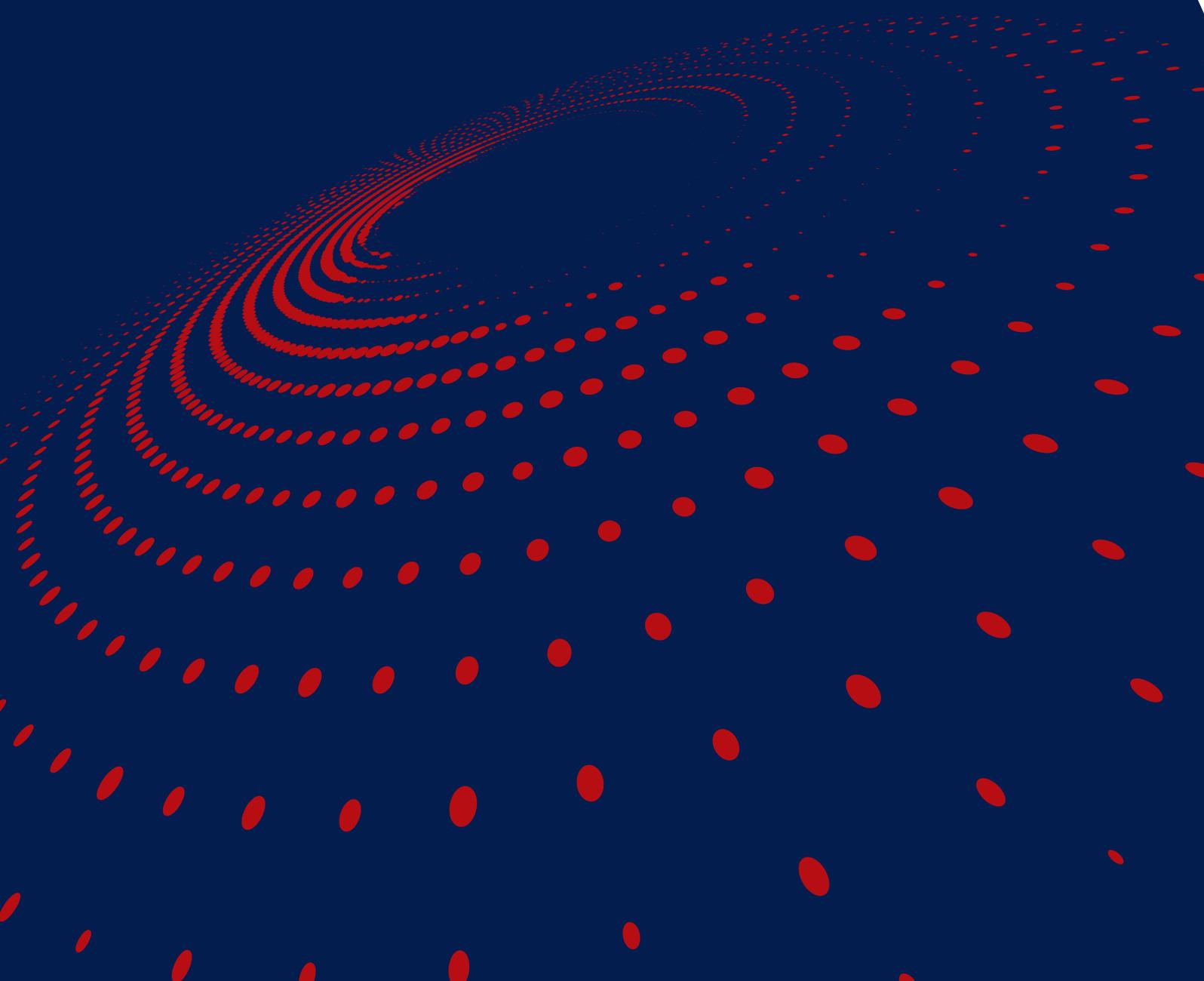




TECH HIVE
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Kenya's VASP Act | 2025

Key Guide for the Crypto and Fintech Operators



A Review of Kenya's Virtual Asset Service Providers Act, 2025: An Essential Guide for VASPs and Fintech Operators for obtaining the VASP licence in Kenya.



