenya.

These provisions are aimed at strengthening investor confidence and ensuring that customer assets are protected from insolvency or misappropriation. Further details on redress mechanisms and investor compensation are expected in the implementing regulations.

6. Enforcement and compliance

The Act introduces a robust enforcement framework, with both administrative and criminal penalties for non-compliance. Regulatory authorities may impose administrative fines of up to KES 3 million and daily penalties for continuing breaches, while serious contraventions may attract fines of up to KES 20 million or imprisonment for responsible officers. Licenses may also be suspended or revoked for material non-compliance or governance failures.

Existing virtual asset service providers will benefit from a twelve-month transition period from the commencement of the law to align with the new licensing, governance and compliance requirements.

The Virtual Asset Service Providers Act, 2025 is Kenya's entry into the next phase of the digital financial evolution. The challenge now lies in translating the promise of compliance into the practice of innovation. As Kenya defines its place in the global digital economy, early alignment with regulatory expectations will not simply mitigate risk; it will set the foundation for trust, institutional adoption and long-term competitiveness.



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