



Our Ref:

Date: March 4, 2024

Your Ref: TBA

The Clerk,  
National Assembly,  
NAIROBI.

Dear Sir / Madam,

**RE: SUBMISSION OF THE DRAFT VIRTUAL ASSETS SERVICE PROVIDERS BILL ,2024 FOR CONSIDERATION**


The above matter refers.

The Blockchain Association of Kenya (BAK) is delighted to submit the draft Virtual Assets Service Providers Bill, 2024 for consideration by the National Assembly having been tasked by the Committee on Finance and National Planning on 31st October 2023 at Boma Hotel. This was necessitated by the growing number of players in this sector entering the Kenyan market and their interactions with Kenyans through various activities.

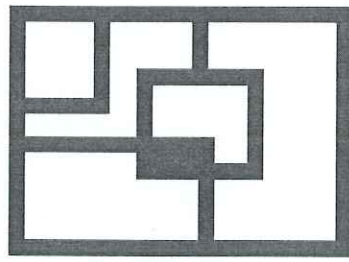
We believe that it is a timely Bill and hope that it will be given priority as it has the ability to create a licensing mechanism for players in this field, provide consumer protection mechanisms, require reporting by the players to aid in combating Anti-Money Laundering and attract foreign direct investment.

Yours Faithfully,

Michael Kimani  
Chairman of the Board  
Ag. CEO

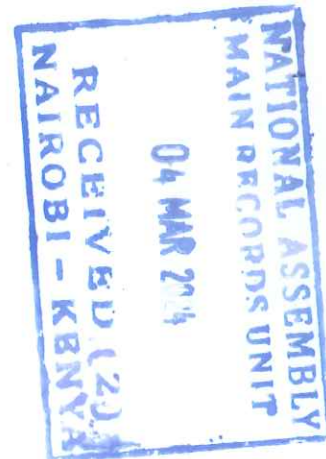
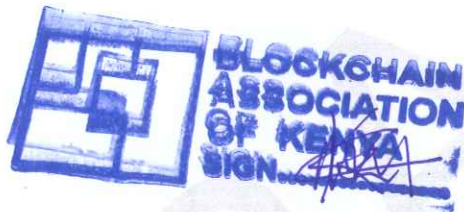
  
4th March 2024





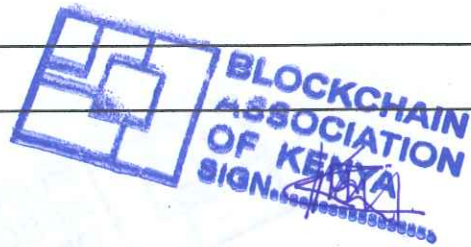
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VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024



March 4, 2024

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# VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

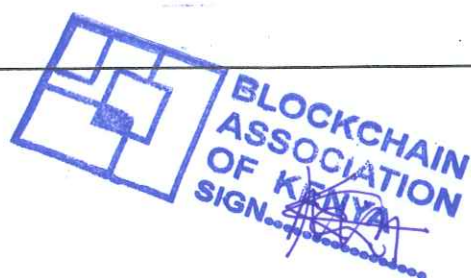
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THIRD SCHEDULE – KEY FINANCIAL SECTOR AND OTHER ACTS RELEVANT TO  
VIRTUAL ASSETS



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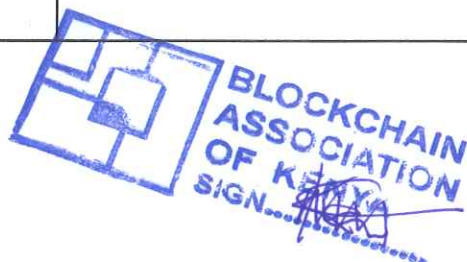


**VIRTUAL ASSETS SERVICE PROVIDERS BILL 2024**

AN ACT of Parliament to make provisions for the licencing and regulation of virtual asset service providers; issuance of tokens to the public via digital platforms and exchanges and to provide for matters connected, incidental and related thereto for purposes of promoting investment in virtual assets, ensuring consumer protection, preventing market abuse and preventing or mitigating the risk of money laundering and financing of terrorism and proliferation activities.

ENACTED by Parliament of Kenya, as follows –

PART I - PRELIMINARY	
<b>1. Short title</b>	This Act may be cited as the Virtual Asset Service Providers Act.
<b>2. Interpretation</b>	<p>In this Act, unless the context otherwise requires—</p> <p><b>“Applicable Acts”</b> means the Acts of Parliament listed in the Third Schedule as key laws relevant to financial sector and other legal requirements applicable to virtual assets;</p> <p><b>“airdrop”</b> means the distribution of a cryptocurrency or token to multiple wallet addresses, often for free, as part of a promotional or foundational activity within the decentralised digital ecosystem. It serves not only as a mechanism for wide-scale token distribution but also as an incentive to engage or participate in a specific decentralised application (dApp), platform, or protocol. Recipients typically must meet certain predetermined criteria, which may include holding a specific token or participating in a particular network activity;</p> <p><b>“asset-referenced token”</b> means a token that represents a claim against the issuer which –</p> <ul style="list-style-type: none"> <li>(a) is intended to represent an asset and is embedded with underlying assets; or</li> <li>(b) derives its value by reference to an underlying asset; or</li> <li>(c) is secured by an underlying asset;</li> </ul>



VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

	<p><b>“beneficiary”</b> in respect to a transfer of virtual asset, means the person that will own the virtual asset on completion of a transfer;</p> <p><b>“blockchain”</b> means a system of recording information in a shared digital register which is duplicated and distributed across the whole network of computer systems within the business network;</p> <p><b>“Cabinet Secretary”</b> means the Cabinet Secretary responsible for matters relating to finance;</p> <p><b>“Capital Markets Act”</b> means the Capital Markets Act of Kenya, Chapter 485A of the Laws of Kenya and the regulations thereunder;</p> <p><b>“Capital Markets Authority”</b> means the Capital Markets Authority established by section 5 of the Capital Markets Act;</p> <p><b>“Central Bank”</b> means the Bank of Kenya established under the Central Bank of Kenya Act, Chapter 491 of the Laws of Kenya;</p> <p><b>“Computer Misuse and Cybercrimes Act”</b> means the Computer Misuse and Cybercrimes Act No. 5 of 2018;</p> <p><b>“Communications Authority of Kenya”</b> means the Communications Authority of Kenya established under section 3 of the Kenya Information and Communications Act, Chapter 411A of the Laws of Kenya;</p> <p><b>“comparable body”</b> a body outside Kenya which has functions similar to those of the Capital Markets Office with respect to the regulation and licensing of a virtual asset business;</p> <p><b>“company”</b> means a company incorporated or registered as such under the Companies Act, No. 17 of 2015 and includes any other corporate body incorporated or registered in accordance with Kenyan laws;</p> <p><b>“crypto assets”</b> means cryptographically secured digital representations of value or contractual rights that can be digitally traded, transferred, or used for payment through any distributed ledger technology;</p>
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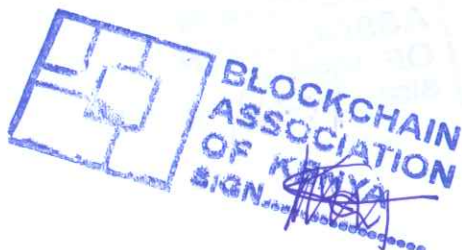
	<p><b>“Custodial Technology Service Provider”</b> means a provider of services in relation to custody where the service provider both: (a) cannot initiate a transaction without the participation of the platform provider; and (b) cannot prevent the platform provider initiating a transaction;</p> <p><b>“custodial wallet provider”</b> means the provider of services involving the storage or maintenance of virtual assets or a virtual wallet on behalf of a client;</p> <p><b>“custodial wallet”</b> means an online virtual asset wallet responsible for storing and holding virtual assets on behalf of a virtual asset owner, without granting full control over those virtual assets to the Custodial Wallet Provider;</p> <p><b>“cybersecurity incident”</b> means any act or attempt, whether successful or unsuccessful by a person to cause unauthorised access, interference, interception or other unauthorised use of a computer, computer system, or other infrastructure containing virtual assets and such other cybercrime as provided for in the Computer Misuse and Cybercrimes Act, as may be amended from time to time;</p> <p><b>“Data Protection Act”</b> means the Data Protection Act, No. 24 of 2019;</p> <p><b>“Data protection commissioner”</b> means the Office of the Data Protection Commissioner established under the Data Protection Act;</p> <p><b>“distributed ledger technology”</b> means a virtual or digital ledger in which data is recorded, consensually shared and synchronised across a network of multiple nodes or sites accessible by multiple persons using a consensus mechanism and includes a distributed ledger technology platform or software program that operates on a blockchain or similar Technology;</p> <p><b>“Financial Reporting Centre”</b> means the Financial Reporting Centre established under section 22 of the Proceeds of Crime and Anti-Money Laundering Act, No. 9 of 2009;</p>
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VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024



