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THE NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT – FOURTH SESSION – 2025
DIRECTORATE OF DEPARTMENTAL COMMITTEES

**DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL
PLANNING**

REPORT ON:
**THE CONSIDERATION OF THE VIRTUAL ASSETS SERVICE PROVIDERS
BILL, 2025 (NATIONAL ASSEMBLY BILLS NO. 15 OF 2025)**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 JUN 2025 DAY: TUE	
TABLED BY:	Hon. KURIA KIMANI, MP, CBK CHAIRPERSON
CLERK AT THE TABLE:	MS. ANN SHIBUKO

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LIST OF ABBREVIATIONS AND ACRONYMS

COK	-	Constitution of Kenya
MP	-	Member of Parliament
ODM	-	Orange Democratic Movement
UDA	-	United Democratic Alliance
VASPs	-	Virtual Assets Service Providers

ANNEXURES

Annexure 1: Adoption Schedule

Annexure 2: Minutes

Annexure 3: The Virtual Assets Service Providers Bill, 2025 (National Assembly Bills No. 15 of 2025)

Annexure 4: Advertisement inviting the public to submit memoranda on the Bill

Annexure 5: Letter from the Clerk of the National Assembly inviting relevant stakeholders to attend the public participation forum

Annexure 6: Memoranda by stakeholders

CHAIRPERSON'S FOREWORD

This report contains the proceedings of the Departmental Committee on Finance and National Planning on its consideration of the Virtual Assets Service Providers Bill, 2025 (National Assembly Bills No. 15 of 2025). The Bill was published in the Kenya Gazette Supplement No. 53 of 17th March, 2025 and read a first time on 8th April, 2025. The Bill was committed to the Committee for consideration and tabling of the report to the House pursuant to Standing Order 127.

The principal object of the Bill is to provide for a legislative framework to regulate virtual asset service providers. The Bill seeks to address the potential risk associated with the misuse of virtual asset products and virtual asset services. In that regard, the Bill designates the Capital Markets Authority and the Central Bank of Kenya as the primary regulatory authorities for virtual asset services and virtual asset service providers.

In compliance with Article 118 (1) (b) of the Constitution and Standing Order 127(3), the Clerk of the National Assembly placed an advertisement in the print media on 11th April 2025, inviting the public to submit memoranda by way of written statements on the Bill.

In addition, the Clerk of the National Assembly vide letter Ref. No.NA/DDC/F&NP/2025/042 dated 20th May 2025 invited key stakeholders to submit views on the Bill and attend a public participation forum between 22nd May, 2025 and 31st May, 2025. The memoranda were to be received on or before 25th April, 2025 at 5.00 pm (East African Time). By the close of the submission deadline, the Committee had received nine memoranda.

On behalf of the Departmental Committee on Finance and National Planning and pursuant to the provisions of Standing Order 199(6), it is my singular honour to present to this House the Report of the Committee on its consideration of the Virtual Assets Service Providers Bill, 2025 (National Assembly Bills No. 72 of 2023). The Committee is grateful to the Offices of the Speaker and Clerk of the National Assembly for the logistical and technical support accorded to it during its consideration of the Bill.

Finally, I wish to express my appreciation to the Honourable Members of the Committee and the Committee Secretariat who made invaluable contributions towards the preparation and production of this report.

It is my pleasure to report that the Committee has considered the Virtual Assets Service Providers Bill, 2025 (National Assembly Bills No. 15 of 2025) and wish to report to this August House with the recommendation that the House approves the Bill with amendments.

Hon. CPA. Kuria Kimani, CBS, M.P.

Chairperson, Departmental Committee on Finance and National Planning

CHAPTER ONE

I PREFACE

I.1 ESTABLISHMENT AND MANDATE OF THE COMMITTEE

1. The Departmental Committee on Finance and National Planning is one of twenty departmental Committees of the National Assembly established under **Standing Order 216** whose mandate pursuant to the **Standing Order 216 (5)** is as follows:
 - a) *To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;*
 - b) *To study the programme and policy objectives of ministries and departments and the effectiveness of the implementation;*
 - c) *To, on a quarterly basis, monitor and report on the implementation of the national budget in respect of its mandate;*
 - d) *To study and review all legislation referred to it;*
 - e) *To study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;*
 - ~~f) *To investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary, and as may be referred to them by the House;*~~
 - g) *To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);*
 - h) *To examine treaties, agreements and conventions;*
 - i) *To make reports and recommendations to the House as often as possible, including recommendations of proposed legislation;*
 - j) *To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
 - k) *To examine any questions raised by Members on a matter within its mandate.*
2. The Second Schedule to the National Assembly Standing Orders assigns the Committee the mandate to consider matters in relation to public finance, public audit policies, monetary policies, financial institutions, economy, investment policies, competition, banking, insurance, national statistics, population, revenue policies including taxation, national planning and development, digital finance, including digital currency.
3. In executing its mandate, the Committee oversees the following Ministries/Departments:
 - a) The National Treasury.

- b) State Department for Economic Planning.
- c) The Commission on Revenue Allocation (CRA)
- d) Office of the Controller of Budget

I.2 COMMITTEE MEMBERSHIP

4. The Departmental Committee on Finance and National Planning was constituted by the House on 27th October, 2022 and comprises the following Members:

Chairperson

Hon. CPA Kuria Kimani, CBS, MP
Molo Constituency

UDA Party

Vice-Chairperson

Hon. (Amb.) CPA Langat Benjamin Kipkirui, CBS, MP
Ainamoi Constituency

UDA Party

Members

Hon. Peter Kaluma, CBS, MP
Homabay Town Constituency
ODM Party

Hon. Sunkuyia, R. George, MP
Kajiado West Constituency
UDA Party

Hon. CPA Oyula, Joseph H. Maero, MP
Butula Constituency
ODM Party

Hon. Chiforomondo Mangale, MP
Lunga Lunga Constituency
UDM Party

Hon. Mboni, David Mwalika, MP
Kitui Rural Constituency
WDM Party

Hon. Sheikh Umul, MP
Mandera County
UDM Party

Hon. Okuome Adipo Andrew, MP
Karachuonyo Constituency
ODM Party

Hon. (Dr.) Shadrack Mwiti, MP
South Imenti Constituency
Jubilee Party

Hon. Betty Maina, MP
Muranga County
UDA Party

Hon. (Dr.) Ariko John N, MP
Turkana South Constituency
ODM Party

Hon. CPA Rutto Julius Kipletting, MP
Kesses Constituency
UDA Party

Hon. Machele M. Soud, MP
Mvita Constituency
ODM Party

1.3 COMMITTEE SECRETARIAT

5. The Committee is facilitated by the following staff:

Mr. Benjamin Magut Principal Clerk Assistant II /Head of Secretariat	
Ms. Jennifer Ndeto Deputy Director Legal Services	Mr. Benson Kamande Clerk Assistant III
Mr. Salem Lorot Senior Legal Counsel	Ms. Winfred Kambua Clerk Assistant III
Mr. Mabuti Mutua Legal Counsel	Mr. George Ndenjeshe Fiscal Analyst II
Mr. James Macharia Media Relations Officer	Mr. Andrew Shangarai Principal Serjeant-At
Arms	
Mr. Mwangi Muchiri Audio Officer III	Ms. Joyce Wachera Hansard Reporter II
Mr. Benson Muthuri Assistant Serjeant-At-Arms	Ms. Nelly W. Ondieki Research Officer III
Mr. Allan Ngugi Committee Intern	

CHAPTER TWO

2.0 OVERVIEW OF THE VIRTUAL ASSETS SERVICE PROVIDER BILL, 2025 (NATIONAL ASSEMBLY BILLS NO. 15 OF 2025)

2.1 BACKGROUND

6. The Virtual Assets Service Providers Bill (National Assembly Bill No. 15 of 2025) sponsored by the Leader of Majority Party, was published on 17th March 2025. It was read for a first time on 8th April 2025 and was then committed to the Committee for consideration and tabling of report.

2.2 SUMMARY OF LEGAL PROVISIONS

7. The principal object of the Bill is to provide for a legislative framework to regulate virtual asset service providers. The Bill seeks to address the potential risk associated with the misuse of virtual asset products and virtual asset services. In that regard, the Bill designates the Capital Markets Authority and the Central Bank of Kenya as the primary regulatory authorities for virtual asset services and virtual asset service providers.

8. **PART I** (Clauses 1-5) of the Bill provides for preliminary matters including, the short title and interpretation of technical terms used in the Bill.
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9. **PART II** (Clauses 6-8) of the Bill contains provisions on the designation of regulatory authorities. In this regard, the Bill designates the Capital Markets Authority, Central Bank of Kenya and any other public body that the Cabinet Secretary may designate as a regulatory body responsible for the implementation of this Act. The designated regulatory authorities above are empowered regulate, supervise and monitor the activities and the conduct of virtual asset service providers to ensure market integrity and soundness of financial system in respect of matters falling under the Act.

10. **PART III** (Clauses 9-18) of the Bill provides for the licensing regime of virtual asset service providers by setting out requirements expected to be met by an applicant who wants to be licensed as a virtual asset service providers operating in or from Kenya. Further the Bill provides for the grounds upon which a virtual asset service providers licence may be granted.

11. **PART IV** (Clauses 19-32) of the Bill seeks to provide for the general obligations of a person licensed as a virtual asset service provider in the country. Such a licensee shall be a fit and proper person based on several factors, including the person's probity, competence, experience and soundness of judgment for fulfilling the responsibilities of the relevant position; any evidence that the person has committed any offence involving dishonesty or fraud or has contravened any law designed to protect members of the public arising from dishonesty, incompetence, malpractice, misconduct or

conduct of discharged or undischarged bankrupts or otherwise insolvent persons amongst others.

12. **PART V** (Clauses 33-34) of the Bill contains provisions on the prevention of money laundering, terrorism financing and proliferation financing by virtual asset service providers. It requires the relevant regulatory authority to regulate, supervise and enforce compliance for anti-money laundering and counter terrorism finance purposes by all virtual asset service providers.
13. **PART VI** (Clause 35) of the Bill seeks to allow the issuance of virtual asset offering or admission of such asset for trading on a virtual asset trading platform with approval from the relevant regulatory authority.
14. **PART VII** (Clauses 36-39) of the Bill seeks to empower the regulatory bodies to undertake compliance inspections and investigation in accordance with the powers conferred under the Act.
15. **PART VIII** (Clauses 40-42) of the Bill contains provisions requiring the regulatory authorities to enforce administrative and criminal sanctions against any person who violates the provisions of the Act.
16. **PART IX** (Clauses 43-49) of the Bill contains miscellaneous provisions which includes provisions on confidentiality of the client's information and documentation and access to and maintenance of client transaction records by the relevant regulatory authority.
17. **PART X** (Clause 50) provides for the delegated powers of the Cabinet Secretary to make Regulations.

CHAPTER THREE

3. PUBLIC PARTICIPATION AND STAKEHOLDER ENGAGEMENT ON THE BILL

3.1 LEGAL FRAMEWORK ON PUBLIC PARTICIPATION

18. Article 118 (1)(b) of the Constitution provides that:

“Parliament shall facilitate public participation and involvement in the legislative and other business of Parliament and its Committees.”