1. Introduction

In a decisive move that aligns East Africa's financial ecosystem with the regulatory strides of Nigeria and South Africa, the Kenya's Virtual Asset Service Providers Act, 2025 (the "**Act**" or "**VASP Act**") was enacted on October 15, 2025 and is to become effective on November 4, 2025. The VASP Act establishes a comprehensive regulatory framework for the licensing and supervision of virtual asset services. The Act positions Kenya as one of Africa's most forward-looking yet compliance-driven jurisdictions for digital asset and cryptocurrency innovation.

Scope of Application of The Act

What is Regulated

One of the first things the Act does is making a clear definition of what qualifies as a virtual asset and distinguishing this from virtual service tokens, fiat currencies, securities, and other traditional financial assets¹. However, the VASP Act does not apply to closed-loop ecosystem tokens, central bank digital currencies (CBDCs), non-financial NFTs, or virtual service tokens that merely grant access to digital services.²

Who is Regulated

Any company that facilitates in the exchange, trading, custody, or transfer of virtual assets or cryptocurrencies in or from Kenya must obtain a Virtual Asset Service Provider (VASP) licence³ under the VASP Act.

¹Section 2

²Section 4 (2)

³Section 6 (1)

This includes digital platforms that enable the buying, selling, or conversion of virtual assets for fiat currency or other virtual assets on behalf of third parties, whether for a fee, commission, or other benefit. The law also extends to platforms that hold or control digital assets on behalf of clients to facilitate digital asset exchanges or that purchase digital assets when bids and offers are matched⁴.

2. Regulatory Framework

Regulatory Authorities

The Act uses a sector-based regulatory model with two primary regulators overseeing the cryptocurrency and virtual asset ecosystem⁵:

Authority	Permissible Activities	Powers of Regulatory Authorities
Capital Markets Authority (CMA)	<ul style="list-style-type: none"> i. Trading Platforms ii. Virtual Asset Exchanges iii. Virtual Asset Brokerage iv. Virtual Asset Investment Advisory v. Virtual Asset Management vi. Initial Coin Offering (ICOs) vii. Virtual Asset Tokenisation viii. Token Issuance Platform 	<ul style="list-style-type: none"> i. Conduct on-site and off-site inspections ii. Appoint independent examiners of the operations of the VASPs iii. Demand production of information from VASPs, affiliates, and agents iv. Enter physical premises for investigation
Central Bank of Kenya (CBK)	<ul style="list-style-type: none"> i. Virtual Asset Wallet Provider ii. Virtual Asset Payment Processing iii. Stablecoin Issuance 	<ul style="list-style-type: none"> v. Coordinate with international regulators

However, the Cabinet Secretary for the National Treasury is empowered to designate additional regulators as the market evolves.

Note: The VASP Licence can be granted for one or more of the above listed permissible activities.

⁴Section 2(2)
⁵Section 8-11

3. VASP Licensing Requirements

Eligibility

- i. Must be a company limited by shares incorporated in Kenya, or a foreign company registered under the Companies Act in Kenya⁶.
- ii. Natural persons and partnerships are not eligible.

How to Apply for the VASP License

Applicants are required to submit the following documentation⁷:

i. A written application to the regulatory authority for the proposed permissible activity

ii. Certified corporate documents and shareholding structure

iii. "Fit and proper" assessments for directors, CEO, and senior officers

iv. Comprehensive business plan for a period between 3–5 years

v. AML/CFT/CPF frameworks and internal policies

vi. Cybersecurity and incident response plans

vii. Data protection compliance documentation

viii. Financial projections and capital adequacy details

ix. Insurance arrangements

x. Detailed documentation showing the experience, skills, and requisite knowledge of the personnel of the applicant.

xi. Technical architecture and infrastructure documentation

xii. A No-Objection letter for applicants already operating in a regulated sector

Additionally, the applicant is required to operate a physical office and data solutions in Kenya.⁸

⁶Section 12(1)

⁷Section 13-14

⁸Section 15

Factors Considered for Approval of Application

The Regulatory Authorities assess applications submitted based on:

- i. The size, complexity, and scope of operations, the underlining technology , the method of service delivery, and the use case of the digital asset to be offered by the applicant⁹
- ii. Management expertise and experience
- iii. AML/CFT/CPF safeguards implemented in internal policies
- iv. Financial stability, net-worth, capital reserve, and funding sources
- v. Compliance with applicable consumer protection and data protection obligations
- vi. Likely Impact of operations on Kenya's financial integrity and market confidence
- vii. Public-interest benefits such as innovation and inclusion

Terms of Licence Approval

Validity:

Until 31 December of the issuance year; renewable annually.¹⁰

Display:

Must be visibly displayed at the principal business location of the company.