	<p><b>“fiat currency”</b> means currency issued by the relevant body in a country or by a government that is designated as legal tender in its country of issuance through amongst other things, government decree, regulation, or law and may include a banknote or coin that is in circulation as a medium of exchange or a digital currency issued by the relevant government body of a country;</p> <p><b>“financial institution”</b> has the meaning assigned to it under the Central Bank of Kenya Act, Chapter 491 of the Laws of Kenya;</p> <p><b>“initial token offerings or ITO”</b> means an offer for sale to the public of a virtual token in exchange for fiat currency or another virtual asset;</p> <p><b>“issuer”</b> means a natural or legal person, or other undertaking, who issues virtual assets;</p> <p><b>“key personnel”</b> means a person who manages or controls the activities of a licensed person and includes -</p> <ul style="list-style-type: none"><li>(a) the chief executive officer, chief financial officer, chief technology officer, chief compliance officer, secretary to the Board, chief internal auditor, or any manager; and</li><li>(b) any person who holds a position or discharges responsibilities of any person referred to in paragraph (a);</li></ul> <p><b>“licence”</b> means a licence issued by the Office under section 13 of this Act and <b>“licensee”</b> <b>“licensed person”</b> and <b>“licensor”</b> shall be construed accordingly;</p> <p><b>“licence class”</b> means such class of licence as described in section 17 of this Act;</p> <p><b>“Nairobi International Financial Centre”</b> means the Nairobi International Financial Centre established under section 4 of the Nairobi International Financial Centre Act, No. 25 of 2017;</p> <p><b>“non-custodial wallet”</b> means a virtual asset wallet that stores virtual assets and grants the virtual assets owner complete control over the virtual assets and can be either a software program or a physical device;</p>
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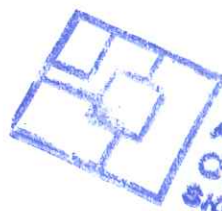
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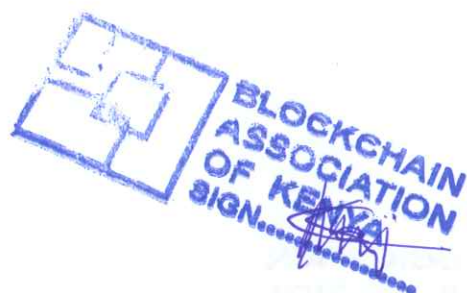
	<p><b>“non-fungible token” or “NFT”</b> means unique digital assets created for specific applications that cannot be divided or exchanged on a one-to-one basis. Each non-fungible token is a distinct and irreplaceable digital identifier recorded on a blockchain, providing a secure and transparent way to verify ownership and authenticity of a particular digital asset, such as artwork, music, or other digital content;</p> <p><b>“offer”</b> means a document, notice, circular, advertisement, prospectus or whitepaper issued to the public or accessible electronically -</p> <ul style="list-style-type: none"> <li>(a) inviting applications or offers to subscribe for or purchase virtual assets;</li> <li>(b) presenting sufficient information on the terms of the offer and the virtual assets to be offered so as to enable prospective holders/purchasers to decide whether or not to purchase the virtual assets; or</li> <li>(c) offering virtual assets for subscription or purchase;</li> </ul> <p><b>“Office”</b> means the Office of Virtual Assets established in accordance with Part III of this Act;</p> <p><b>“off-ramp”</b> means the process that enables a person to convert virtual assets into fiat currency or other tangible assets. Off-ramps can take various forms, including virtual asset exchanges that facilitate the conversion of virtual assets to fiat currency, over the counter (OTC) services, or peer-to-peer transactions;</p> <p><b>“on-ramp”</b> means the process that enables a person to convert fiat currencies into virtual assets. On-ramps can take various forms, including virtual asset exchanges that facilitate the conversion of virtual assets to fiat currency, over the counter (OTC) services, or peer-to-peer transactions;</p> <p><b>“originator”</b>, in respect to a transfer of virtual asset, means –</p> <ul style="list-style-type: none"> <li>a) the person that places an order with a virtual asset service provider for the transfer of virtual assets; or</li> </ul>
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	<p>b) where the transfer is carried out by a virtual asset service provider on behalf of a client or other third party, the client or third party who owned the virtual asset immediately before the transfer;</p> <p><b>“over-the-counter trading”</b> or <b>“OTC trading”</b> means the direct exchange of virtual assets between two parties within a closed trading market. OTC trading involves a more personalised and private environment within which participants negotiate and agree upon specific terms for their transactions, allowing for a customised approach;</p> <p><b>“Peer-To-Peer trading”</b> or <b>“P2P trading”</b> means the direct exchange of digital assets between two individuals without the involvement of an intermediary;</p> <p><b>“real world asset”</b> means movable and immovable property of any nature, whether tangible or intangible including but not limited to real estate, securities, commodities and treasury bonds;</p> <p><b>“real-world-asset token”</b> or <b>“RWA token”</b> means a digital representation, stored on a blockchain or utilising distributed ledger technology, that signifies an ownership interest, claim, or stake in a tangible or intangible asset existing off-chain in the physical world. The real-world asset token may confer rights, obligations, or benefits associated with the underlying real-world asset, which could include but is not limited to property, securities, commodities, or any other item of economic value;</p>
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	<p><b>“security token”</b> means a token representing transferable securities, money-market instruments, units in collective investment undertakings, options, futures, swaps and other derivatives linked to securities, currencies, interest rates, emission allowances, or financial indices, derivative contracts linked to commodities, whether settled physically or in cash, derivative contracts tied to commodities traded on regulated markets, financial contracts for differences, derivative instruments for transferring credit risk, derivative contracts involving climatic variables, freight rates, or inflation rates and emission allowances conforming to the regulatory requirements of the Applicable Acts;</p> <p><b>“significant shareholder”</b> means a person, other than the Government or public entity, who holds, directly or indirectly, or otherwise has a beneficial interest amounting to, five per cent or more of the share capital of a licensed person or a corporate entity seeking to become a licensed person;</p> <p><b>“stablecoin”</b> means a type of virtual asset that is not an electronic money token and that purports to maintain a stable value by referencing another value or right or a combination thereof, including one or more official currencies;</p> <p><b>“tokenization”</b> means the process of converting rights, a unit of a real-world asset ownership, debt, or a physical asset into an asset reference token on a blockchain;</p> <p><b>“token issuer”</b> means a natural or legal person responsible for issuing a virtual asset, and shall mean an issuer who applies for authorisation from the Office to offer such tokens to the public either independently, through a third party, and/or seeks the admission of such a token for trading either independently, or through a third party;</p> <p><b>“transfer of virtual assets”</b> means any transaction carried out that moves a virtual asset from one virtual asset address or account to another virtual asset address or account. However, for purposes of taxation under part XI of the Act, transfer excludes:</p> <p>(a) generation of new virtual assets through mining;</p>
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## VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

	<p>(b) validation of transactions on the blockchain through staking;</p> <p>(c) delivery of virtual assets to the wallets of traders through airdropping;</p> <p>(d) transfer of virtual assets from one wallet to another, owned by the same person; and</p> <p>(e) transfer of non-fungible tokens which results in legally enforceable transfer of ownership of the underlying tangible asset;</p> <p><b>“utility token”</b> means a type of virtual asset that is only intended to provide access to a good or a service supplied by its issuer.</p> <p><b>“virtual asset”</b> means a cryptographically secured digital representation of value that –</p> <p>a) may be digitally traded or transferred, and may be used for payment or investment purposes;</p> <p>b) is distributed through a distributed ledger technology where value is embedded or in which there is a contractual right of use and the same is offered to members of the public for commercial purposes or gain;</p> <p>c) asset-referenced tokens; crypto assets; non-fungible tokens (NFT); real world asset tokens; stablecoins; security tokens; electronic money token or e-token and any other token or crypto asset generated through distributed ledger technology or any electronic closed loop system for purposes of investment, selling, trading and/or speculation but excludes a digital representation of legal tender as provided for under the Central Bank Act; or</p>
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- d) tokens generated or minted through distributed ledger technology and such other technology for private use or any other purpose intended by the creator that does not involve any aspect of offering, listing, transactional trading, or provision of the token on an exchange, trading platform and such other digital platform in order to invest, trade, speculate or sell the same and securities and other financial assets and products that are regulated under the Capital Markets Act or by the Central Bank;