19. The National Assembly Standing Order 127 (3) and (3A) stipulates that:

*“(3) The Departmental Committee to which a Bill is committed shall **facilitate public participation on the Bill** through an appropriate mechanism including-*

- (a) inviting submission of memoranda;*
- (b) holding public hearings;*
- (c) consulting relevant stakeholders in a sector; and*
- (d) consulting experts on technical subjects.*

(3A) The Departmental Committee shall take into account the views and recommendations of the public under paragraph (3) in its report to the House.”

3.2 MEMORANDA RECEIVED ON THE BILL

20. Pursuant to the aforementioned provisions, the Clerk of the National Assembly placed an advertisement in the print media on 11th April 2025 inviting the public to submit memoranda on the Bill. Further, the Clerk of the National Assembly vide letter Ref. No. NA/DDC/F&NP/2025/042 dated 20th May, 2025 invited key stakeholders to submit views on the Bill and attend a public participation forum between 22nd May, 2025 and 31st May, 2025. respectively.

21. The Committee received nine structured memoranda from the following stakeholders— Yellow Card Kenya, Virtual Assets Chamber, Anjarwalla & Khanna, Credence Africa, Oxygene, Keega and Co. Advocates, Bowmans, Asset Recovery Agency, and Njogu & Associate Advocates.

22. The memoranda are annexed to this report as Annexure 7. They stated as follows:

Clause By Clause Submission

Clause I

YELLOW CARD KENYA

23. The stakeholder proposed deleting “Service Providers” and maintain the Virtual Assets Act, 2025 title. The Bill should cover the usage of Virtual Assets as a whole and not only the service providers. For example, it also covers the regulators, the assets, and the service providers. Some jurisdictions, such as Botswana, have adopted this

approach, which creates a broader title rather than only the service providers and would apply to other financial service providers that may venture into this industry.

Committee Observation

The Committee observed that the objective of the Bill is to primarily regulate service providers within the Virtual Assets ecosystem.

Clause 2

YELLOW CARD KENYA

Clause 2 on the definition of ‘Stablecoin’

24. The stakeholder proposed deleting the definition of the “stablecoin” and replacing it with -

“means a virtual asset designed to have its value pegged to a specific reserve asset or a pool of reserve assets such as fiat currency, commodity or any other virtual currency with legal tender, for the purpose of maintaining its stable value.”

25. They noted that other regulators have gone ahead to specifically state that algorithm-based stablecoins are excluded. An Algorithm-based stablecoin is a stablecoin that purports to maintain a stable value via protocols that provide for the increase or decrease of the supply of the stablecoins in response to changes in demand;

Committee Observation

The Committee observed that the definition as provided is sufficient and all-encompassing to keep the legislation future proof.

CREDENCE AFRICA

26. The stakeholder proposed replacing the definition of ‘stablecoin’ with ‘asset-referenced token’ to adopt a broader, functionally inclusive definition that accommodates both flat-pegged and multi-asset pegged digital assets as follows:

“Asset-referenced token’ means a crypto-asset that aims to maintain a stable value by referencing one or more assets, including fiat currencies, commodities, or other crypto-assets, and that may use reserves, algorithms, or other mechanisms to maintain that value.”

Committee Observation

The Committee observed that the industry global best practice is to adopt the definition of stablecoin as captured in the Bill. Asset referenced token maybe unnecessarily broad.

Clause 2 on the definition of ‘Virtual asset’

YELLOW CARD KENYA

27. Delete the definition of “Virtual asset” and replace with-

“Virtual asset” means a digital representation of value that may be digitally traded, or transferred, and may be used for payment or investment purposes. It also includes digital representation of value that is intended to represent a real-world asset on blockchain or any other technology, whether cryptographically-secured or

otherwise, and that may confer rights, obligations, claims, or benefits associated with the underlying real-world asset; or backed up by assets held as collateral or reserved assets for the purpose of maintaining a stable value”

28. The current provision excludes digital representation of real-world assets, which are an integral part of virtual assets, and also seems to exclude stable coins, which, even if they are pegged to a value and do not fluctuate in value, are still virtual assets.

Committee Observation

The Committee agreed with the stakeholder.

CREDENCE AFRICA

29. The definition ‘virtual asset’, as drafted, relies on subjective economic function and fails to capture modern crypto instruments beyond payment and investment tokens. Hence, replace the definition with a broader, more precise formulation that is legally coherent and globally consistent to read as follows:

“Virtual asset’ means a digital representation of value that is not issued or guaranteed by a central bank or public authority, is not necessarily attached to a legally established currency, and is capable of being transferred, stored, or traded electronically. It may be used for payment, investment, or access to goods, services, or rights. It excludes digital representations of fiat currency, e-money, securities, or other financial instruments regulated under separate legislation.”

Committee Observation

The Committee observed that the proposal by the stakeholder to define the term virtual assets in the negative may not be desirable and preferred to adopt the definition as proposed by Yellow Card.

OXYGENE

30. The stakeholder proposed the amendment of the definition of a ‘virtual asset’ by adding the word ‘owned’ before the words ‘digitally traded or transferred’ to provide for legal recognition of digital assets as a form of digital value.

Committee Observation

The Committee observed that ownership is inherent and need not be captured expressly.

NJOGU & ASSOCIATES ADVOCATES

31. The stakeholder proposed amending the definition of Virtual assets to read as follows;
"Virtual Asset" means a digital representation of value that can be digitally traded or transferred and can be used for payment, investment, betting, or as a medium of exchange in gaming activities, including but not limited to cryptocurrencies, utility tokens, betting coins and does not include digital representation of fiat currencies, securities and other financial assets."

32. The stakeholder highlighted that formally recognizing betting coins (e.g., tokens used exclusively for wagering) and virtual assets as a medium of exchange in gaming prevents regulatory arbitrage and ensures consumer protection. Without clear definitions, fraudulent schemes could exploit legal gaps.

Committee Observation

The Committee observed that reference to specific use cases i.e. betting would be undesirable. The definition as adopted is broad enough to cover all other use cases including usage in betting activities.

Clause 2 on the definition of ‘Competent Authority’

CREDENCE AFRICA

33. Amend the definition of ‘competent authority’ to accommodate the cross-sectoral regulatory perimeter within which Virtual Asset Service Providers (VASPs) operate in Kenya including market conduct, data protection and digital communications infrastructure. Recognizing additional regulators within the statutory definition shall enhance legal clarity, seal enforcement gaps and strengthen inter-agency coordination. The clause could be amended to read as follows:

“‘Competent authority’ means the Central Bank of Kenya, the Capital Markets Authority, the Competition Authority of Kenya, the Office of the Data Protection Commissioner, the Communications Authority of Kenya, or any other body designated as such by the Cabinet Secretary by notice in the Gazette.”

Committee Observation

The Committee agreed with the proposal by the stakeholder.

Clause 2 on the definition of ‘E-Money’

CREDENCE AFRICA

34. Delete the definition of ‘e-money’ under the National Payment Systems Regulations, 2014 as it is outdated, unused elsewhere in the Bill and conceptually incompatible with the operational and technological realities of modern crypto-assets.
35. Instead, introduce a new definition for ‘e-money token’ that accurately captures fiat-pegged crypto for payments to read as follows:

“‘e-money token’ means a type of crypto-asset that purports to maintain a stable value by referencing the value of one official currency and is intended primarily as a means of payment.”

Committee Observation

The Committee resolved to delete the definition of e-money as the term is not used in the text of the Bill.

Clause 2 on the definition of ‘Custodial wallet provider’ and ‘Custodial wallet’

CREDENCE AFRICA

Report of the Departmental Committee on Finance and National Planning on the Consideration of The Virtual Assets Service Providers Bill, 2025 (National Assembly Bills No. 15 of 2025)

36. Amend the definitions of ‘custodial wallet provider’ and ‘custodial wallet’ to reflect a broader and more accurate understanding of custody, one that is based on functional control, delegated authority, and the capacity to influence asset transfer or access. This shall ensure the law adequately captures the full range of actors who present risk to users and markets, improving regulatory reach and strengthening consumer protection. The terms could be amended to read as follows:

“‘Custodial wallet provider’ means any natural or legal person that provides safekeeping, administration, or control services in relation to virtual assets on behalf of third parties. This includes private key custody, delegated transaction authority, multi-signature access, escrow-based conditional control, or smart contract-based access management.”

“‘Custodial wallet’ means any digital wallet, platform, or contract-based arrangements where virtual assets are stored or made accessible under the control of a third party, whether through key custody, conditional locks, delegated execution rights, or governance protocols.”

37. Additionally, include disaggregating virtual asset services in the First Schedule to distinguish between key safekeeping, escrow management, delegated transaction execution and smart contract-based access control. This is because their aggregation, as drafted, fails to reflect material differences in service delivery, user interaction and regulatory exposure.

Committee Observation

The Committee observed that the definitions provided for in the Bill are sufficiently broad to cover all other aspects associated with a custodial wallet.

Clause 2 on the definition of ‘Issuer’ and ‘Virtual asset offering’

CREDENCE AFRICA

38. Replace the definitions of ‘Issuer’ and ‘Virtual asset offering’ as they are overly narrow, structurally outdated and insufficient to address the operational realities of today’s crypto-asset ecosystem. The new proposed definitions could read as follows:

“‘Issuer’ means a natural or legal person or any other undertaking, that creates, originates, or otherwise makes available crypto-assets to the public, either through an initial offering or any subsequent issuance mechanism.”

“‘Initial virtual financial asset offering’ means a method of raising funds whereby an issuer is issuing virtual financial assets and is offering them in exchange for fiat currency or other virtual assets.”

Committee Observation

The Committee agreed to adopt the definition of issuer as proposed by the stakeholder.

Clause 2 on the definition of ‘Virtual service token’

CREDENCE AFRICA

39. Amend the definition of ‘virtual service token’ to ensure regulatory precision based on economic function and address the reality of programmable tokens and evolving features to read as follows:

“Virtual service token’ means a type of crypto-asset that is intended solely to grant digital access to a specified good, content, service, or function provided within a closed or limited ecosystem and does not confer any rights of ownership, profit participation, payment, redemption, investment return, or governance in respect of the issuer or any third party. A token shall not be deemed a virtual service token if it:

- (a) is transferable or exchangeable, directly or indirectly, for fiat currency or any other crypto-asset;*
- (b) is used or marketed as a means of payment, investment, or value transfer outside the limited ecosystem in which access is granted;*
- (c) is traded, or reasonably expected to be traded, on a crypto-asset exchange, decentralized protocol, or peer-to-peer marketplace; or*
- (d) is offered, advertised, or promoted in a manner that implies speculative value, resale potential or capital gain*
- (e) is a utility token or non-financial access token*

‘Utility token’ means a crypto-asset that is intended to provide access to a specific digital application, network, platform, or protocol, and that may be used within such platform to consume services, interact with features, or activate functions, but which does not entitle the holder to any financial return, asset backing, or governance right beyond its defined utility function.