Non-transferable::

Cannot be assigned or transferred without prior approval of the regulatory authority.

Modification:

Any expansion or change to licensed activities requires written consent from the regulator.¹¹

Terms of Licence Approval

The estimated timeline from preparation of documents to application and licence approval is pegged at an average of **12–18 months** by the VASP Act.

⁹Section 16

¹⁰Section 18

¹¹Section 19

4. Obligations of Licensed VASPs

Key Obligatory Areas	Obligations
Governance and Personnel ¹²	<ul style="list-style-type: none"> i. Existence of a minimum of 3 (three) directors (natural persons only); ii. No individual person may sit on more than two VASP boards. iii. A fit and proper CEO must oversee local operations. iv. Directors, officers, and key staff must maintain integrity, competence, and financial probity standards.
Operational and Compliance Requirements	<ul style="list-style-type: none"> i. Maintain a physical office in Kenya. Conduct business with integrity and prudence; by ii. providing accurate reporting and maintaining professional indemnity insurance. iii. Prohibition of operating or enabling mixers, tumblers, or anonymity-enhancing services.¹³ iv. Maintain an operational Kenyan bank account. v. Comply fully with data protection and cybersecurity laws.
Financial and Asset Protection	<ul style="list-style-type: none"> i. Maintain capital and solvency levels prescribed by regulation. ii. Segregate client assets from company funds to protect them from insolvency claims.¹⁴ iii. Maintain adequate reserves to meet client obligations.
Cybersecurity ¹⁵	<ul style="list-style-type: none"> i. Implement cybersecurity controls consistent with the Computer Misuse and Cybercrimes Act. ii. Report any cybersecurity incident to the regulator within 7 working days.

¹²Section 21

¹³Section 26(3)

¹⁴Section 27

¹⁵Section 28

<p>AML/CFT/CPF Compliance¹⁶</p>	<p>VASPs must comply with Kenya’s Proceeds of Crime and Anti-Money Laundering Act and the Prevention of Terrorism Act, including:</p> <ul style="list-style-type: none"> i. Robust KYC procedures ii. Continuous transaction monitoring and sanctions screening iii. Suspicious activity reporting iv. Staff training and independent audits
<p>Additional Obligations</p>	<ul style="list-style-type: none"> i. Consumer protection and education initiatives ii. Fair, transparent marketing practices iii. Complaint resolution and whistle-blower policies iv. Conflict-of-interest management v. Business continuity and disaster recovery plans
<p>Mandatory Notifications</p>	<p>The company must inform the regulator within 7 working days of:</p> <ul style="list-style-type: none"> ● Insolvency or liquidity issues ● Legal or regulatory investigations ● Changes in ownership or management ● Major cybersecurity incidents ● Business cessation or company restructuring <p>Any material changes in the operational structure of the company, such as mergers, acquisitions, outsourcing, and market expansion, require prior written approval.¹⁷</p>

¹⁶Section 25

¹⁷Section 31

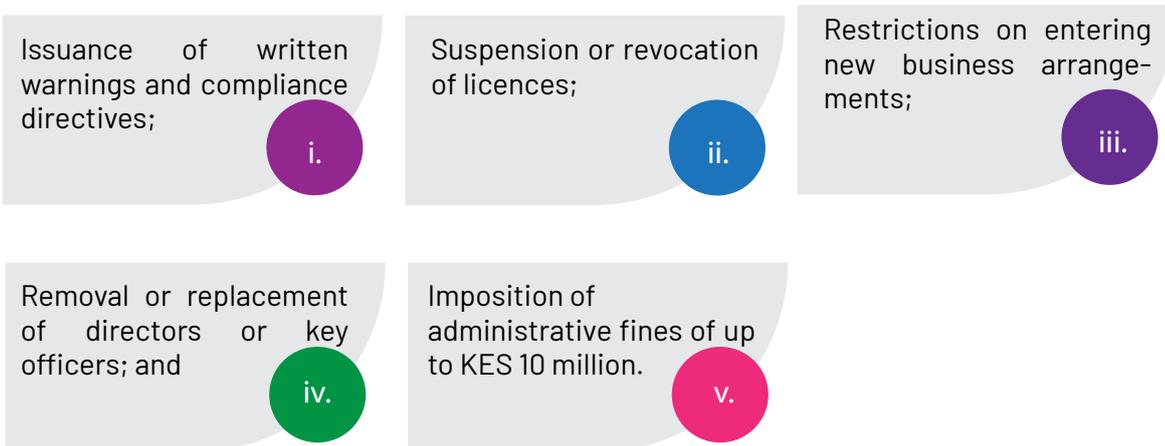
5. Enforcement and Penalties for Non compliance with the Act