**“virtual asset service”** means any or one of the following services provided by a virtual assets service provider which include but are not limited to:

- a) providing custody and administration of virtual assets on behalf of customers;
- b) operation of a trading platform for virtual assets;
- c) exchange of virtual assets for other virtual assets;
- d) execution of orders for virtual assets on behalf of customers;
- e) placing of virtual assets;
- f) reception and transmission of orders for virtual assets on behalf of customers;
- g) providing portfolio management on virtual assets; and
- h) providing transfer services for virtual assets on behalf of customers;

**“virtual asset service provider” or “VASP”** means a natural or legal person not person involved in the trade or business that provides the following services –

- (a) Exchange between virtual assets and fiat currencies;
- (b) Exchange between one or more forms of virtual assets;
- (c) Transfer of virtual assets; and
- (d) Custodial services for safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets;





VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

- (e) Participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

**"virtual asset marketplace"** means a centralised platform, whether in Kenya or in another jurisdiction which facilitates and enables—

- (a) the trading and exchange of virtual assets for fiat currency or other virtual assets on behalf of third parties for a fee, a commission, a spread or other similar consideration;
- (b) issuing, listing, buying and selling of virtual assets;
- (c) exchange between one or more forms of virtual assets;
- (d) management of one or more multilateral systems, which bring together or facilitate the bringing together of multiple third-party purchasing and selling interests in virtual assets;
- (e) trading, including peer-to-peer trading of virtual assets, and
- (f) custodial holding or control of virtual asset on behalf of its clients to facilitate an exchange and purchase of virtual assets from a seller when transactions or bids and offers are matched in order to sell them to a buyer;


Provided that a virtual asset market place does not include a platform that only provides a forum where sellers and buyers may post bids and offers and a forum where the parties trade in a separate platform or in a peer-to-peer manner;

**"virtual asset wallet providers"** means a person who offers storage for virtual assets on behalf of virtual assets owners and include custodial, and non-custodial wallets;

**"whitepaper"** means an informational document, issued by a person to promote or highlight the features of a solution, product, or service through detailing all of the technical, economic, and design aspects of such a solution, product or service for consumption by members of the public prior to the launch of such a solution, product or service.



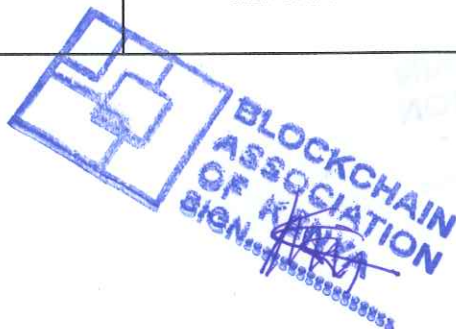
<p><b>3. Objectives and principles of the Act</b></p>	<p>The objectives and principles of this Act are to -</p> <ul style="list-style-type: none"> <li>a) position Kenya as a global virtual assets hub and attracting foreign direct investment into the sector;</li> <li>b) promote and support innovation, evolution and development of virtual assets in Kenya, and to encourage the development and use of blockchain technologies and other emerging technologies;</li> <li>c) provide a legal framework through which all stakeholders have legal certainty;</li> <li>d) protect consumers and investors;</li> <li>e) ensure financial and economic stability;</li> <li>f) provide for the licencing and regulation of virtual asset service providers and tokens issuance for commercial purposes through digital platforms and exchanges in harmony with the existing legal framework in Kenya in relation to securitization and commoditization of assets;</li> <li>g) ensure consumer protection and preventing market abuse by virtual asset service providers;</li> <li>h) facilitate the prevention, detection, investigation of risk of money laundering and financing of terrorism and proliferation activities through dealing in virtual assets;</li> <li>i) facilitate the protection of the confidentiality, integrity and availability of computer systems, programs, and data in relation to virtual assets including prevention, detection, investigation, prosecution and punishment of unlawful use or computer systems and cybercrimes in relation to virtual assets; and</li> <li>j) facilitate international cooperation on matters covered under this Act in line with instruments and treaties entered into by Kenya.</li> </ul>
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VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

<b>4. Scope and Application of the Act</b>	<p>(1) This Act shall apply to -</p> <ul style="list-style-type: none"><li>(a) a virtual asset service provider who is established or ordinarily resident in Kenya and offers the virtual assets service while in Kenya or is not established or ordinarily resident in Kenya but offers the virtual assets service to customers located in Kenya; and</li><li>(b) any person offering a virtual asset service to customers located in Kenya regardless of the person's location including where such services are offered through an agent, consultant, employee, or other unauthorized or unlicensed person who carries on business as a virtual asset service provider on the person's behalf in Kenya.</li></ul> <p>(2) This Act shall not apply to—</p> <ul style="list-style-type: none"><li>(a) a natural or legal person who is licensed under any other Kenyan law relating to financial services;</li><li>(b) digital representations of fiat currencies;</li><li>(c) tokens generated, minted through distributed ledger technology and such other technology for private use or any other purpose intended by the company or creator, that does not involve any aspect of offering, listing, transactional trading, or provision of the token on an exchange, trading platform and such other digital platform; in order to invest, trade, speculate or sell the same;</li><li>(d) securities, capital market instruments, and other financial assets that are regulated under the Capital Markets Act;</li><li>(e) digital currencies issued by the Central Bank or the Central Bank of a foreign jurisdiction;</li><li>(f) closed-loop items which are non-transferable, non-exchangeable, and cannot be used for payment or investment purposes, and which a person cannot sell onward on a secondary market outside of the closed-loop system;</li></ul>
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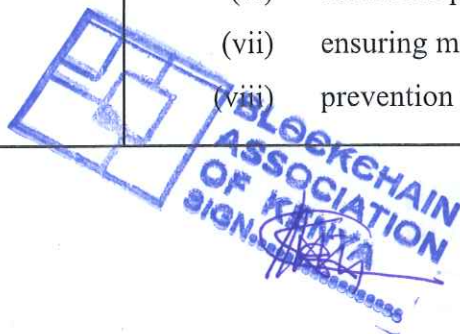
	<p>(g) a person who, by virtue of his acting in a professional advisory capacity offers advice or services to persons engaged in the participation and provision of financial services related to a virtual asset service provider or token issuance;</p> <p>(h) a person who supplies services or products to a virtual asset service provider as part of their ordinary commercial activities.</p> <p>(i) Custodial Technology Service Provider, and a person who provides ancillary services or products;</p> <p>(j) Decentralised Finance (DeFi), unless the issuance or provision of services to the public has been deemed by a competent authority to be centralised;</p> <p>(k) Other virtual-assets used to buy a service, or access a Distributed Ledger Technology (DLT) platform, and that are only accepted by the issuer of that token (closed loop systems), being technically impossible to transfer directly to other holders;</p> <p>(l) decentralised networks, Decentralised Autonomous Organizations (DAOs), Decentralized Exchanges and Non-custodial wallets.</p>
<b>PART II – REGULATORY AND SUPERVISORY AUTHORITY</b>	
<b>5. Designation of Licensing Office</b>	<p>(1) There is established the Office of Virtual Assets Regulation (<b>Office</b>) established and designated under the Capital Markets Authority, subject to the transition provisions under Part XIV of this Act.</p> <p>(2) The Office shall, in the execution of its powers and functions, engage in seamless collaboration with the Joint Regulatory Sandbox as established under the provisions of this Act.</p>





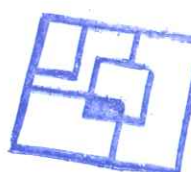
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<b>6. Functions and Powers of the Office</b>	<p>(1) In fulfilling its regulatory and supervisory obligations as stipulated in this Act, the Office, in collaboration with the Joint Regulatory Sandbox, shall -</p> <ul style="list-style-type: none"><li>(a) authorize or licence virtual asset service providers as applicable;</li><li>(b) register token issuers in accordance with the established framework;</li><li>(c) effectively regulate, monitor, and supervise virtual assets service providers and token issuers;</li><li>(d) receiving and acting on reports relating to cybersecurity incidents in relation to virtual assets;</li><li>(e) provide directives to licensed person and take necessary enforcement actions when warranted; and</li><li>(f) undertake any other actions and initiatives deemed essential for the effective implementation and enforcement of the provisions outlined in this Act.</li></ul> <p>(2) The Office shall formulate such Rules and Regulations as may be required to regulate virtual asset service providers and in particular -</p> <ul style="list-style-type: none"><li>(a) the fees payable for any matter relating to any power, duty, or function conferred or imposed on the Office under this Act, or any other legislation administered by the Office;</li><li>(b) rules, regulations, and prudential standards in respect of -<ul style="list-style-type: none"><li>(i) disclosures and representations to consumers and users;</li><li>(ii) risk management;</li><li>(iii) custody of client assets;</li><li>(iv) cybersecurity;</li><li>(v) financial reporting;</li><li>(vi) consumer protection;</li><li>(vii) ensuring market stability and integrity;</li><li>(viii) prevention of insider trading and collusion;</li></ul></li></ul>
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# VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