‘Non-financial access token’ means a digitally issued token confers access to a personal, non-transferable service, such as memberships, subscriptions, event access, or digital entitlements, and is neither tradable nor exchangeable outside the issuer’s-controlled environment.”

Committee Observation

The Committee agreed with the stakeholder in the proposed definition of a virtual service token.

Clause 2 on the definition of ‘Virtual asset trading platform’

CREDENCE AFRICA

40. Amend the definition to provide for both centralized and decentralized models, align regulation with function and encompass smart contract-based and protocol-level trading. The clause could read as follows:

“Virtual asset trading platform’ means any digital interface, software protocol, or technological infrastructure whether centralized, decentralized, or hybrid that facilitates the exchange, trading, or matching of virtual assets with other virtual assets of fiat currency, on behalf of users or participants, and which derives direct or indirect economic benefit from such facilitation.

This includes, but is not limited to:

- (a) Platforms that match, aggregate, or execute trades between counterparties;*
- (b) systems that provide or integrate access to liquidity pools, automated market makers, or smart contracts for trading purposes;*
- (c) entities that exercise custodial or administrative control over virtual assets to facilitate exchange, settlement, or order execution;*
- (d) operators that act as principal to the trade by purchasing virtual assets from a seller for onward sale to a buyer; and*
- (e) service providers offering decentralized interfaces, protocols, or algorithms that perform these functions autonomously or via delegated access.*

A platform shall be deemed a virtual asset trading platform if it enables users in Kenya to transact, irrespective of its place of incorporation, operational model, or underlying technology.”

Committee Observation

The Committee resolved that the definition provided for in the Bill is sufficient.

New Proposal

NJOGU & ASSOCIATES ADVOCATES

New definition on “Virtual Assets betting/gaming” and “Virtual Assets Gaming Operator”

41. The stakeholder proposed amending the clause by inserting a new definition of “Virtual Assets betting/gaming” and “Virtual Assets Gaming Operator” to allow for inclusivity of the gaming/ betting industry in the provision of virtual assets services to avoid a regulatory gap and eliminate ambiguity. The new definitions should read as follows:

“Virtual Assets betting/gaming” means any form of betting, gambling, or wagering where virtual assets are used for stakes, payouts, or prizes. “Virtual Assets Gaming Operator (VAGO)” means any licensed entity offering betting, lottery, casino games, or other gambling services using virtual assets.

Committee Observation

The Committee observed that virtual assets can be used for a number of activities ranging from payments, investments and therefore the definition of virtual assets as captured anticipates all other uses including betting.

Clause 3(I)

CREDENCE AFRICA

42. The Stakeholder noted that the proposal wrongly limits the scope to only incorporated and licensed entities, creating a regulatory blind spot. FATF Recommendation 15 applies to both natural and legal persons engaged in VASP functions, even if unlicensed. Therefore, they proposed amending the clause to read as follows:

“A virtual asset service provider means any natural or legal person, or other undertaking, that conducts one or more of the activities listed in the First Schedule, regardless of legal form or licensing status, and whether centralised or decentralised.”

Committee Observation

The Committee acknowledged the stakeholder's proposal but noted that the Bill prohibits individuals from providing virtual asset services.

ANJARWALLA & KHANNA (ALN) LLP

43. ALN proposed expanding the eligibility to be a VASP to include partnerships and LLPs that meet the capitalization requirements. The stakeholder noted that the Bill restricts VASPs only to companies registered under the Companies Act, while excluding other legal entities.

Committee Observation

The Committee agreed with the Stakeholder.

Clause 3(2)

CREDENCE AFRICA

44. Delete the blanket exemption and replace with, “Service tokens that are non-transferable, non-tradable, and non-exchangeable may be exempt, provided they meet criteria set by the regulator through subsidiary legislation.” This shall introduce a functional test, ensuring that economic substance, not labels, determines the scope of virtual asset tokens as well as reflects emerging practices in VASP and aligns with FATF guidelines and international practice.

Committee Observation

The Committee agreed with the stakeholder.

OXYGENE

45. The stakeholder proposed the classification of virtual service tokens as virtual assets to ensure they are regulated under the scope of this Bill and prevent their use in money laundering.

Committee Observation

The Committee observed that the excluded Virtual Service Tokens are the non-tradable or tokens that can't be used for speculative or other commercial use.

Clause 4

CREDENCE AFRICA

46. The proposal lacks clarity on regulatory purpose and alignment with FATF obligations and as such amend to read as follows:

“To license and regulate virtual asset activities in and from Kenya, in line with risk-based principles, international standards, and obligations under anti-money laundering and consumer protection frameworks.”

Committee Observation

The Committee acknowledged the proposal by the stakeholder.

Clause 5(2)

CREDENCE AFRICA

47. The clause, as drafted, provides for overly broad exclusions that undermine flexibility and responsiveness. Functional and risk-based exclusions offer better protection than static legislative carve outs, therefore, amend the proposal to read as follows:

“This Act shall not apply to instruments or systems explicitly excluded by the regulator on the basis of a published risk assessment and subject to periodic review.”

Committee Observation

The Committee observed that the intention in the Bill was to exclude the specific items captured, the proposed text by the stakeholder is too broad.

Clause 5 (2) (b)

NJOGU & ASSOCIATES ADVOCATES

48. The stakeholder proposed amending the clause to read as follows;

(b) digital representation of fiat currencies issued by the Central Bank of Kenya unless used for betting or gaming transactions, in which case they must comply with CBK and BCLB regulations.

49. They noted that permits for fiat-backed stablecoins for betting, subject to CBK oversight, prevents unbacked "betting coins" from evading regulation.

Committee Observation

The Committee observed that the exclusion as captured in the Bill is sufficient.

Clause 6

CREDENCE AFRICA

50. Amend the proposal to explicitly allocate regulatory mandates based on the nature of the virtual asset service or product, referencing the functional categories outlined in the First Schedule. This will eliminate jurisdictional ambiguity, align with FATF's risk-based and multi-agency oversight model and supports legal certainty and market confidence.

Committee Observation

The Committee agreed with the submission by the stakeholder.

VIRTUAL ASSETS CHAMBER

51. The Virtual Assets Chamber proposed the deletion of Clause 6 and proposed replacing it with the following:

Establishment of a joint Virtual Asset Regulatory Authority

1. *There shall be a joint regulatory authority called the Virtual Asset Regulatory Authority (VARA)*

2. *The joint regulatory authority shall be made up of:*

(a) Capital Markets Authority established under Section 5 of the Capital Markets Act;

(b) the Central Bank of Kenya established under Article 231(1) of the Constitution; or

(c) any other public body established under a written law that the Cabinet Secretary may, by notice in the Kenya Gazette, designate as such."

52. The stakeholder was of the opinion that the proposal would centralize and harmonize regulation of virtual assets by providing a one-stop shop for all matters relating to virtual assets.

Committee Observation

The Committee agreed with the submission by the stakeholder.

ANJARWALLA & KHANNA (ALN) LLP

53. The stakeholder proposed the establishment of an inter-agency regulatory authority, such as a Joint Virtual Assets Regulatory Authority, to mitigate potential jurisdictional overlap. The ALN LLP noted that the Bill assigns dual designation of certain services to multiple regulatory authorities, thus creating the risk of unclear lines of responsibility.

Committee Observation

The Committee agreed with the submission by the stakeholder.

NJOGU & ASSOCIATES ADVOCATES

54. The stakeholder proposed amending the clause to include;

"(c) the Betting Control and Licensing Board (BCLB) established under section 3 of the Betting, Lotteries and Gaming Act;"

55. The stakeholder noted that adding the Betting Control and Licensing Board (BCLB) to the regulatory authorities will ensure that the Capital Markets Authority, the Central Bank of Kenya and the Betting Control and Licensing Board (BCLB) work together in regulating both the financial sector and the betting sector when it comes to Virtual Assets Services.

Committee Observation

The Committee observed that the designated regulators are meant to oversee the licensing and regulation of virtual assets service providers generally.

Clause 6(a), (b), and (c)

YELLOW CARD KENYA

56. Delete “Capital Markets Authority” and “Central Bank of Kenya” and add:

“There shall be an Authority called the Virtual Assets Regulatory Authority of Kenya. The Virtual Assets Regulatory of Kenya shall be made up of expertise from the Capital Markets Authority, the Central Bank, other financial services regulators, and virtual Assets Industry experts.”

57. The current provision makes both the Capital Markets Authority and the Central Bank of Kenya as the regulatory Authorities, which is going to be very bureaucratic for a start-up industry. Having two regulators is against global standards of innovation and makes it uncertain for the industry players, creating an issue of overregulation.
58. The Virtual Assets Industry falls outside both the Capital Markets and Central bank mandate, and while both regulators might have aspects of their mandate to oversee the Virtual Asset industry, it does not fall within traditional finance, and therefore, a non-bank regulator is the better option. Although still within the financial services industry, it is not traditional finance, and therefore, introducing a new regulator is better.

Committee observation

The Committee agreed with the submission by the stakeholder.

Clause 7

CREDENCE AFRICA

59. Amend the clause to include clear, risk-sensitive and accountability-based powers with codified inter-agency coordination, align with global best practice and ensure public transparency through building market trust to read as follows:
- “7(1) The relevant regulatory authorities shall exercise their functions in accordance with the following principles:*
- (a) Risk-Based Supervision – Regulatory action and licensing requirements shall be proportionate to the nature, scale, complexity, and risk profile of the virtual asset service provider or activity.*

- (b) *Functional Allocation – Each regulatory authority shall act within its designated jurisdiction as defined under Section 6 and the First Schedule.*
- (c) *Collaborative Regulation – Regulatory authorities shall enter into binding Memoranda of Understanding (MoUs) to ensure consistent supervisory approaches, information sharing, and cross-border cooperation.*
- (d) *Public Guidance and Consultation – All binding rules, codes, or circulars with industry impact must be preceded by public notice and a comment period of not less than 21 days unless issued in emergency.*
- (e) *Annual Reporting – Each regulatory authority shall submit an annual report to Parliament detailing licensing activity and compliance outcomes, enforcement actions taken, risk assessments conducted, and recommendations for regulatory improvement.”*

7(2) The regulatory authorities may issue joint guidance or circulars on matters requiring cross-functional supervision including:

- (a) Virtual asset custody and safekeeping;*
- (b) Decentralized finance protocols;*
- (c) Cross-border offering and offshore token issuers targeting Kenyan residents’*
- (d) Data protection and cybersecurity in blockchain systems.”*

Committee Observation

The Committee agreed with the stakeholder and agreed to harmonize.

Clause 7

ASSET RECOVERY AGENCY

60. The Asset Recovery Agency (ARA) proposed the amendment of the Bill to provide for distinct functions of each regulator, i.e., the Central Bank of Kenya, the Capital Markets Authority (CMA), and others to be designated by the Cabinet Secretary. The stakeholder submitted that the Bill creates ambiguity and can complicate enforcement, especially in cases where swift action is required.