The VASP Act establishes a clear framework for enforcing compliance, combining both administrative and criminal penalties depending on the severity of the non-compliance.

One of the notable provisions of the Act is the strict accountability framework it introduces for VASPs and their officers. For instance, providing false or misleading information to regulators is a serious offence, punishable by a fine of up to KES 7 million or three (3) years' imprisonment¹⁸. In addition, directors or officers who knowingly authorise or permit such non-compliance are personally liable and may face the same penalties¹⁹.

Administrative Enforcement Measures

Regulatory authorities may take administrative actions against non-compliant Virtual Asset Service Providers (VASPs), including²⁰:



Criminal Penalties

The Act also specifies criminal sanctions for more serious instances of non-compliance²¹:

- **Unauthorised ownership changes:** maximum fine of 3 million KES or 3 years imprisonment for individuals or 5 million KES for companies
- **False or misleading information:** maximum fine of 7 million KES or 3 years imprisonment for individuals or 20 million KES for companies
- **Unlicensed operations or AML breaches:** maximum fine of 10 million KES or 5 years imprisonment for individuals or 25 million KES for companies

Note: Aggrieved parties have the right to appeal regulatory decisions (licence refusals, suspensions, or enforcement actions) to competent courts or tribunals in Kenya.

¹⁸Section 35(1)

¹⁹Section 37

²⁰Section 34

²¹Section 36

6. Practical Guidance for Virtual Asset Service Providers

Application Activity	Requirements
Pre-Application Phase (6–12 Months)²²	
Corporate Preparation	<ul style="list-style-type: none"> i. Incorporate a Kenyan company limited by shares. ii. Document ownership and beneficial ownership. iii. Recruit at least three qualified directors.
Operational Setup	<ul style="list-style-type: none"> i. Secure a physical office and open a local bank account. ii. Separate client and company assets for solvency purposes. iii. Obtain professional indemnity and cyber insurance. iv. Prepare business continuity plans.
Financial Readiness	<ul style="list-style-type: none"> i. Maintain sufficient capitalisation and prepare 3–5-year projections. ii. Expected initial cost: KES 10–30 million; iii. Annual cost: KES 12–40 million.
Compliance Infrastructure	<ul style="list-style-type: none"> i. Build AML/CFT frameworks. ii. Implement ISO 27001-aligned cybersecurity. iii. Ensure compliance with the Data Protection Act. iv. Document and establish risk mitigation and audit systems. v. Design record-keeping system for seven years.
Post-Licensing Compliance²³	
Ongoing Compliance	<ul style="list-style-type: none"> i. Maintain a regulatory calendar for filings and renewals. ii. Conduct internal audits and compliance reviews. iii. Provide ongoing staff training. iv. Regularly update policies and procedures. v. Maintain documented incident response plans. vi. Obtain regulatory approval for material changes

²²Section 12

²³Section 28–31

7. Conclusion

Kenya's Virtual Asset Service Providers Act, 2025 establishes a robust yet enabling regulatory environment for cryptocurrency and digital asset operators.

The Act offers digital asset and cryptocurrency businesses greater legal certainty and a clear regulatory path to operate in Kenya's fast-growing fintech ecosystem. With access to a tech-savvy population of over 50 million people, Kenya serves as a strategic gateway for regional crypto expansion across Africa. To succeed, prospective VASPs should begin the licensing process early, ensure strong capitalisation and governance, adopt a compliance-first approach, engage proactively with regulators, and maintain transparency and integrity to build lasting consumer trust.

Should you require guidance or assistance with the VASP licence application or navigating compliance under Kenya's regulatory framework, do not hesitate to reach out to us at contact@techhiveadvisory.org.ng.

Thank you.

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