	<ul style="list-style-type: none"> <li>(ix) token issuance and listing;</li> <li>(x) user classification;</li> <li>(xi) protection of client assets;</li> <li>(xii) advertising and marketing standards;</li> <li>(xiii) dispute resolution and complaints resolution mechanisms;</li> <li>(xiv) resolving cases of conflict of interest;</li> <li>(xv) statutory returns; and</li> <li>(xvi) a virtual asset register for any person who holds a virtual asset.</li> </ul> <p>(c) any matter relating to any power, duty, or function conferred or imposed on the Office under this Act, or any other legislation administered by the Office;</p> <p>(3) Any Rules and Regulations made under subsection (2) shall be presented by the Joint Regulatory Sandbox to the Office for approval and publication in the <i>Gazette</i>.</p>
<b>7. Request for information</b>	<p>(1) The Office may, by notice in writing, require any person to furnish it with information and documentation with respect to a virtual asset service or virtual asset service provider, at such time and place and in such form as may be prescribed.</p> <p>(2) For purposes of sub section (1) a person may include –</p> <ul style="list-style-type: none"> <li>(a) any person who is, was or appears to be or to have been, a licensed person;</li> <li>(b) an agent or representative of a licensed person;</li> <li>(c) an intermediary involved in a virtual asset service; or</li> <li>(d) a person who issues or appears to have issued a token.</li> </ul> <p>(3) The Office may request a licensed person to appear before the Office or a person appointed by the Office, at such time and place as it may specify, to answer questions and provide information and documentation with respect to a virtual asset service or token offering or an offer issued by the virtual asset service provider.</p>


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	<p>(4) Any person licensed under this Act who fails to comply with a request for information by the Office under subsection (1) commits an offence and is liable upon conviction to a fine not exceeding Kenya Shillings ten million or to imprisonment for a period not exceeding ten years or to both such fine and such imprisonment.</p>
<b>PART III – JOINT VIRTUAL ASSETS REGULATORY SANDBOX</b>	
<b>8. Establishment of the Joint Virtual Assets Regulatory Sandbox</b>	<p>(1) There is established the Joint Virtual Assets Regulatory Sandbox.</p> <p>(2) The Sandbox shall be an operating framework managed by the Office in order to facilitate and support the development of an efficient and globally competitive virtual assets sector in Kenya.</p> <p>(3) The Joint Virtual Assets Regulatory Sandbox shall be composed of the members set out in section 13 of this Act.</p>
<b>9. Objectives of the Sandbox</b>	<p>The objectives of the Sandbox are as follows:</p> <ul style="list-style-type: none"> <li>(a) running a one-stop shop that manages and oversees all regulatory concerns and queries raised with respect to virtual assets across government agencies;</li> <li>(b) encouraging cooperation and collaboration with all relevant authorities in mutually beneficial areas, including but not limited to information sharing, legal and policy issues, regulation and supervision approaches/frameworks, fostering financial stability surveillance, assessment, and analysis, communications and public relations, investigation and enforcement, and capacity building;</li> <li>(c) establishing and sustaining an efficient operating framework, conducive to the deployment of diverse innovative virtual asset services and business models. This involves a continuous review and adoption of regulatory requirements that may inadvertently impede investor-friendly innovations or render them non-viable within existing regulations;</li> </ul>


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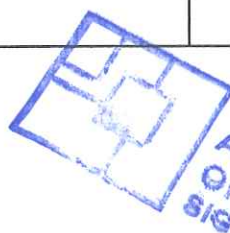



	<p>(d) facilitating the deployment and testing of innovative virtual assets products, solutions, and services in a live environment before introduction to the market. Such activities shall be conducted within specified parameters and timeframes as established under the Joint Virtual Assets Regulatory Sandbox Rules; and</p> <p>(e) accelerating the government's comprehension of virtual assets and endorsing evidence-based approaches to regulation that advance the objectives of consumer empowerment and protection, ease of doing business and the creation of an investor-friendly and innovations-friendly ecosystem.</p>
<p><b>10. Functions of the Sandbox</b></p>	<p>The functions of the Sand Box shall be as follows:</p> <p>(a) <b>collaborative regulatory oversight:</b> the Sandbox shall vet and review applications for the authorization or registration and licensing of virtual asset service providers. This will entail a comprehensive regulatory assessment that balances innovation with adherence to established consumer protection standards;</p> <p>(b) <b>inter-agency cooperation:</b> the Sandbox shall foster collaboration with relevant government regulators and authorities on various fronts, including information sharing, legal and policy considerations, regulation and supervision approaches, financial stability surveillance, communications, public relations, investigation, enforcement, and capacity building;</p> <p>(c) <b>operational framework management:</b> the Sandbox shall establish and maintain an efficient legal and operating framework designed to attract and retain firms within the Sandbox. This will involve continuous evaluation and adjustment to meet the evolving needs of innovative market participants while maintaining regulatory integrity;</p> <p>(d) <b>strategic recommendations:</b> the Sandbox shall work in conjunction with relevant government regulators and agencies to develop and recommend strategies and incentive structures that align with national objectives;</p>





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	<p>(e) <b>deployment and testing of products and services:</b> the Sandbox shall facilitate the deployment and testing of innovative virtual assets products, solutions, and services in a live environment before their introduction to the market. Such activities shall be conducted within specified parameters and timeframes;</p> <p>(f) <b>advice to the government:</b> the Sandbox shall advise the national government on all matters relating to virtual assets and endorse evidence-based approaches to regulation that advance the objectives of consumer empowerment, protection, ease of doing business, and the creation of an investor-friendly and innovations-friendly ecosystem; and</p> <p>(g) <b>promotion of education:</b> the Sandbox shall promote investor education and other conditions that facilitate innovation and development of virtual asset businesses within Kenya.</p>
<b>11. Powers of the Sandbox</b>	<p>(1) The Sandbox shall have powers to -</p> <p>(a) develop guidance and codes of practice in connection with the conduct of virtual asset business and initial token offerings;</p> <p>(b) establish ad-hoc committees constituting representatives from the field of academia, research and such other government observers who will assist in vetting innovative products, developing policy and regulatory framework;</p> <p>(c) issue guidance notes and feedback to virtual asset service providers and issuers of initial token offerings to assist them in detecting and reporting suspicious transactions and application of measures to combat money laundering and financing of terrorism and proliferation -</p> <p>i. in connection with the conduct of virtual asset service providers and issuers of initial token offerings in relation to consumer protection;</p> <p>ii. regarding the interpretation, application and enforcement of this Act; and</p>