Committee Observation

The Committee acknowledged the submission by the stakeholder

Clause 8

CREDENCE AFRICA

61. The instant clause does not explicitly provide for consumer and investor protection and omits financial inclusion and global cooperation. In addition, there is a drafting error, repetition of subclause (b). Therefore, amend the clause to read as follows:

“In exercising their powers and discharging their functions under this Act, the relevant regulatory authorities shall be guided by the following principles—

- (a) To safeguard the integrity, stability, and resilience of the financial and virtual asset ecosystem;
 - (b) To promote a proportionate and risk-based approach to regulation that aligns regulatory requirements with the scale, complexity, and risk profile of the service provider or activity;
 - (c) To ensure the protection of consumers, users, and investors, including safeguards against fraud, unfair practices, financial loss, and systemic exploitation;
 - (d) To foster responsible innovation, fair competition, and open market access while maintaining regulatory certainty for entrepreneurs and developers;
 - (e) To promote financial inclusion through equitable access to virtual asset services, especially for underserved or excluded segments of the population;
 - (f) To enhance transparency, accountability, and procedural fairness in regulatory guidance, licensing, and enforcement processes;
 - (g) To encourage domestic and cross-border cooperation between regulators, competent authorities, and international standard-setting bodies for the effective supervision of virtual asset activities;
 - (h) To prevent the abuse of virtual asset systems for money laundering, terrorism financing, market manipulation, or the circumvention of national laws and public policy objectives.”
-

Committee Observation

The Committee observed that the provisions on the functions of the authority are sufficient.

Clause 9(2)

CREDENCE AFRICA

62. Amend the clause to ensure compliance with FATF Recommendation 15 to encourage proportionality in regulation; provide exemptions or simplified regimes for micro-entities; and support innovation by enabling small-scale operators to test solutions under controlled conditions. The clause could read as follows:

“For the avoidance of doubt, a natural person or a startup, or a micro enterprise shall not carry on, or purport to carry on, in or from within Kenya, the business or virtual asset services, unless operating under a regulatory sandbox or simplified licensing regime as prescribed by the relevant regulatory authority.”

Committee Observation

The Committee observed that the intention of the framework is to exclude natural persons from offering virtual asset services.

NJOGU & ASSOCIATE ADVOCATES

63. The stakeholder proposed amending the clause to read as follows;

“(2) A person shall not operate a virtual asset betting/gaming platform unless licensed by the Capital Markets Authority (CMA) and has a permit from the Betting Control and Licensing Board (BCLB).”

64. They noted that this will ensure that the Betting Control and Licensing Board has oversight over the virtual assets gambling/gaming. Additionally, it will prevent money laundering; (unlicensed offshore crypto betting platforms often evade Kenya’s AML laws, leading to revenue losses) and will enhance consumer protection; (mandatory licensing ensures provably fair algorithms).

Committee Observation

The Committee observed that the proposal would expand the scope of the powers of the Capital Markets Authority and regulation of betting and gaming activities including via the use of virtual assets should be captured in the Principal Act.

Clause 10(2)

CREDENCE AFRICA

65. Amend the proposal to create a framework which tier licenses based on activity class and enhance predictability and supervisory focus in line with the FATF’s risk-based approach to read as follows:

“The relevant regulatory authority shall issue guidelines that classify virtual asset services by risk tier and provide corresponding supervisory expectations. Such guidelines shall include:

- (a) a tiered licensing framework based on size, complexity, and risk; and*
- (b) thresholds for exempted or simplified licensing for low-risk activities.”*

Committee Observation

The Committee observed that there is need to classify the licensing into three categories, see comments on the First Schedule.

NJOGU & ASSOCIATES ADVOCATES

66. The stakeholder proposed amending the clause to read as follows;

10. (1) An eligible person may apply for a licence to operate as a virtual asset service provider conducting or offering one or more of the activities listed in the First Schedule to this Act.

(2) A licensed Virtual Assets Service Provider may operate a Virtual Assets betting exchange, provided that:

- (a) It segregates user funds from operational funds;*
- (b) It implements real-time transaction monitoring for fraud detection; and*

(c) It complies with gaming fairness standards as prescribed by the Betting Control and Licensing Board

(3) The relevant regulatory authority may issue guidelines with respect to the virtual assets listed in the first Schedule to this Act.

(4) For avoidance of doubt, only the persons specified under section 3(1) are eligible to be licensed to undertake virtual asset services under this Act.

67. The stakeholder noted that a licensed virtual assets-betting exchange would ensure secure and traceable transactions under CMA oversight thereby reducing exposure to scams.

Committee Observation

The Committee observed that the proposal is beyond the scope of the Bill, any betting or gaming activities within the virtual assets ecosystem should be regulated under the principal statute.

Clause 11

VIRTUAL ASSETS CHAMBER

~~68. The stakeholder proposed an amendment to Clause 11(2) so as to provide for a timeline within which the regulatory authority shall give feedback to an applicant for a virtual asset service provider license. The stakeholder proposed a period of 90 days.~~

Committee Observation

The Committee agreed with the stakeholder.

Clause 11(6)

CREDENCE AFRICA

69. Amend the clause to align with the FATF guidelines on requirement for public registers to improve transparency and enhance market trust and facilitate AML compliance by counterparties to read as follows:

“The relevant regulatory authority shall maintain and publish a public register of all licensed virtual asset service providers, including details of the license status, class of license, and principal business address.”

Committee Observation

The Committee observed that the proposal to maintain and publish a register is provided for in clause 18.

Clause 12 (k)

VIRTUAL ASSETS CHAMBER

70. Virtual Assets Chamber proposed that Clause 12 (k) of the Bill be deleted. The stakeholder argued that VASPs often operate in multiple jurisdictions thus requiring no-objection letters from each regulator would create unnecessary delays and administrative burdens. They proposed that the Bill provide for a requirement to disclose existing licenses and any regulatory actions, allowing local authorities to assess suitability without undue hurdles.

Committee Observation

The Committee observed that the clause is meant to allow the involvement of other regulatory agencies i.e. in the insurance sector or any other sector.

OXYGENE

71. Amend the Clause to provide that where the licensing authority is also the sector regulator, the requirement for a separate no-objection shall not apply. The stakeholder submitted that the provision in the Bill doesn't address the scenario where the regulatory authority issuing the VASP license is the same as the relevant regulator required to provide a no-objection.

Committee Observation

The Committee acknowledged the submission by the stakeholder.

Clause 12(h) and (m)

CREDENCE AFRICA

72. Amend the clause to reflect inclusion of sustainability criteria and weed out predatory services and ensure adherence to administrative fairness and good regulatory practice to read as follows:

“(h) the likelihood that the service shall promote innovation, environmental sustainability, financial inclusion, and benefits to consumers.”

“(m) whether the applicant has been afforded an opportunity to respond to any adverse findings prior to final determination of licensing.”

Committee Observation

The Committee observed that the proposed considerations are sufficient.

Clause 13(4)

NJOGU & ASSOCIATES ADVOCATES

73. The stakeholder proposed amending to read as follows;

(4) "Any entity licensed to issue a virtual asset primarily designed for betting (a 'betting coin') must:

- (a) Disclose its tokenomics, supply mechanism, and redemption policies;
- (b) Ensure provably fair algorithms for gaming use cases; and
- (c) Maintain reserves or liquidity pools to back the token's value if pegged to fiat or another asset."

74. The stakeholder noted that formalizing betting coins as regulated blockchain tokens reduces fraud risks.

Committee Observation

The Committee observed that licensing for betting activities ether via virtual assets or any other form of assets should be provided for in the principal Act.

Clause 13(5)

CREDENCE AFRICA

75. Amend the proposal to reinforce procedural fairness and explicitly provide appellate frameworks to challenge supervisory decisions to read as follows:

"A person aggrieved by a licensing condition, rejection, or variation shall have a right to apply for internal review and appeal to the Financial Services Tribunal within thirty days."

Committee Observation

The Committee observed that clause 44 of the Bill will provide for mechanisms of appeal.

Clause 14

VIRTUAL ASSETS CHAMBER

76. Virtual Assets Chamber proposed the deletion of Clause 14 that provides for the validity period of a license as the time it is issued until the 31st of December of the same year. Instead, the stakeholder proposed that the validity period of a license be 12 months from the time it is issued since requiring licenses to be renewed on the 31st December of the year it is issued may create unnecessary administrative burdens for both the regulator and the VASPs

Committee Observation

The Committee agreed with the stakeholder

YELLOW CARD KENYA

77. This Clause should be headed as duration and renewal of a license

(1) A licence issued under this Act shall be valid from the date it is issued and shall expire on the 31st December of the year it is issued.

78. The Clause does not provide for renewal and a grace period within which to renew. Therefore, there is a proposal that all licensees have 90 days from the date of expiry of the license to apply for renewal. So, all renewals should be granted by 31st March. And roll over the ones that are granted in the last 90 days prior to 31 December, and consider pro-rated fees.

Committee Observation

The Committee agreed with the stakeholder

OXYGENE

79. Amend the Clause to provide that a license issued under the Act shall be valid for one financial year from the date of issuance. The stakeholder cited that the provision disproportionately disadvantages licensees who are granted a license later in the year.

Committee Observation

The Committee agreed with the stakeholder

ANJARWALLA & KHANNA (ALN) LLP

80. Amend the Clause to introduce rolling license expiry dates based on the date of issuance of the license. The stakeholder submitted that the provision in the Bill has the potential to create administrative inefficiencies for both VASPs and regulatory authorities

Committee Observation

The Committee agreed with the stakeholder.

Clause 14(2) and 16(1)(f)

CREDENCE AFRICA

81. Amend the proposal to introduce clarity and business continuity and provide guidelines on cause-based revocation to read as follows:

“14(2) A license shall be renewable annually subject to ongoing compliance and the payment of the prescribed renewal fee.”

Committee Observation

The Committee agreed with the stakeholder in principle

“16(1)(f) the license has repeatedly breached fair market conduct obligations, including misrepresentation or conflicts of interest.”

Committee Observation

The Committee agreed with the stakeholder

Clause 17(1)

CREDENCE AFRICA

82. Amend the proposal to clarify timelines for submission and introduce mandatory clearance certificate from regulatory authority to complete surrender to read as follows:

“A licensee shall not be deemed to have surrendered a license until a formal clearance certificate is issued by the relevant regulatory authority, confirming discharge of all liabilities and obligations under this Act.”

Committee Observation

The Committee agreed with the stakeholder

Clause 17(1)(c)

CREDENCE AFRICA

83. Expand the clause’s scope to specify independent auditor verification of client asset reconciliation by adding the, “... *accompanied by an auditor-certified report on the reconciliation and transfer of all client assets...*” This will protect consumer funds and align with FATF’s recommendations on safeguarding client assets during license wind-down.

Committee Observation

The Committee observed that the clause already provides for sufficient safeguards and in any case 17(1)(f) provides for any other relevant information that the regulator may deem necessary.

Clause 17(2)(b)

CREDENCE AFRICA

84. Amend the proposal to make protection of customers a mandatory responsibility during surrender by adding that, “...*shall issue specific protective directions to safeguard customer assets and interests during the wind-down process.*” This reinforces a duty of care and increases regulator accountability.

