

Kenya's

Virtual Asset Rulebook

What changes for financial institutions?

Part 1 of 3



Kenya's framework introduces activity-specific licensing and continuing obligations. Financial institutions must establish which services require authorization and whether their capital, governance and controls can support them.

ROCK IB VIEW

The rulebook makes participation clearer. Readiness must still be demonstrated, activity by activity.

A new rulebook, a wider responsibility

Kenya's Virtual Asset Service Providers Act, 2025 commenced on 4 November 2025. The Regulations gazetted on 22 July 2026 as Legal Notice No. 134 provide the operating detail: licensing, capital, governance, safeguarding and conduct requirements. Together, they establish a dedicated framework for virtual asset service providers (VASPs). [1–2]

This matters beyond crypto exchanges. A bank considering custody, a payments business exploring virtual asset settlement, or an investment institution advising on virtual assets must assess its proposed activities against the framework. An existing financial-sector license should not be treated as permission to undertake a new regulated service.

An existing market comes into regulatory focus

Chainalysis estimates that Sub-Saharan Africa received more than USD 205 billion in on-chain cryptocurrency value between July 2024 and June 2025, with Kenya among the region's five largest markets. These are third-party estimates of activity, not official statistics, investment inflows or a count of active Kenyan users. They establish market relevance; they do not establish the demand for any particular institutional product. [3]

Financial integrity is equally important. Kenya remained under FATF increased monitoring in its June 2026 statement. The VASP framework belongs within a broader reform agenda; its adoption alone should not be presented as resolving Kenya's outstanding AML/CFT deficiencies. [4]

Who is affected?

The starting point is what a business actually does: holds customer keys, processes payments, operates an exchange, brokers transactions, provides investment advice, manages portfolios or facilitates offerings. Labels such as “fintech” or “technology platform” are insufficient to determine the licensing perimeter. Merely holding virtual assets should not be conflated with providing a regulated service to others. [1]

Regulation 4 also reaches services offered in or from Kenya, including active targeting of Kenyan consumers or deriving economic benefit from Kenya, regardless of physical presence. Operating from outside Kenya does not, by itself, put a provider beyond these rules. Specific exclusions under the Act must be assessed against their conditions rather than inferred from a product's name. [1–2]

Who regulates what?

The framework assigns responsibilities to the Central Bank of Kenya (CBK) and the Capital Markets Authority (CMA). The dashboard below combines the Act's allocation of activities with the Regulations' capital schedule. Offering-provider functions are shown separately for clarity. [1–2]

Activity / function	Regulator	Paid-up capital (KES)
Custodial wallet services	CBK	150 million
Payment processing	CBK	10 million
Stablecoin issuance	CBK	300 million
Exchange operation	CMA	100 million
Brokerage	CMA	10 million
Investment advice	CMA	Nil prescribed
Discretionary management	CMA	20 million
Offering provider: initial coin offering	CMA	20 million
Offering provider: tokenization	CMA	10 million
Offering provider: token issuance platform	CMA	20 million

Source: Act, First Schedule; Regulations, Fifth Schedule. These are statutory category minima, not total launch budgets. Separate liquidity, insurance and other obligations apply. [1–2]

Capital is a continuing obligation

Paid-up capital is shareholder equity, not a regulatory fee or a substitute for an operating budget. Applicants must distinguish it from liquid capital, customer assets and stablecoin backing reserves. A credible plan also funds staff, technology, compliance and losses during the revenue ramp-up.

For multiple activities within a licensee, Regulation 85(6) requires the highest applicable paid-up capital amount plus 50% of the amount for each additional activity. An exchange and custodial-wallet combination therefore implies KES 200 million: KES 150 million plus half of KES 100 million. The regulator may require more according to risk. [2]

The liquidity test also matters. An exchange must maintain KES 20 million or 8% of total liabilities, whichever is higher. Investment advisers have zero prescribed capital minima, but must maintain at least KES 1 million professional indemnity cover. A smaller capital requirement still demands specialist skills and effective controls. [2]

For groups combining CBK- and CMA-regulated functions, early engagement should establish the authorisations and entity structure required. The Regulations also establish a Coordination Forum; institutions should nevertheless document the obligations attaching to each proposed service. [2]

Governance must match the activity

The Regulations require a board of at least three members, one-third independent, and prevent a board director from serving as chief executive. Fit-and-proper scrutiny and source of funds evidence sit alongside the application's business plan and controls. These requirements make governance a substantive part of market entry. [2]

For an established institution, the practical challenge is translating existing discipline into a different operating environment. Leadership must understand key management, settlement finality, third-party dependencies and cross-border exposure. Familiarity with conventional custody or brokerage is a useful foundation; it is insufficient evidence of competence in these additional risks.