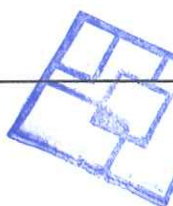

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	<p>iii. regarding any regulations or rules made under this Act.</p> <p>(d) in collaboration with the Central Bank, ensure the stability of the financial system in Kenya in respect of virtual assets in respect of matters falling under the purview of this Act;</p> <p>(e) in consultation with the Cabinet Secretary, establish such other technical committees as may be necessary for the better carrying out of its functions.</p> <p>(2) If, at any time, the Sandbox has reason to believe that the business of a licensed person is being conducted in -</p> <p>(a) a manner contrary to the requirements of this Act or regulations and guidelines issued by the Sandbox or in any manner detrimental to or not in the best interests of its customers or members of the public; or</p> <p>(b) a licensed person or any of its officers is engaged in any practice likely to occasion a contravention of any of the provisions of this Act or any regulations or guidelines thereunder, the Sandbox may -</p> <p>(i) give advice and make recommendations to the licensed person to remedy its conduct with regard to its operations generally;</p> <p>(ii) issue directions regarding measures to be taken to improve the management or business methods of the licensed person or to secure or improve compliance with the requirements of the Act, the regulations or guidelines issued or any other written law or regulations; or</p> <p>(iii) in any case, issue directions to the licensed person, officer or other person to cease and desist from such practice.</p>
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	<p>(3) The Sandbox may, before issuing any directions under this Act, serve upon the licensed person, officer or other person, a notice of such intent specifying the reasons therefore and requiring the licensed person, officer or other persons, within such period as may be specified in the notice, to avail themselves, their relevant establishment and charter documents, accounting books and records to show cause why such direction should not be issued.</p> <p>(4) A licensed person who receives any directions under this Act shall comply with the directions within such period as may be specified in the direction and, if so required, produce evidence of compliance.</p> <p>(5) The Sandbox may issue directions to licensed persons generally for the better carrying out of its functions and in particular, with respect to—</p> <ul style="list-style-type: none"><li>(a) the standards to be adhered to by a licensed person in the conduct of its business; and</li><li>(b) guidelines to be adhered to by licensed persons in order to maintain a stable and efficient financial system.</li></ul>
<b>12. Composition of the Sandbox</b>	<p>The members of the Sandbox shall be gazetted by the Cabinet Secretary, and shall comprise of:</p> <ul style="list-style-type: none"><li>(a) a representative of the Capital Markets Authority;</li><li>(b) a representative of the Central Bank of Kenya;</li><li>(c) a representative of Financial Reporting Centre;</li><li>(d) a representative appointed by the Cabinet Secretary for the time being responsible for matters relating to information and communication technology</li><li>(e) a representative of the Nairobi International Financial Centre;</li><li>(f) a representative of the Law Society of Kenya;</li><li>(g) a representative of the Competition Authority of Kenya; and</li></ul>

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	(h) a representative of the Kenya Revenue Authority.
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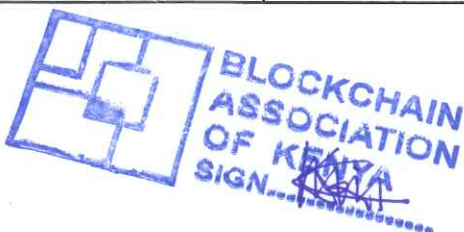


<p><b>13. Regulatory Sandbox Oversight Committee</b></p>	<p>(1) The management of the Sandbox shall vest in an oversight committee which shall be comprised of the following members -</p> <ul style="list-style-type: none"> <li>(a) a chairperson appointed by the Office;</li> <li>(b) a member representing the Central Bank of Kenya who shall represent Central Bank's regulatory interests in the virtual assets space and shall be responsible for matters relating to the intersection between virtual assets and banking industry, payments industry as well as monetary policy;</li> <li>(c) a member representing the Financial Reporting Centre specialising in anti-money laundering and counter-terrorism financing efforts, brings a crucial perspective to the committee to address and mitigate financial integrity risks within the Sandbox;</li> <li>(d) a member representing the Nairobi International Financial Centre who shall make contributions on strategic insights to foster an environment conducive to global financial competitiveness and viability of virtual assets;</li> <li>(e) a member representing the Office of the Data Protection Commissioner who shall be responsible for matters relating to data protection and privacy rights;</li> <li>(f) a member representing the Cabinet Secretary for the time being responsible for innovation and cybersecurity; and</li> <li>(g) a member representing the Competition Authority of Kenya;</li> </ul> <p>(2) The members of the oversight committee shall work collectively to guide the Sandbox's policies, ensuring they remain responsive to market developments, supportive of innovation, and aligned with national regulatory objectives.</p> <p>(3) A person qualifies to be appointed as the Chairperson of the oversight committee under subsection (1)(a) if the person -</p>
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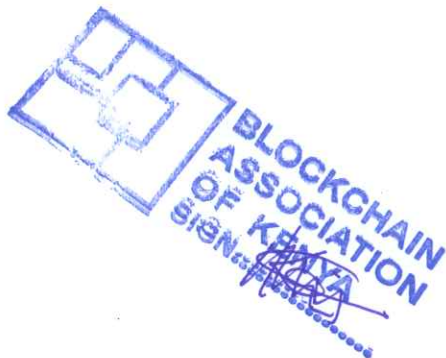
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	<p>(a) holds a degree from a university recognized in Kenya or an internationally accredited and recognized university;</p> <p>(b) has at least fifteen years' experience at a senior management level in—</p> <ul style="list-style-type: none"><li>(i) finance, economics, banking, insurance or capital markets;</li><li>(ii) corporate or financial services law; or</li><li>(iii) any other field that is relevant to the functions of the Office; and</li></ul> <p>(c) meets the requirements of Chapter Six of the Constitution of Kenya on leadership and integrity.</p> <p>(4) A person qualifies to be appointed as a committee member under subsection (1)(b) to (h) if the person —</p> <p>(h) holds a degree from a university recognized in Kenya or an internationally accredited and recognized university; and</p> <p>(i) has a demonstrable level of knowledge and experience in—</p> <ul style="list-style-type: none"><li>i. virtual asset services industry,</li><li>ii. finance, economics, banking, insurance or capital markets;</li><li>iii. corporate or financial services law; or</li><li>iv. any other field that is relevant to the functions of the Sandbox; and</li><li>v. meets the requirements of Chapter Six of the Constitution of Kenya on leadership and integrity.</li></ul>
<b>PART IV – LICENSING AND REGISTRATION</b>	
<b>14. Requirement to be licensed</b>	<p>(1) No person shall carry on business as a virtual asset service provider unless such person is the holder of a virtual asset service provider's licence issued under this Act.</p>



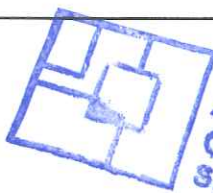
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	<p>(2) Any person who contravenes subsection (1) shall commit an offence and shall, on conviction, be liable to a fine not exceeding twenty million Kenyan Shilling or to imprisonment for a term not exceeding five years or both.</p> <p>(3) For purposes of this Act, a person carries on business as a virtual asset service provider if —</p> <ul style="list-style-type: none"><li>a) it is established or ordinarily resident in Kenya and offers the virtual assets service while in Kenya; or</li><li>b) is not established or ordinarily resident in Kenya but offers the virtual asset service to customers located in Kenya.</li></ul> <p>(4) The provisions of this section shall also apply where a person offers a virtual asset service to customers located in Kenya regardless of the person's location including where such services are offered through an agent, consultant, employee, or other unauthorized or unlicensed person who carries on business as a virtual asset service provider on the person's behalf in Kenya.</p>
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<p><b>15. Licences classes</b></p>	<p>(1) An individual, sole proprietor, company, trust or partnership shall be eligible to carry on business as a virtual asset service provider in or from Kenya if they obtain and hold either of the following licences:</p> <p><b>a) Class A: Virtual assets exchanges:</b> persons who provide services related to a virtual assets exchange including platforms which facilitates the –</p> <ul style="list-style-type: none"> <li>i. issuing, listing, buying and selling of virtual assets,</li> <li>ii. exchange between one or more forms of virtual assets,</li> <li>iii. trading including peer-to-peer trading of virtual assets.</li> </ul> <p><b>b) Class B: Custodial services and Wallets:</b> providers of -</p> <ul style="list-style-type: none"> <li>(i) virtual assets custodial services; or</li> <li>(ii) custodial wallet services.</li> </ul> <p><b>c) Class C: On-Ramps and Off-Ramp Services</b></p> <ul style="list-style-type: none"> <li>i. Persons who operate as an on-ramp or off-ramp service provider facilitating exchange or conversion from virtual assets to fiat currency and vice-versa;</li> <li>ii. Operators of a virtual assets payment service provider or transfer of assets utilising virtual assets;</li> </ul> <p><b>d) Class D - Token Issuers</b></p> <p>Persons who operate as issuers of asset-referenced tokens.</p> <p><b>e) Pilot Programs:</b> Before engaging in a comprehensive and widespread implementation of virtual asset services, any individual or entity desiring to undertake a restricted, closely monitored, and temporary initiative aimed at evaluating the feasibility, performance, and effectiveness of virtual asset-related concepts, approaches, technologies, or services may acquire a pilot program licence. The pilot program licence, granted under this provision, shall have the following characteristics:</p> <ul style="list-style-type: none"> <li>i. it is a temporary permit valid for a specified period, not exceeding eight months.</li> </ul>
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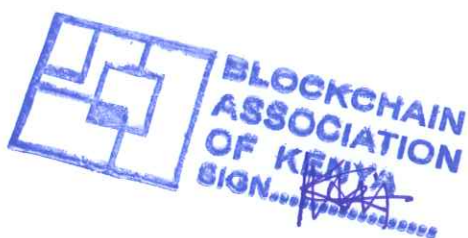
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	<p>ii. it is restricted to a maximum of ten thousand product users, or such other number of users as prescribed by the Office.</p> <p>iii. the pilot program shall follow any other guidelines as may be prescribed by the Office.</p> <p>(2) The above notwithstanding, licencing for small and medium enterprises may be prescribed by the Office.</p>
<b>16. Application for licence</b>	<p>(1) A person who wishes to carry on business as a virtual asset service provider shall apply for a licence indicating the licence class or classes required as provided for under Section 15 of this Act.</p> <p>(2) An application for licensing and registration shall be made to the Office in the prescribed form under the relevant regulations issued pursuant to this Act.</p> <p>(3) An application in subsection (1) shall be accompanied by:</p> <ul style="list-style-type: none"> <li>(a) constitutive documents of the applicant including certificates of incorporation, registration, constitution or rules of the applicant;</li> <li>(b) notification of the applicant's physical address whether withing or outside Kenya;</li> <li>(c) constitutive documents of any corporate body that is a key personnel or significant shareholder of the applicant;</li> <li>(d) a clear and detailed description of the distributed ledger technology system to be used in the applicant's operations and an independent assurance on the systems;</li> <li>(e) a description of delivery channels or platforms to be deployed by the applicant;</li> <li>(f) a description of, and terms and conditions of virtual assets products and services which the applicant intends to provide;</li> </ul>