Committee Observation

The Committee observed that the clause already provides for sufficient safeguards and in any case 17(1)(f) provides for any other relevant information that the regulator may deem necessary.

Clause 18(1)

CREDENCE AFRICA

85. Amend the clause to include an obligation to publicly publish a searchable and regularly updated online register by adding that, “...and shall publish and maintain the register in a publicly accessible electronic format updated on a quarterly basis.” This will enhance transparency and market confidence; digital disclosure and registry practices.

Committee Observation

The Committee observed that the clause already provides for publication on the regulator’s website.

Clause 18(1)(c)

CREDENCE AFRICA

86. Amend to improve regulatory transparency and investor due diligence and align with FATF emphasis on transparency in supervision by adding that, “...including date of issuance, expiry, current status, and any material license conditions imposed.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 19(1)

CREDENCE AFRICA

87. Amend the provision to ensure inclusion of beneficial owners and key functionaries, align with FATF Recommendations 10 and 26 and prevent circumvention through indirect control or shadow appointments. The clause can be amended to read as follows:

“A licensee shall not appoint or retain a director, senior officer, beneficial owner, significant shareholder or key function holder unless that person is determined to be fit and propose in accordance with criteria prescribed by the regulatory authority and subject to ongoing assessment.”

Committee Observation

The Committee observed that beneficial owners need not be included, the fit and proper assessment should be for persons bestowed with the responsibility to manage and oversee the business.

Clause 19(2)

YELLOW CARD KENYA

88. Amend the entire provision for the “*fit and proper*” test and approval requirements could inadvertently create high entry barriers for young, local entrepreneurs who may not have extensive professional track records or prior leadership experience in regulated sectors.
89. Emerging founders, especially in developing markets, may struggle to meet stringent financial or professional standards, discouraging local innovation and participation in the VASP sector.

Committee Observation

The Committee observed that fit and proper assessments are standard in financial services ecosystem to ensure competence.

Clause 19(2)(c)

CREDENCE AFRICA

90. Amend the proposal to bring focus to sector-specific expertise and avoid licensing of nominal professionals with no actual grasp of blockchain, crypto or cyber-risk issues through the use of language requiring evidence of continuing professional development or demonstrated knowledge of virtual asset services.
-

Committee Observation

The Committee observed that the clause is sufficient adding any further requirements may impose onerous and unattainable requirements.

Clause 19(2)(f)

CREDENCE AFRICA

91. Amend the proposal to include contraventions of data protection, cybersecurity, financial services or consumer protection laws in Kenya or any jurisdiction where the person has previously operated. This shall enhance cross-jurisdictional scrutiny and ensure individuals of questionable records in other states are not able to act locally under a new entity.

Committee Observation

The Committee agreed with the stakeholder.

Clause 19(2)(g)

CREDENCE AFRICA

92. Amend the clause for clarity and ensure enforceability by focusing on both current and historical financial responsibility. The clause should be clarified to read as follows:
“the persons’ financial soundness, solvency status, ability to meet financial obligations, and absence of unmitigated financial distress or credit risk.”

Committee Observation

The Committee agreed with the stakeholder.

New Proposals to Clause 19

CREDENCE AFRICA

93. Introduce a new sub-clause (h) for proactive inclusion of regulatory history requirement for public trust and market stability in line with FATF Recommendations. The new proposed sub-clause (h) could read as follows:

“has not been the subject of adverse regulatory findings or public sanctions related to financial services, digital assets, or technology governance in the past 10 years.”

94. Introduce a new sub-clause (i) to align the provision with ongoing due diligence norms under the FATF Recommendation 26 and to remove false comfort of once-off clearance and ensure removal of bad actors even post-licensing. The new sub-clause could read as follows:

“fit and purpose assessments shall be ongoing and subject to regulatory review upon any material change in control, ownership, or operational responsibilities.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 19(2)(a)

CREDENCE AFRICA

95. Amend the clause to broaden scope beyond probity to encompass decision-making, ethics and regulatory history by replacing with, *“the person’s integrity, competence, professional conduct, decision-making capacity and record of regulatory compliance.”*

Committee Observation

The Committee acknowledged the stakeholder’s submission and resolved harmonize.

Clause 20(1)

CREDENCE AFRICA

96. Amend the proposal to accommodate innovation while ensuring accountability in the operations of VASPs to read as follows:

“A virtual asset service provider shall maintain a principal place of business in Kenya, which may include a physical or virtual office that enables effective regulatory oversight.”

Committee Observation

The Committee observed that the requirement for a physical office is necessary for regulatory purposes.

New sub-clause to Clause 20

CREDENCE AFRICA

97. Introduce a new provision to align with best practices under the FATF Recommendations 15 and 26 and balance regulatory oversight with operational flexibility and to read as follows:

“A virtual asset service provider shall appoint a compliance officer or authorized representative resident in Kenya, responsible for regulatory liaison and ongoing compliance.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 21

VIRTUAL ASSETS CHAMBER

98. The stakeholder proposed that Clause 21 (1) of the Bill be deleted. The stakeholder was of the opinion that limiting the number of licensees one can be a director in to two only may unduly limit access to experienced professionals and stifle growth, particularly for startups. They noted that some investors may have an interest in more than two VASPs and would need directorship as a consideration for their investments. Some innovators may also have various VASP services they want to roll out to market.

Committee Observation

The Committee agreed with the stakeholder.

OXYGENE

99. The stakeholder proposed the inclusion of the following new provision in subsection (1),

“An exemption shall apply to licensees with existing board structures established prior to the commencement of this Act; however, in such cases, the Chairperson of the Board shall not serve as the Chairperson of any other board under this Act.”

100. The stakeholder submitted that by allowing this exemption, the amendment will strike a balance between flexibility and accountability.

Committee Observation

The Committee noted the stakeholder’s proposal but observed that the clause.

Clause 21(1)

CREDENCE AFRICA

101. Expand the clause to specify qualifications or diversity of expertise to read as follows:

“... each director shall be a fit and proper person and collectively, the board shall demonstrate expertise in finance, technology, compliance and risk management.”

Committee Observation

The Committee noted the proposal but observed that such requirements may not need to be included in the statute.

New sub-clause (f) to Clause 21(3)

CREDENCE AFRICA

102. Introduce a new sub-clause (f) to provide internal control frameworks to ensure resilience and regulatory trust to read as follows:

“has implemented an internal control framework, including independent compliance and audit functions appropriate to the size and complexity of the business.”

Committee Observation

The Committee observed that this proposal is already provided for under clause 21(3)(d).

New sub-clause (d) to Clause 22(1)

Clause 22(2)

CREDENCE AFRICA

103. Expand the enforcement clause to incorporate a graduated penalty matrix to avoid binary enforcement by adding, *“...and shall be subject to both criminal and administrative penalties, proportionate to the severity of the breach and potential for consumer or systemic harm.”*

Committee Observation

The Committee noted the submission by the stakeholder and observed the need to clean up the penal provisions.

Clause 23(1)

CREDENCE AFRICA

104. Amend the clause to adopt proportionality in prudential thresholds by adding, “... *as determined by the regulatory authority in accordance with the risk profile, business model, and customer base of the licensee.*”

Committee Observation

The Committee noted the proposal by the stakeholder, but observed that it is subjective and may occasion subjective application to the detriment of stakeholders

Clause 23

ANJARWALLA & KHANNA (ALN) LLP

105. The stakeholder proposed the inclusion of crucial requirements that VASPs will be expected to comply with before the commencement of the Bill, as they are important considerations for stakeholders intending to engage in the virtual assets services business. The Bill provides that VASPs shall at all times maintain their business with capital, solvency, and insurance requirements as may be prescribed, but the Bill doesn't specify capital requirements or mandatory liquidity coverage ratios.

Committee Observation

The Committee noted the proposal by the stakeholder but observed that since virtual assets businesses are at a nascent stage prescribing specific capital requirements at this stage may be inhibitive and may stifle growth and innovation.

Clause 24(1)

CREDENCE AFRICA

106. Expand the proposal to provide for disclosure and mitigation of conflict of interest through traceable accountability. The clause can be amended by adding, “... *and ensure that these policies include disclosure obligations, escalation protocols, and regular internal audits to review compliance.*”

Committee Observation

The Committee noted the proposal, but observed that providing for such would be too prescriptive.

Clause 24(2)

CREDENCE AFRICA

107. Expand the clause to strengthen regulatory response options and align with FATF and IOSCO principles on governance and fiduciary responsibility by adding that, “...*including revocation of license where conflicts materially harm client interests or market integrity.*”

Committee Observation

The Committee observed that clause 40 already provides for revocation of license.

Clause 25

VIRTUAL ASSETS CHAMBER

108. The stakeholder proposed an amendment to Clause 25 (h) that provides that every virtual asset service provider shall at all times open and operate a bank account in Kenya for the purposes of this Act. The stakeholder proposed that the word “shall” be replaced with “may” to create some room for compliance. Additionally, the stakeholder submitted that Crypto companies have for the past 10 years been unable to access banking services due to an existing CBK cautionary notice restricting them from accessing banking services.

Committee Observation

The Committee observed that the requirement to maintain a bank account in Kenya is not an onerous requirement. In any event the cautionary notices have been due to lack of regulation.

Clause 25(a-b)

CREDENCE AFRICA

109. Expand the sub-clauses for clearer market conduct guidance on consumer protection by adding, “...in a manner that promotes fair market practices and protects clients from misinterpretation or exploitative terms.”

Committee Observation

The Committee observed that the requirements as captured are sufficient.

Clause 25(c)

CREDENCE AFRICA

110. Amend the provision to reference section 24 for better-cross referencing and consolidation. This will ensure the clause invokes structured conflict resolution and not just vague intent.

Committee Observation

The Committee observed that the cross-reference may not be necessary.

Clause 25(e)

CREDENCE AFRICA

111. Amend the clause to align the FATF Travel Rule and include digital know your customer (KYC) and ongoing surveillance protocols by adding that, “...including periodic risk assessments and transaction monitoring systems tailored to the nature of the VASP’s operations.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 25(i-j)

CREDENCE AFRICA

112. Amend the proposal to specify compliance with Kenya’s Data Protection Act and ensure harmonization with non-sectoral laws by adding, “... adhering to sectoral consumer data handling norms.”

Committee Observation

The Committee concluded that the clause provided in the Bill is sufficient.

Clause 25(k-l)

CREDENCE AFRICA

113. Expand the scope of the provision to ensure active governance as opposed to merely policy presence by adding that, “...and demonstrate testing of business continuity plans at least annually; complaint mechanism must include escalation and resolution timelines.”

Committee Observation

The Committee concluded that the clause provided in the Bill is sufficient.

Clause 25(m)

CREDENCE AFRICA

114. Amend the clause to reinforce alignment with expected future Kenyan law or provide for fallback to Organization for Economic Co-operation and Development (OECD) and/or United Nations Office for Drugs and Crime (UNODC) frameworks by adding, “...in accordance with the Whistleblower Protection Act (when enacted) or globally accepted standards.”

Committee Observation

The Committee concluded that the clause provided in the Bill is sufficient.