Applicants will need to show that their systems work and that the right people are in place. Regulation 6 requires, among other evidence, an independent information-systems audit including vulnerability assessment and penetration testing. Policies should describe how controls work in the proposed business, supported by clear accountability and demonstrable implementation. [2]

Customer protection starts before onboarding

Anti-money laundering, counter-terrorist financing and counter-proliferation financing controls must operate alongside customer-asset safeguarding, cybersecurity and data protection. The Act brings VASPs into the financial-integrity framework and imposes customer-protection obligations. The Regulations supply more detailed operating requirements. [1–2]

Management should be able to explain how customers are identified, suspicious activity is escalated, assets are reconciled, access to private keys is controlled and service disruption is managed. Outsourcing technology makes partner diligence more important: the institution needs to understand who performs each function and where accountability remains.

The transition clock requires a concrete response

Section 47 gives persons providing virtual asset services at the Act's commencement one year to comply. Measured from 4 November 2025, the statutory transition runs to 4 November 2026. This is a compliance provision, not simply an application-filing deadline. New entrants should obtain the required authorisations before starting regulated activity. [1]

Existing operators should urgently establish their position with the relevant regulator. Neither a pending application nor the use of a licensed partner should be assumed to authorise every activity in the operating model. Institutions should confirm current application procedures and any subsequently issued transition guidance directly with CBK or CMA.

FIVE STEPS TO READINESS

Map the activities → confirm permissions → quantify gaps → fund remediation → evidence readiness.

Each step needs an accountable owner. The activity map should identify what the institution performs itself and what partners perform. The gap assessment should cover capital, ownership, governance, staffing, systems and customer protection. The resulting timetable should show how deficiencies will be resolved and how compliance will be sustained after licensing.

What does a licence protect and what remains?

Licensing creates a basis for supervision and enforcement. Safeguarding, disclosure, market-conduct and complaints requirements improve the conditions under which consumers transact. Their effectiveness depends on implementation, monitoring and the operator's continuing compliance. [1–2]

A licence does not guarantee returns, ensure every token can be sold, prevent stablecoin de-pegging or eliminate cyber theft. Investors must still assess the asset, its legal rights, valuation, custody arrangements, redemption terms and exit route. Institutions should explain those residual risks as clearly as they explain regulatory status.

Token-based distribution also requires careful classification of the underlying rights. Property, securities, tax and investor-protection questions remain relevant to the proposed structure. A technology format is no substitute for enforceable ownership and a credible recovery process.

The institutional takeaway – Rock IB House View

The most important practical implication is that boards need to decide what their institutions can responsibly deliver before committing capital. That means choosing a clear role, confirming the permissions it requires and assessing whether the people, systems and controls are ready. This matters because the commitment extends well beyond obtaining a licence; the institution must be able to protect customers and meet its obligations throughout the life of the business. A narrower role that an institution can support well is a stronger starting point than an ambitious offering it cannot yet manage.

Rock Investment Bank can support financial and commercial assessment through capital planning, business-model analysis, valuation and transaction advisory, collaborating with regulatory counsel and specialist providers where required. Regulated virtual asset services require the applicable authorisation.

Part 2 examines where tokenisation could create value in Kenya and the conditions under which it offers an advantage over conventional financing.

Sources and publication notes

[1] Republic of Kenya. Virtual Asset Service Providers Act, 2025 (No. 20 of 2025). Commencement: 4 November 2025. References include sections 4, 9–11, 18, 31, 32 and 47; First and Second Schedules.

<https://www.cma.or.ke/download/18/acts/5882/virtual-asset-service-providers-act-2025.pdf>

[2] Republic of Kenya. Virtual Asset Service Providers Regulations, 2026, Legal Notice No. 134; Kenya Gazette Supplement No. 185, 22 July 2026. References include regulations 4, 6, 42, 85, 88 and 145–147; Fifth Schedule.

<https://www.cma.or.ke/download/34/regulations/6377/the-virtual-asset-service-providers-regulations-2026.pdf>

[3] Chainalysis. Sub-Saharan Africa Emerges as Third-Fastest Growing Crypto Region with Strong Retail Activity, 10 September 2025. Third-party estimates; July 2024–June 2025 measurement period.

<https://www.chainalysis.com/blog/subsaharan-africa-crypto-adoption-2025/>

[4] FATF. Jurisdictions under Increased Monitoring, 19 June 2026: Kenya.

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-june-2026.html>

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