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	<p>(g) policies and measures to be adopted by the applicant to meet its obligations under this Act, the Proceeds of Crime and Anti- Money Laundering Act and the United Nations (Financial Prohibition, Arms Embargo and Travel Ban) Act relating to anti-money laundering and combating the financing of terrorism and proliferation;</p> <p>(h) the applicant's consumer redress, mechanisms policies and procedures;</p> <p>(i) a description and evidence of sources of funds to be invested in the applicant's business;</p> <p>(j) certified copies of the applicant's bank account management agreement and Trust Deed evidencing the proof of funds, ring-fencing of consumer funds and segregation of certain core business assets held by the virtual asset service provider in a Kenyan bank or custodian and proof of insurance of such consumer funds and deposits;</p> <p>(k) the names and addresses of the shareholders and ultimate beneficial owners in the prescribed form and as required by the Companies Act;</p> <p>(l) duly signed fit and proper forms for the key personnel and significant shareholders of the applicant in the prescribed form;</p> <p>(m) the applicant's corporate governance and environment, social and governance policy;</p> <p>(n) a business plan or feasibility study setting out, amongst others, the nature and scale of the business activities proposed to be carried out;</p> <p>(o) particulars of the applicant's arrangements for the management of its business activities;</p> <p>(p) fee prescribed by the Office;</p> <p>(q) compliance with the capital requirements set out in the First Schedule;</p> <p>(r) proof of registration with the Data Protection Commissioner; and</p>
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	<p>(s) any other information as may be required by the Office.</p> <p>(4) In addition to the above, the Office may require an applicant to –</p> <p>(a) give such other information, document or report in connection with the application upon giving the applicant fourteen days' written notice; and</p> <p>(b) have any information submitted in support of the application verified at the cost of the applicant.</p> <p>(5) The Office shall not be bound to deal further with an application until the requirements under this section are satisfied.</p> <p>(6) An applicant may withdraw an application by giving seven days' written notice, including the reasons thereof, to the Office at any time before the determination of the application.</p>
<b>17. Designation of compliance officer</b>	A virtual asset service provider shall, in writing, designate a compliance officer to coordinate all compliance matters under this Act with the Office.
<b>18. Determination of Application</b>	<p>(1) Subject to this Act and to the Applicable Acts, the Office shall review all such information, documents and reports submitted and may consult the relevant authorities in order to make a determination on an application.</p> <p>(2) The Office shall in making a determination in relation to application for a licence under section 16 of this Act, take into account –</p> <p>(a) whether the applicant has complied with the requirements of this Act and other Kenyan laws;</p> <p>(b) whether the operation of the applicant's business would adversely affect or prejudice the financial services industry in Kenya or any part thereof;</p> <p>(c) the virtual asset services proposed to be carried out by the applicant;</p>



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	<p>(d) whether the applicant demonstrates system security and stability, as well as implements technical and organizational safeguards to protect against cybersecurity incidents including unauthorized access or interference with consumer's virtual assets, credentials, funds and information; and</p> <p>(e) any other relevant factor as may be prescribed by the Office.</p> <p>(3) The safeguards referred to in subsection (2)(d) shall include, but not be limited to, encryption and related measures designed to secure virtual assets and customer information.</p>
<b>19. Issuance of the licence</b>	The Office shall notify an applicant of its decision on the license application within sixty days of submission of a complete application, and where approved issue a certificate as proof of licencing.
<b>20. Duration and Renewal</b>	<p>(1) A licence issued by the office under this Part of the Act shall be valid for a period of twenty-four months.</p> <p>(2) An application for the renewal of a licence shall be submitted to the Office six months prior to the expiry of an existing licence.</p> <p>(3) The application under subsection (2) shall be submitted together with -</p> <p>(a) the fees prescribed by the Office; and</p> <p>(b) any other information as prescribed by the Office.</p>
<b>21. Mutual Licensing, and Bilateral Recognition</b>	In instances where the Republic of Kenya through the Office, has bilateral or multi-lateral agreements on virtual assets services regulation with another sovereign jurisdiction, the relevant applicant, and a virtual services provider already registered in the other jurisdictions applies for a licence in Kenya, the application shall be expedited.

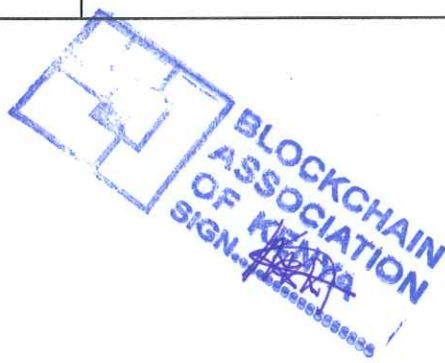

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<p><b>22. Variation of licence</b></p>	<p>An application to vary or remove any limitation imposed on the scope of a licence, including the period of validity of the licence, shall be made in such form and manner as the Office may approve and shall be accompanied by –</p> <p style="padding-left: 40px;">(a) such information and documents as the Office may require; and</p> <p style="padding-left: 40px;">(b) such fee as prescribed by the Office.</p>
<p><b>23. Approval of material changes by licensed persons</b></p>	<p>A virtual asset service provider shall not, without the prior written approval of the Office –</p> <p style="padding-left: 40px;">a) change the scope of its licensed virtual asset services and business activities;</p> <p style="padding-left: 40px;">b) reorganise its legal structure;</p> <p style="padding-left: 40px;">c) change its significant ownership;</p> <p style="padding-left: 40px;">d) merge with another entity;</p> <p style="padding-left: 40px;">e) change its name; or</p> <p style="padding-left: 40px;">f) otherwise change on its own volition any information provided to the Office.</p>

**PART V - SUSPENSION AND REVOCATION OF LICENCE**


<p><b>24. Suspension or revocation of licence</b></p>	<p>(1) The Office may suspend or revoke a licence of a virtual asset service provider licence, if the licensed person –</p> <p style="padding-left: 40px;">(a) is not a fit and proper person to provide a virtual asset service or issue initial token offering in terms of this Act;</p> <p style="padding-left: 40px;">(b) does not meet the requirements of, or has contravened, any of the provisions of this Act, or has failed to satisfy or comply with any obligation or condition to which the licence is subject to;</p> <p style="padding-left: 40px;">(c) furnishes the Office with information which is false, inaccurate or misleading;</p> <p style="padding-left: 40px;">(d) obtained the licence by making false statements or by any other irregular means;</p>
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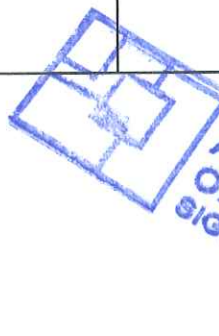
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	<p>(e) has not commenced the virtual asset business that the licensed person is authorised to provide within twelve months, from the date of issue of the licence, or has otherwise ceased to provide the virtual asset services;</p> <p>(f) makes a request for the suspension or revocation of the licence;</p> <p>(g) fails to pay a fee or monetary penalty that is imposed by the Office;</p> <p>(h) permits its capital to fall below the minimum prescribed under this Act;</p> <p>(i) goes into liquidation or an order is issued for its winding up; or</p> <p>(j) violates anti-money laundering laws or combating the financing of terrorism laws or any other Kenyan law.</p> <p>(2) The suspension or revocation of the licence of a person under this Act shall operate as the suspension of the licence or registration or similar permission granted to an agent, assignee, or representative of the licensed person, as may be applicable.</p>
<p><b>25. Notice of intention to suspend or revoke licence</b></p>	<p>(1) Before the Office makes a decision to -</p> <ol style="list-style-type: none"> <li>a) vary any condition to which the licence is subject or to impose a condition thereon; or</li> <li>b) suspend or revoke a licence</li> </ol> <p>the Office shall give the licensed person at least twenty-one days' written notice of its intention to do so, setting out the reasons for the decision it proposes to take.</p> <p>(2) A licensed person may, within twenty-one days, or such other longer period as the Office may prescribe, after receipt of the notice given under subsection (1), make written representations to the Office or request for a hearing, on the proposed decision, and the Office shall consider any representation so made before arriving at a final decision.</p> <p>(3) The Office shall publish the notice of the proposed decision within seven days after notifying the licensed person and any person may make written representations to the Office on the proposed decision.</p>