Clause 25(n-o)

CREDENCE AFRICA

115. Amend the proposal to leverage and align with International Organization of Securities Commission (IOSCO) principles on transparency and consumer education by adding digital asset literacy obligation and reporting thresholds for suspicious market conduct as a requirement for VASP.

Committee Observation

The Committee concluded that the clause provided in the Bill is sufficient.

Clause 25(p-q)

CREDENCE AFRICA

116. Amend the proposal to include the requirement for continuous professional training to ensure lifelong competency and to ensure staff are up to speed with evolving threats.

Committee Observation

The Committee concluded that the clause provided in the Bill is sufficient.

Clause 25(r)

CREDENCE AFRICA

117. Amend the clause to specify pre-offer disclosures and issuer risk scoring. His will ensure Kenyan VASPs offer clarity on token utility, risks and issuer solvency.

Committee Observation

The Committee concluded that the clause provided in the Bill is sufficient.

Clause 25(s)

CREDENCE AFRICA

118. Amend the clause to add, “...and maintain documentation evidencing due diligence for each associated party” as documentation is critical in demonstrating compliance during audits

Committee Observation

The Committee noted the stakeholder’s proposal but observed maintenance of documents is already provided for.

Clause 26(l) (f), (k)

VIRTUAL ASSETS CHAMBER

Delete clause 26, virtual assets service providers have a chief executive officer from inception, the issues of reporting, or offering ongoing notifications can be done by the compliance officer.

The Committee agreed with the stakeholder.

Clause 27

Clause 27(1)(b)

ANJARWALLA & KHANNA (ALN) LLP

119. Anjarwalla & Khanna LLP proposed an amendment to Subclause 1(b) to provide for the timeframe within which the relevant regulatory authority must respond to a notification of a material change. The stakeholder proposed that if the regulator doesn't respond within the recommended timeframe, then the change could be deemed approved.

Committee Observation

The Committee agreed with the stakeholder.

VIRTUAL ASSETS CHAMBER

120. The stakeholder proposed the deletion of Clause 27 (2)(l). They noted that the provision as is in the Bill would increase the difficulty of doing business.

Committee Observation

The Committee observed that the requirements are necessary to keep the regulator abreast with the material changes. In any event the requirements are industry standard.

Clause 27(2)(e)

YELLOW CARD KENYA

121. Amend to clarify what constitutes acquisition and controlling interest. In the case of a subsidiary VASP operating in Kenya, where the parent company is undergoing an IPO, does this represent a "material change," and does the relevant local regulator need to be notified for approval? Are events only related to the Kenya subsidiary level, or do they also involve events at the parent level? There is also a need for approval of share transfers, particularly in cases where there will be a majority controlling interest in the VASP, and not for every transfer, including the minor ones.

Committee observation

The Committee noted the submission by the stakeholder, however for global reorganizations of a business which has a subsidiary in Kenya, the requirement

for notification is necessary. The Committee has resolved to amend to provide for thresholds.

Clause 28

VIRTUAL ASSETS CHAMBER

122. The stakeholder proposed the deletion of Clause 28(1) and instead replacing it with a provision that gives the threshold for the percentage of shares that require reporting to those exceeding 10% of issued shares. The Bill provides that no shares in a licensee shall be issued and no shares shall be voluntarily transferred or disposed of without the approval of the regulatory authority. The stakeholder highlighted that a threshold ensures that only significant ownership changes are subject to regulatory scrutiny, aligning with practices in other regulated industries.

Committee observation

The Committee has resolved to amend to provide for thresholds.

ANJARWALLA & KHANNA (ALN) LLP

123. The stakeholder proposed the amendment of this Clause to allow for voluntary transfers and disposals without requiring prior approval if:

- i) It doesn't result in a change in control of the licensee.
- ii) The changes in ownership are not significant.

124. The stakeholder proposed the inclusion of thresholds for significant ownership changes that would require approval, e.g., exceeding a certain percentage.

Committee Observation

The Committee has resolved to amend to provide for thresholds.

Clause 29

CREDENCE AFRICA

125. Amend the clause to replace the Computer Misuse and Cybercrimes Act with Data Protection Act as the former only provides for offences for abuses while it is the latter that prescribes cybersecurity measures.

Committee Observation

The Committee resolved to include both statutes.

Introduce a new section 30A after Clause 30

CREDENCE AFRICA

126. Introduce a new section 30A immediately after the proposed section 30 to provide for a proportionate risk-aligned requirement that ensures VASPs maintain secure infrastructure and are not exposed to unmonitored digital threats. This shall allow the regulator to tailor audit expectations based on the complexity and risk classification of the license. The new proposed section 30A could read as follows:

“30A. System Audit Requirement:

(1) A licensee shall, at least once every two years, commission a system audit by a certified IT auditor to assess its digital infrastructure, data security, transaction integrity, cybersecurity preparedness, and operational resilience.

(2) The system audit report shall be submitted to the regulatory authority within 30 days of its completion.

(3) The regulatory authority may issue guidelines on the scope, methodology, and frequency of such audits based on the licensee’s risk profile.”

Committee Observation

The Committee agreed with the proposal.

Clause 31

VIRTUAL ASSETS CHAMBER

127. The stakeholder proposed the deletion of Clause 31 entirely. They argued that the provision imposes undue administrative burdens by requiring regulatory approval for internal leadership decisions. Companies should retain the autonomy to appoint their chief executive officers, subject to existing fit-and-proper criteria

Committee Observation

The Committee agreed with the proposal.

Clause 31(2)

CREDENCE AFRICA

128. Amend the proposal to specify criteria for executive roles in crypto/virtual asset service firms to ensure competent leadership and reduce risk of mismanagement by adding, “... and shall possess demonstrable experience in digital finance, risk management, compliance, or related fields, proportionate to the size and complexity of the licensee.”

Committee Observation

The Committee resolved to delete the clause and instead provide for appointment of Compliance Officer

Clause 33(1)

YELLOW CARD KENYA

129. Amend the Proceeds of Crime and Anti-Money Laundering Act and the Prevention of Terrorism Act to recognize VASPs. Clause 33 requires us to refer to POCAMLA for all AML, CFT, and CPF matters, including the reporting of suspicious transactions/activities (STR/SARs) to the Financial Reporting Center (FRC); however, POCAMLA does not recognize VASPs as reporting institutions.

Committee observation

The Committee agreed with the stakeholder and resolved to effect consequential amendments to POCAMLA and Prevention of Terrorism Act.

Clause 33(2)(a)

VIRTUAL ASSETS CHAMBER

130. Virtual Assets Chamber proposed the deletion of Clause 33(2)(a) that grants the regulatory authority the mandate to vet significant shareholders, beneficial owners, directors, senior officers of a virtual asset service provider. The stakeholder observed that making local vetting of all significant shareholders would be administratively burdensome and impractical and impractical for global structures.

Committee Observation

The Committee observed that the propose is an industry standard that enables to regulator to know UBOs and verify authenticity of their resources

Clause 33(2)(c)

VIRTUAL ASSETS CHAMBER

131. Virtual Assets Chamber proposed the deletion of Clause 33(2)(c) which grants the regulatory authority the mandate to conduct offsite surveillance. The stakeholder observed that this provision is overly prescriptive with no clear definition or boundaries on what off site surveillance entails.

Committee Observation

The Committee agreed with the stakeholder.

CREDENCE AFRICA

132. Introduce a new sub-clause (j) to require automated screening, wallet analysis and real-time monitoring for VASPs to read as follows:
“require licensees to implement and periodically test anti-money laundering and combating terrorism financing risk assessment tools and transaction monitoring systems suited to virtual asset risks.”

The Committee agreed with the stakeholder.

NJOGU & ASSOCIATES ADVOCATES

133. Amend by inserting a new section after section 33 and state as follows:
“Virtual Assets Gaming Operators must:
(a) Conduct KYC (know your customer) for bets over 10,000 KES (or the virtual assets equivalent);
(b) Monitor for suspicious betting patterns (e.g. rapid deposits/losses);
(c) Report to the Financial Reporting Centre (FRC)”
134. Adding the section will ensure that there is due diligence in virtual assets gaming/betting.

Committee Observation

The Committee observed that all matters pertaining the gambling sector shall be regulated under the parent legislation.

Clause 34(1)

CREDENCE AFRICA

135. Amend the clause to specify liability for both acts of commission and omission relating to suspicious activity reporting and pseudonymous risk management by adding, “...including failure to file suspicious transaction reports, failure to monitor high-risk wallets, and deliberate obfuscation of transaction trails.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 35 (2)(3)(4)

VIRTUAL ASSETS CHAMBER

136. Delete all references to the word “promote”. The stakeholder observed that the provisions in Clause 35 subclauses (2)(3) and (4) were overly broad, and gave disproportionate restrictions on Individuals. Additionally, the stakeholder cited that existing Laws already cover misleading promotion extensively.

Committee Observation

The Committee observed that the definition of a promoter is provided for.

Clause 35(1)

VIRTUAL ASSETS CHAMBER

137. The stakeholder proposed the deletion of Clause 35(1) and replacing it with: -
“A virtual asset trading platform shall establish and maintain rules and procedures governing the listing, suspension, and delisting of virtual assets. Such rules may be made available to the regulator upon request and include due diligence, risk assessment, and disclosure requirements proportionate to the nature of the virtual asset.”
138. They noted that a principles-based approach avoids overly prescriptive regulation and gives room for innovation. This would also align with global best practices, where exchanges self-regulate under clear accountability frameworks.

Committee Observation

The Committee agreed with the stakeholder.

Clause 35(2)

CREDENCE AFRICA

139. Amend the clause to allow natural persons to operate through regulated vehicles for enhanced legitimacy whilst enabling innovation similar to Dubai’s Virtual Assets Regulatory Authority and the United Kingdom’s Financial Conduct Authority approaches.

Committee Observation

The Committee observed that the intention of the Bill is to regulate Virtual Assets Service Providers.

Clause 35(3-4)

CREDENCE AFRICA

140. Expand the proposal to introduce a clear risk-tiered framework for different asset classes such as stablecoins versus utility tokens and thus enhance regulatory clarity and investor protection by adding that, *“...shall comply with eligibility criteria disclosure obligations, and consumer protection requirements prescribed by the Authority.”*

Committee Observation

The Committee observed that the clause as provided for in the Bill is sufficient.

Clause 35(5)

CREDENCE AFRICA

141. Amend the clause to empower regulators to suspend, fine and compel restitution where token offerings are misleading or breach public interest by adding, *“...the regulatory authority may suspend the issuance, require additional disclosures, or order restitution to affected parties.”*

Committee Observation

The Committee observed that the authority to suspend is already provided for in the Bill.

Clause 35(6)

CREDENCE AFRICA

142. Amend the proposal to expand liability to omissions and align with materiality standards by adding, “...including the omission of material facts likely to affect an investor’s decision-making or the regulator’s risk assessment.”

Committee Observation

The Committee observed that the clause as provided for in the Bill is sufficient.