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		(4) The Office shall notify the licensed person of its final decision within thirty days of conclusion of a hearing or receipt of the written representations of the licensed person.
<b>26. Voluntary request for suspension or revocation of licence</b>	<b>for</b> <b>or</b> <b>of</b>	<p>(1) The Office may suspend or revoke a licence or trading by a licensed person on request by the license holder.</p> <p>(2) Where a request for suspension or revocation of a licence is voluntarily made by a licensed person, the Office may require the submission of additional information in relation to the request.</p> <p>(3) The additional information required under subsection (2) may include—</p> <ul style="list-style-type: none"> <li>a) the designated person who will manage the business activities of the licensed person during the suspension or for purposes of cessation of business;</li> <li>b) the length of time required for the suspension or for cessation of business activities;</li> <li>c) the manner in which customer virtual assets and customer information will be managed and secured; and</li> <li>d) such other information as the Office may, in the circumstances, require.</li> </ul> <p>(4) Upon the Office's approval of a request under this section by the licensed person, the Office —</p> <ul style="list-style-type: none"> <li>a) shall supervise the execution of the plan; and</li> <li>b) may give directions to the licensed person to protect the interest of customers or the public.</li> </ul>
<b>27. Gazetting of suspension or revocation of licence</b>	<b>of</b> <b>or</b> <b>of</b>	<p>(1) The Office shall cause the names of the licensed persons whose licences have been suspended or revoked to be published in the Gazette within thirty days of the suspension or revocation.</p>


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	<p>(2) Where a license has been revoked, the Office shall by notice in writing permit the licensed person, subject to such conditions as the Office may specify in the notice, to carry on business operations for the purpose of closing down the business.</p>
<b>28. Assignment and transfer of licence</b>	<p>The licence granted under this Act shall not be transferred, assigned or encumbered in any way without prior written approval of the Office.</p>
<b>29. Register of virtual asset service providers</b>	<p>(1) The Office shall establish and maintain a register of virtual asset service providers which shall be published on its website and be open for inspection to any member of the public.</p> <p>(2) Without prejudice to the generality of subsection (1), the register shall state –</p> <ol style="list-style-type: none"> <li>a) the name and registered physical address of the licensed person, including the physical addresses of any of its branches or offices, where applicable;</li> <li>b) the licence classes in respect of the virtual asset business held by a licensed person, including any licence issued or registration in another jurisdiction by a comparable body with respect to the virtual asset business;</li> <li>c) a brief description of virtual asset services provided by the licensed person;</li> <li>d) the date on which the licence was issued and the expiry date of the licence as may be applicable;</li> <li>e) the names of the key personnel of the licensed person;</li> <li>f) any conditions imposed by the Office on the virtual asset business of the person or licence; and</li> <li>g) any other information as the Office may consider necessary.</li> </ol> <p>(3) A licensed person shall as soon as practicable after the licensed person becomes aware of any error in the register or any change in circumstances that is likely to have a bearing on the accuracy of an entry in the register, give notice in writing to the Office of the error or change in circumstances, as the case may be.</p>



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<p><b>30. Appeals against decisions of Office</b></p>	<p>(1) any person aggrieved by a decision or action of the Office under this Act, including refusal to grant a licence, imposing limitations or restrictions on a licence, suspending or revoking a licence, refusal to certify a token issuer by an exchange or platform owner, or refusing to grant compensation to an person who has suffered pecuniary loss resulting from failure of a license holder to meet its contractual obligations may appeal to the Capital Markets Tribunal against such directions, refusal, limitations or restrictions, cancellations, suspension or removal, as the case may be, within thirty days from the date on which the decision was communicated to such person.</p> <p>(2) The Capital Markets Tribunal procedures and rules under the Capital Markets Act shall be applicable to proceedings before the Tribunal under this Act.</p>
<p><b>PART VI - TOKENS</b></p>	
<p><b>31. Offer of tokens and virtual assets</b></p>	<p>(1) A licensed person who offers a token or a virtual asset shall provide, in the offer -</p> <ul style="list-style-type: none"> <li>(a) accurate and complete information on the token or virtual assets, including the name of any person endorsing the licensed person's whitepaper;</li> <li>(b) information that is consistent with the information contained in the whitepaper published in, or with the information required to be in the whitepaper;</li> <li>(c) a statement that a whitepaper has been or will be published and the period within which copies of the whitepaper are or will be available to the public; and</li> <li>(d) information concerning the token offering or the admission to trading on a virtual asset exchange which shall be consistent with the information contained in the whitepaper.</li> </ul> <p>(2) A token issuer shall, in its whitepaper, provide full and accurate disclosure of information which would allow potential purchasers to make an informed decision.</p>

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	<p>(3) A token issuer shall publish its whitepaper by –</p> <ul style="list-style-type: none"> <li>a) posting a copy on a website operated and maintained by it, or by a third party for and on its behalf, which shall be readily accessible to and downloadable by potential purchasers for the duration of the offer period and for not less than fourteen days after the offer period ends; and</li> <li>b) annexing a copy of the authorisation by the relevant key personnel of the licensed person.</li> </ul> <p>(4) A token issuer shall, after it has published a white paper and becomes aware of any information which could affect the interests of purchasers before the close of the offer period, within seven days, give written notice to the Office and disclose that information by a supplement to the whitepaper.</p> <p>(5) A licensed person who fails to comply with subsection (4) commits an offence and is liable to a fine not exceeding two million Kenya Shillings.</p>
<p><b>32. Listing of Tokens</b></p>	<p>(1) A licensed person that lists or offers virtual assets on their platforms shall bear primary responsibility for the governance of the admission of the virtual assets trading on their platforms.</p> <p>(2) A licensed person shall establish and maintain a clear policy outlining the criteria and procedures for determining and certifying the virtual assets to list on their platforms.</p> <p>(3) Prior to admitting a new token to trading -</p> <ul style="list-style-type: none"> <li>a) a virtual assets exchange shall certify that the tokens comply with the platform's predefined requirements for listing and prepare an interim report to be reviewed by the peer-review panel constituted by the Office; and</li> <li>b) the peer-review panel will review the report, and certify to the Office that the virtual asset intended for listing is legitimate, viable, and falls within the relevant definition as per regulatory guidelines.</li> </ul>





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	(4) Any person who contravenes the provisions of subsections (2) and (3) commits an offence.
<b>PART VII - CONSUMER PROTECTION</b>	
<b>33. Professional conduct of a licensed person</b>	<p>A licensed person shall, in carrying out a virtual asset business -</p> <ul style="list-style-type: none"> <li>a) act honestly and fairly;</li> <li>b) act with due care, skill and diligence;</li> <li>c) observe and maintain a high standard of professional conduct;</li> <li>d) ensure that appropriate measures are put into place for the protection of customer's virtual assets; and</li> <li>e) develop and implement an effective corporate governance structure.</li> </ul>
<b>34. Transaction receipts</b>	<p>(1) Unless specifically or generally exempted from electronic tax invoice requirements, a virtual asset service provider shall issue an electronic tax invoice and maintain records of stocks through an electronic system established by the Commissioner under the Tax Procedures Act and regulations issued thereunder in relation to transactions carried out by or with a customer.</p> <p>(2) A virtual asset service provider shall upon request by the customer generate and issue the customer with a comprehensive statement of transactions carried out by or with the customer for a specified period of time.</p>
<b>35. Customer complaints resolution</b>	<p>(1) A virtual asset service provider shall establish a complaints redress mechanism, including a dedicated channel for relaying customer complaints, and ensure proper communication of the complaints redress mechanism to its customers.</p> <p>(2) A customer's complaint shall be resolved promptly and where immediate resolution is not possible, within thirty days of a customer reporting the complaint to the virtual asset service provider.</p>