Clause 36(1)

CREDENCE AFRICA

~~143. Amend the clause to empower the regulatory authority to inspect code repositories, system logs, wallet activity and algorithmic controls by adding, “...including the power to enter premises, access digital systems, request transaction records, and engage third-party experts where technical assessment is required.”~~

Committee Observation

The Committee observed that such blanket access may be in conflict with the Data Protection Act.

Clause 36(5)

CREDENCE AFRICA

144. Expand the scope of the provision to cover application programming interface-based submissions, outsourced know your customer vendors and any digital onboarding/transaction data to align with modern digital asset compliance contexts by adding, “...including information supplied digitally or through third-party service providers.”

Committee Observation

The Committee observed that the clause as provided for in the Bill is sufficient.

Clause 36(6)

CREDENCE AFRICA

145. Amend the clause to reinforce regulatory teeth and broaden the range of possible sanctions beyond general enforcement under section 40 by adding, “...including, but not limited to, enhanced inspections, suspension of business activities, financial penalties or license restrictions.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 39(1)(c)

CREDENCE AFRICA

146. Amend the proposal to reflect digital-first compliance environments by adding, “...including by digital means such as secure video conferencing where physical presence is impractical.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 39(2)(a)

CREDENCE AFRICA

147. Amend the clause to recognize the critical role of digital infrastructure in VASP governance and ensure the regulatory authority has access to relevant tech-layer evidence by adding, “...including digital records, encryption keys, access logs, and backup files relevant to operations of the licensee.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 39(2)(c)

CREDENCE AFRICA

148. Amend the provision to make it operationally relevant by explicitly identifying intervention powers critical in the prevention of further harm or asset flight during ongoing investigations by adding that, “...including the temporary suspension of services, wallet freezing, or internal access restrictions as reasonably required.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 39(4)

CREDENCE AFRICA

149. Amend the clause to include digital environments for effective enforcement in a borderless, digital-native space by adding, “...including digital premises such as data centres, server access locations, and remote storage environments under the control of the licensee of its agents.”

Committee Observation

The Committee agreed with the stakeholder.

Clause 39(5)

CREDENCE AFRICA

150. Amend the provision to broaden the scope beyond equity/shareholding to cover tech and ops influencers such as outsourced developers and third-party custodians by adding, “...or has had material influence, access, or oversight over digital systems, wallets, platforms or protocols used by the licensee.”

Committee Observation

The Committee observed that it would be too prescriptive and an overreach, in any even this can be achieved administratively.

Clause 40(1)

CREDENCE AFRICA

151. Amend the clause to align with transparency principles where public enforcement registers deter repeat offences and inform counterparties of risk by adding, “The authority shall maintain an enforcement register accessible to the public summarizing enforcement actions taken, subject to confidentiality under section 43.”

Committee Observation

The Committee noted the proposal, but observed that a public register may be detrimental to a person who commits a minor offense.

Clause 40(2)(d-e)

CREDENCE AFRICA

152. Amend the provisions to ensure procedural fairness whilst retaining the ability for swift action by adding, “The licensee shall be given reasonable opportunity to respond prior to any revocation or suspension, unless urgent action is needed to prevent imminent consumer harm.”

Committee Observation

The Committee observed that the clause as drafted is sufficient.

Clause 40(2)(f)

CREDENCE AFRICA

153. Amend the provision to introduce risk-based penalties and ensure fines are not treated as cost of doing business based on FATF's proportionality principle by adding, *"... or such higher amount as commensurate with the economic gain from the violation or harm caused to the public."*

Committee Observation

The Committee agreed with the proposal.

Clause 41

VIRTUAL ASSETS CHAMBER

154. The stakeholder proposed that the monetary penalties and jail time be reduced to align with penalties for similar infractions in other financial sectors.

Committee Observation

The Committee resolved to harmonize the offenses and penalties.

ASSET RECOVERY AGENCY

155. The APA proposed the addition of a new criminal offence for virtual asset service providers and their directors if they fail to uphold high standards of integrity and accountability. The stakeholder noted that the service providers and their directors play a critical role and should be accountable for any illegality they may perpetrate in the conduct of their business.

Clause 41(1) (a) and (b); 41(2)(a) and (b); 41(3) (a) and (b)

YELLOW CARD KENYA

156. To delete the current section and add penalties as:

- ✓ 41(1)(a); Kenya Shillings not exceeding 1,000,000 for individuals
- ✓ 41(1)(b); Kenya Shillings not exceeding 2,000,000 for a company
- ✓ 41(2)(a) - Not exceeding 2,000,000 for individuals
- ✓ 41(2)(b) - Not exceeding 5,000,000 for a company
- ✓ 41(3)(a) - Not Exceeding 5,000,000 for individuals
- ✓ 41(3)(b) - not exceeding 7 million for a company.

157. This amendment will ensure the enforcement of appropriate punitive measures while also taking into account the needs of the startup ecosystem and supporting the growth of the virtual assets industry. Penalties can be scaled progressively as the industry matures, aligning with both global standards and national regulatory frameworks, including other Fintech-related laws.

Committee observation

The Committee resolved to harmonize the offenses and penalties.

Clause 42

CREDENCE AFRICA

158. Amend the proposal to promote individual accountability and proactive risk management by adding, *"The burden shall rest on the individual to demonstrate absence of knowledge or that reasonable steps were taken to prevent the offence."*

Committee Observation

The Committee observed that the clause is sufficiently drafted.

Clause 43(I)

CREDENCE AFRICA

159. Amend the proposal to align with FATF Recommendation 40 on the essentiality of cooperation and information sharing to prevent regulatory arbitrage and enable cross-border supervision by adding, ~~*"...except in cases where disclosure is required to protect market integrity, prevent systemic risk or inform other regulatory or supervisory bodies in Kenya under formal memoranda of understanding."*~~

Committee Observation

The Committee agreed with the stakeholder.

Clause 43(b)

CREDENCE AFRICA

160. Amend the clause to reflect digital-first nature of VASPs where consent may be logged electronically by adding, *"... including digital consent mechanisms that are auditable and attributable to the individual or entity giving such consent."*

Committee Observation

The Committee observed that the clause is sufficiently drafted.

Clause 45

ANJARWALLA & KHANNA (ALN) LLP

161. Amend the proposal to ensure the regulatory authorities comply with the appropriate data protection and security measures that will safeguard sensitive information.

Committee Observation

The Committee agreed with the stakeholder.

Clause 44(2)

CREDENCE AFRICA

162. Amend the clause to prevent irreversible damage pending appeal by adding. “... *including ordering interim relief or suspending enforcement action until final determination.*”

Committee Observation

The Committee observed that the clause is sufficiently drafted.

Clause 46

CREDENCE AFRICA

163. Amend the provision to introduce balanced immunity, mirror the Central Bank Act and international public law norms that permit challenge where egregious failure exists by adding, “...*provided such acts are not grossly negligent, reckless, or in wilful disregard of statutory obligations.*”

Committee Observation

The Committee observed that the clause is sufficiently drafted.

Clause 50

ANJARWALLA & KHANNA (ALN) LLP

164. The stakeholder proposed that the Regulations made subject to this Bill be subjected to public participation and consultation.

Committee Observation

The Committee noted the stakeholder’s submission.

First Schedule

VIRTUAL ASSETS CHAMBER

165. The stakeholder proposed to Introduce Unified license regime as new category – Unified Virtual Asset Service Provider License
(1) *A person may apply for a unified license to conduct one or more virtual asset services under this Act.*

(2) *A unified license shall authorize the licensee to offer multiple virtual asset services, including but not limited to:*

(a) *custody and safekeeping of virtual assets;*

(b) *operation of a virtual asset trading platform;*

(c) exchange between virtual assets and fiat currency;

(d) transfer or settlement of virtual assets on behalf of others.

(3) The Authority may impose conditions or limitations within the unified license based on the applicant's risk profile, operational capacity, and compliance history

166. The stakeholder highlighted that many VASPs perform multiple activities across the value chain (e.g., custody, exchange, payments). Secondly, requiring a separate license for each service is duplicative and inefficient. A unified license, similar to how a banking license operates, would streamline oversight while maintaining appropriate regulatory safeguards. This approach reduces compliance complexity and supports innovation, especially for global or full-stack VASPs.

NJOGU & ASSOCIATES ADVOCATES

167. The stakeholder noted that the current description of virtual assets services excludes industries like the gambling/gaming industries, which creates a regulatory gap or renders the use of virtual assets in such industries, illegal by default. They proposed amending the First schedule to include;

~~"Virtual Asset Gaming/Betting Provider" Description: Issuance and management of digital tokens for licensed betting or gaming platforms.~~

~~Regulator: Betting Control & Licensing Board (BCLB) in coordination with CMA/CBK."~~

New Proposal

VIRTUAL ASSETS CHAMBER

Insert a new Part VII- (Foreign Licensed Stablecoin Issuer)

168. The stakeholder proposed the insertion of a new Part VII immediately after Part VII. The new addition would require new definitions as below:

"Recognized Jurisdiction" means any foreign jurisdiction whose regulatory framework for Virtual Assets Service Providers has been deemed equivalent by the Relevant Authority in accordance with Part VII herein.

"Reserve Assets" means the financial instruments held to back a stablecoin, including cash, cash equivalents, and government bonds denominated in the reference currency.

Recognition of Foreign-Issued Stablecoins

- (I) The Relevant Authority may recognize a stablecoin where—
- (a) the stablecoin is backed by a currency other than the Kenyan shilling;
 - (b) the issuer of the stablecoin is licensed in a Recognized Jurisdiction; and
 - (c) the stablecoin is backed by reserve assets which—
 - (i) meet the prudential standards prescribed by the regulatory authority of the Recognized Jurisdiction; and

- (ii) satisfy the reserve requirements set by the Relevant Authority.
- (2) Where the requirements under subsection (1) are met to the satisfaction of the Relevant Authority, the Relevant Authority shall issue a letter of no objection to the foreign licensed issuer of the stablecoin.

Recognized Jurisdictions for Foreign Licensed Stablecoin Issuers

- (1) The Relevant Authority shall, by notice in the Gazette, publish a list of jurisdictions whose legal and regulatory frameworks for stablecoin issuance and reserve management are deemed Recognized Jurisdictions in Kenya.
- (2) In determining a Recognized Jurisdiction, the Relevant Authority shall consider—
 - (a) alignment with global standards;
 - (b) transparency and reserve management requirements under the Recognized Jurisdiction's framework;
 - (c) supervisory and enforcement capabilities of the foreign regulator; and
 - (d) participation in international financial cooperation agreements.
- (3) The list of Recognized Jurisdictions shall be subject to periodic review and may be amended or revoked by notice of the Central Bank.

Reserve Assets Held by Foreign Licensed Stablecoin Issuers

- (1) A Foreign Licensed Stablecoin Issuers shall be permitted to maintain Reserve Assets in the Recognized Jurisdiction of its primary license, provided that—
 - (a) the Reserve Assets have met the criteria prescribed the Recognized Jurisdiction;
 - and
- (2) The Relevant Authority may require third-party attestation or audit reports verifying such compliance prior to approval of such Foreign Licensed Stablecoin Issuers.

Insert a new Part IX – License Passportability.

169. The new addition would require new definitions as below:
- "Passporting" means the right of a foreign-licensed Virtual Asset Service Provider or Stablecoin Issuer to provide services within Kenya without obtaining a separate domestic license, subject to recognition of its foreign license under Part IX of this Act.

Passportability Eligibility

- (1) A Virtual Asset Service Provider shall be eligible for passporting under this Act if—
 - (a) It is duly licensed or authorized in a Recognized Jurisdiction; and
 - (b) It submits a passporting notification to the designated authority in the prescribed form; and
 - (c) It agrees to comply with the applicable provisions of this Act, including all obligations of a license-holder under this Act.

- (d) Appoint a local representative or establish a local point of contact for supervisory correspondence;
 - (e) Provide such additional information as may be prescribed by the Authority, including documentation of compliance with applicable Kenyan standards.
- (2) The Relevant Authority, may, by notice in the Gazette, publish a list of jurisdictions deemed to be Recognized Jurisdictions for the purposes of this section.

Regulatory Equivalence and Mutual Recognition

- (1) A license or authorization granted by a competent authority in an equivalent jurisdiction shall be recognized in Kenya for the limited purpose of allowing the licensee to operate as a Virtual Assets Service Provider under this Act.
 - (2) Recognition under this section shall not exempt the licensee from compliance with local laws relating to:
 - (a) Licensing Fees under as prescribed by the Relevant Regulator
 - (b) Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT);
 - (c) Data protection and cybersecurity;
 - (d) Consumer protection, advertising, and dispute resolution mechanisms;
 - (e) Taxation and financial reporting obligations.
-

Insert new section under Miscellaneous provisions. (Appointment of Compliance Officer)

170. Appointment of Compliance Officer

- (1) A licensee shall appoint a Compliance Officer, who shall possess such qualifications or certifications as may be prescribed or recognised by the relevant regulatory authority.
- (2) The Compliance Officer shall—
 - (a) be responsible for ensuring the licensee's compliance with the provisions of this Act and all applicable laws, including but not limited to the Proceeds of Crime and Anti-Money Laundering Act, the Prevention of Terrorism Act, and the Data Protection Act;
 - (b) oversee the implementation and effectiveness of internal compliance policies and procedures.

New Proposal

YELLOW CARD KENYA

171. Amend Bill Issuance of Stablecoins to add

- ✓ Any legal entity wishing to issue stablecoin within Kenya, or seeking an admission or listing of such stablecoin to be traded on the trading platform operated by a licensed virtual asset exchange in Kenya, seeks approval of the Regulatory Authority
- ✓ A stablecoin issuer appoints a qualified asset valuer to demonstrate the reserve asset underlying the stablecoin and how the stablecoin is pegged to it
- ✓ The valuation confirms that stablecoins are 100% collateralized to ensure fully backed reserve assets are maintained at all times, and are to be ring-fenced and not lent out for additional yield. The regulatory authority may issue regulations specifying the conditions under which reserve assets may be invested
- ✓ The independent auditor confirms that the reserve assets are sufficiently liquid to cover in a reasonable and timely manner, redemption requests of all outstanding stable coins.
- ✓ Stablecoin issuer provides means for verification of underlying reserve assets.
- ✓ Reserve assets are safeguarded by a professional and licensed custodian, and are subject to regular audits
- ✓ Reserve assets are segregated from the stablecoin issuer's assets or other creditors of the stable issuer to protect stablecoin holders in the event of the issuer's insolvency or bankruptcy.
- ✓ The Regulatory Authority's regulations may determine additional requirements for the issuance and trading of stablecoins.

172. The addition of this clause will ensure proper guidelines for the issuance of stablecoins in Kenya.

173. Amend the Bill to include

“real-world asset” refers to an asset that exists in the physical or traditional financial world, but which can be represented, tokenized, or traded in digital form on a blockchain network”

174. Tokenisation of Real-World Assets

- i. Any legal entity wishing to issue tokens representing real-world assets within Kenya or seeking admission or listing of such tokens to be traded on the trading platform operated by a licensed virtual asset exchange in Kenya, shall seek approval from the Regulatory Authority.
- ii. A qualified assets valuer properly values the asset underlying a token, and the valuation must be transparent, periodic and regularly updated
- iii. The valuation confirms that tokens are 100% collateralised, and the underlying assets are to be ring-fenced and not lent out for additional yield.
- iv. Underlying real-world assets are held by a professional and licensed custodian and are subject to regular audits.
- v. The issuer provides verifiable documentation proving the issuer's ownership of the underlying assets.

- vi. *For the purposes of this law, real-world assets eligible for tokenization do not include sovereign assets, public infrastructure, personal identifiable information, artworks, and any other asset or category of assets that cannot be transplantly valued, legally enforced, and ethically justified.*
- vii. *The regulatory authority may from time to time, designate real-world assets which are inappropriate or unlawful for tokenisation based on public interest or regulatory risk consideration*

KEEGA AND COMPANY ADVOCATES

New Proposal – VAT Act

175. Amend Paragraph 2 of the First Schedule to the VAT Act to exempt the supply of services by Virtual Asset Service Providers from VAT. This would ensure fair tax treatment, promoting equity between providers of similar services

New Proposal – Excise Duty Act

- ~~176. Amend Part III of the First Schedule to the Excise Duty Act to include Virtual Asset Service Providers under the definition of financial institutions. This proposal would prevent double taxation through imposing VAT on the VAT itself and charges on VASP transactions. Additionally, the proposal would ensure legal and policy alignment through harmonizing tax law with the VASP Bill, 2025~~

BOWMANS

New Proposal

177. Clause 28 (d) of the Finance Bill proposes to decrease the rate of digital asset tax (DAT) from 3% to 1.5%. The stakeholder submitted that the proposed amendment will not address the challenges of implementing the DAT provisions currently contained in the Income Tax Act.
178. Bowmans proposed the deletion of Section 12F of the Income Tax Act, which provides for Digital Asset Tax, and Paragraph 13 of the Third Schedule, which provides for the rate of tax in respect of digital assets. The stakeholder cited numerous compliance difficulties with the provisions as currently enacted.
179. The stakeholder proposed an amendment to the digital asset tax provisions by exempting stablecoins from the scope of transactions chargeable to DAT as they are not held for value but as a means of payment.
180. The stakeholder proposed the introduction of VAT exemption for services offered by virtual asset service providers to attract these players to Kenya.

181. Bowmans proposed a new provision to introduce excise duty at a rate of five percent (5%) on the fees/commissions charged by virtual asset service providers.
182. The stakeholder proposed the introduction of a tax at the rate of 0.2% on the value of crypto assets held by Kenyan users at the end of the year. Bowmans submitted that this tax regime would be easier to enforce as it would be based on the value of crypto assets held as at a specific time. In addition, tax would apply to the entire value of the crypto assets as opposed to only the gain. This regime would also have the merit of achieving the desired outcome of DAT

MAU MAU CHILDREN POST COLONIAL ELITES

New Proposals

183. The stakeholder proposed the introduction of a social responsibility provision requiring licensed service providers to contribute a fraction of their profits to community empowerment programs. The stakeholder submitted that the programs should focus on digital literacy, financial inclusion, and entrepreneurship training, particularly targeting areas that were historically centres of resistance, such as Central Kenya and parts of the Rift Valley.
184. Additionally, the stakeholder proposed that the VASP Bill should require service providers to publish annual impact reports detailing their corporate social responsibility efforts.
185. The stakeholder submitted that the Bill should encourage the development of blockchain-based reparations and fundraising platforms. They cited that this provision would enable Public Benefit Organisations (PBOs) and community groups to raise funds transparently for land compensation, memorial construction, and livelihood support projects.
186. The stakeholder proposed that a national trust fund should be created under the VASP framework, with the express purpose of financing digital infrastructure and inclusion projects in underserved areas. Further, the fund should be overseen by a joint Committee of government, private sector, and civil society representatives, including Mau Mau veteran associations and youth groups.

New Proposals

ASSET RECOVERY AGENCY

187. The APA proposed including new clauses that provide for cross-border collaboration among the regulators of virtual asset service providers. Virtual assets inherently operate across international borders, making it crucial for regulators to establish collaborative frameworks.

188. Insert a new Clause to provide for an obligation to verify customer identity in accordance with Sections 45, 45A, and 46 of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA). The stakeholder submitted that this would enhance due diligence and combat the misuse of virtual assets for illicit activities. Additionally, this would also align with the Financial Action Task Force (FATF) Recommendation 15 that mandates countries and financial institutions to identify, assess, and manage money laundering and terrorist financing risks associated with new technologies, including virtual assets and VASPs.
189. Create a new provision for the establishment of a Virtual Asset Insurance Corporation (VAIC). The stakeholder submitted that this would safeguard the interests of depositors in the event of VASP failures and provide a safety net for depositors in the event the VASP collapses.

Committee Observation

The Committee observed that there is an insurance requirement for the Virtual Assets Service Providers.

CHAPTER FOUR

4 COMMITTEE RECOMMENDATION

190. The Committee having considered the Virtual Assets Service Providers Bill, 2025 (National Assembly Bills No. 15 of 2025) recommends that the House approves the Bill with amendments as proposed in the schedule.

SIGNED.....




DATE.....

24th June, 2025

...

HON. CPA KURIA KIMANI, CBS, MP
CHAIRPERSON
DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL
PLANNING


	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 JUN 2025	DAY: TUE.
TABLED BY:	HON. KURIA KIMANI, MP, CBS, CHAIRPERSON
CLERK-AT THE-TABLE:	MS. ANN SHIBUKO



**THE NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT - FOURTH SESSION- 2025
DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING.
ADOPTION LIST**

**REPORT ON THE VIRTUAL ASSET SERVICE PROVIDERS BILL 2025 (NATIONAL
ASSEMBLY BILLS NO. 15 OF 2025).**

We, the Members of the Departmental Committee on Finance and National Planning have pursuant to Standing Order 199, adopted this Report and affix our signatures to affirm our approval and confirm its accuracy, validity and authenticity today, **Monday, 23rd June, 2025.**

S/NO.	NAME	SIGNATURE
1.	HON. (CPA). KURIA KIMANI, CBS, MP - CHAIRPERSON	
2.	HON. (AMB). BENJAMIN KIPKIRUI LANGAT, MP - VICE CHAIRPERSON	
3.	HON. KALUMA PETER OPONDO, MP	
4.	HON. GEORGE SUNKUYIA RISA, MP	
5.	HON. (CPA) JOSEPH MAERO OYULA, MP	
6.	HON. ANDREW ADIPO OKUOME, MP	
7.	HON. DAVID MWALIKA MBONI, MP	
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10.	HON. (CPA) JULIUS KIPLETING RUTTO, MP	
11.	HON. PAUL KIBICHIY BIEGO, MP	
12.	HON. UMUL KER SHEIKH KASSIM, MP	
13.	HON. DR. SHADRACK MWITI ITHINJI, MP	
14.	HON. DR. JOHN ARIKO NAMOIT, MP	
15.	HON. MOHAMED SOUD MACHELE, MP	