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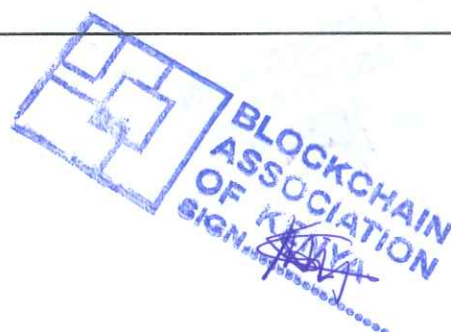
VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

	<p>(3) A virtual asset service provider shall keep a record of all complaints lodged by customers and the outcome of their resolution for a period of at least ten years.</p>
<p><b>36. Safeguards on consumer protection</b></p>	<p>(1) A virtual asset service provider shall at all times provide safeguards to ensure customer protection to such standards as the Office may determine.</p> <p>(2) Without prejudice to the generality of subsection (1), a virtual asset service provider shall put in place business rules, procedures and an effective surveillance programme that ensures that a virtual asset business is conducted in an orderly manner to provide proper protection to customers, including monitoring for conduct which may amount to market abuse, financial crime or money laundering.</p> <p>(3) In relation to the protection of personal data of customers, data protection measures consistent with the requirements under the Data Protection Act shall apply as may be prescribed.</p> <p>(4) A virtual asset service provider shall report to the Office within two (2) days of the occurrence, discovery, or identification of a cybersecurity incident in relation to the license holder.</p> <p>(5) The Office shall collaborate with the National Computer and Cybercrimes Co-ordination Committee established under the Computer Misuse and Cybercrimes Act in receiving and acting on reports relating to cybersecurity incidents in relation to virtual asset service providers.</p>
<p><b>37. Consumer Education</b></p>	<p>(1) A licensed holder shall be obligated to implement and maintain an effective consumer education program for the virtual assets in which it deals.</p> <p>(2) The consumer education program shall, at a minimum, include but not limited to:</p> <p style="padding-left: 40px;">(a) clear and comprehensive information on the nature and characteristics of the relevant virtual assets, including their volatility, potential for price fluctuations, and inherent risks associated with investing in the virtual assets;</p>


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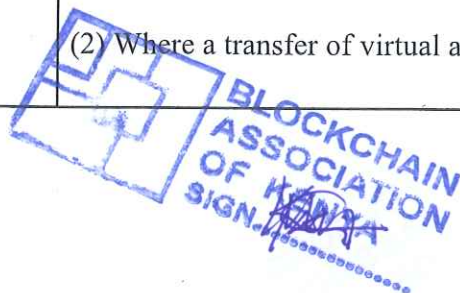
	<p>(b) consumer best practices for securing and safeguarding the virtual assets, including the use of secure wallets, two-factor authentication, and other relevant security measures;</p> <p>(c) the relevant legal and regulatory framework governing the virtual assets, highlighting consumer rights and obligations within the scope of the Applicable Acts; and</p> <p>(d) common types of fraud, scams, and deceptive practices within the virtual assets ecosystem, and guidance on how to identify and avoid such threats.</p> <p>(3) The consumer education program shall be regularly updated to reflect changes in the virtual assets landscape, emerging risks, and advancements in technology.</p> <p>(4) A licensed person shall ensure the dissemination of consumer education materials uses accessible and user-friendly mechanisms such as utilising online platforms, printed materials, or other channels as may be appropriate.</p> <p>(5) The Office may in collaboration with the Sandbox, issue consumer education guidelines or standards to further specify the content and implementation of the consumer education program required under this section.</p>
<p><b>38. False advertisements</b></p>	<p>(1) A virtual asset service provider shall ensure that any advertisement or other communication that it publishes or authorises to be published does not include any false, misleading or deceptive representation, or is otherwise misleading or deceptive.</p> <p>(2) Without prejudice to the generality of paragraph (1), a false, misleading or deceptive representation includes -</p> <ol style="list-style-type: none"> <li>a representation that the virtual asset has benefits or qualities that it does not in fact have; or</li> <li>representation that the virtual asset service provider has an approval, status, affiliation or connection that it does not in fact have.</li> </ol>





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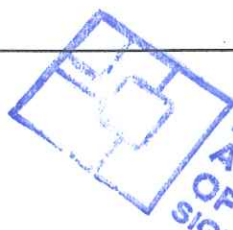
<b>39. Establishment of the Consumer Compensation Fund</b>	<p>(1) There shall be established a fund to be known as the Consumer Compensation Fund whose primary purposes will be providing compensation to persons that acquire virtual assets from a licensed person and suffer pecuniary loss resulting from the failure of the licensed person to meet its contractual obligations.</p> <p>(2) The Compensation Fund shall consist of -</p> <ul style="list-style-type: none"><li>(a) a Consumer Compensation Fund payable by any licensed virtual asset service providers in such amount and at such times as the Office, may prescribe;</li><li>(b) such sums of money paid as fines or penalties to the Consumer Protection Fund under this Act or regulations made thereunder;</li><li>(c) such sums of money as accrue from interest and profits from investing the income of the Consumer Compensation Fund by the Office; and</li><li>(d) such sums of money as are received for purposes of the Compensation Fund from any other source approved by the Cabinet Secretary.</li></ul> <p>(7) The Cabinet Secretary may, in consultation with the Office, make regulations generally for the better carrying out the provisions of this section.</p>
<b>PART VIII - TAXATION OF VIRTUAL ASSETS</b>	
<b>40. Taxation of Virtual Assets</b>	<p>(1) Where a virtual asset is held and transferred:</p> <ul style="list-style-type: none"><li>a) within a period not exceeding twelve months, the gains realised from the transfer shall be subject to tax in accordance with the laws relating to income, corporate or personal tax as the case may be; or</li><li>b) within a period exceeding twelve months, the gains realised from the transfer shall be capital gains subject to tax in accordance with the laws relating to capital gains tax.</li></ul> <p>(2) Where a transfer of virtual asset is made -</p>







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	<p>a) the originating virtual asset service provider shall –</p> <ol style="list-style-type: none"><li>i. obtain and hold the required and accurate originator and beneficiary information on the transfer; and</li><li>ii. immediately and securely submit the information obtained and held pursuant to subparagraph (i) to the beneficiary virtual asset service provider and any other relevant entity as provided for under subsection (3) below.</li></ol> <p>b) the beneficiary virtual asset service provider shall obtain and hold the required originator and beneficiary information on the transfer.</p> <p>(3) The information obtained and held pursuant to subsection (2) shall be kept in a manner that they are immediately made available to the Office and, upon request, to any other relevant entity or body under this act or other related legislation for purposes of its authorized mandate.</p> <p>(4) For purposes of subsection (2), the Office may through regulations provide for the specific details of information required to accompany all transfers of virtual assets.</p>
<b>PART IX – ANNUAL REPORTING REQUIREMENTS</b>	
<b>41. Audited financial statements</b>	<p>(1) A licensed person or an approved person shall not falsify its books or record of accounts or financial statements or report financial statements that are not prepared in line with the applicable accounting standards.</p> <p>(2) An officer or director of a licensed person or an approved person or any other person acting under the direction thereof, shall not take any action to mislead an auditor engaged in the performance of an audit or review of the financial statements of that licensed or approved person that such action would render the licensed person's financial statements materially misleading as to their completeness and correctness.</p>

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	<p>(3) A licensed person shall, every year but not later than three months after the close of its financial year, file with the Office audited financial statements, in respect of all transactions in relation to its business activities.</p> <p>(4) For the purposes of this section, “financial year” means in respect of –</p> <ol style="list-style-type: none"> <li>the licensed person’s first financial year, a period not exceeding eighteen months from the date of incorporation or issue of a licence; and</li> <li>every subsequent financial year, a period not exceeding twelve months.</li> </ol> <p>(5) A virtual asset service provider shall keep the records of virtual assets transactions, including details of purchases and sales for ten years.</p> <p>(6) The Office may prescribe additional annual reporting requirements.</p>
<p><b>PART X - ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM AND COUNTERING PROLIFERATION FINANCING MATTERS</b></p>	
<p><b>42. Source of funds</b></p>	<p>(1) Pursuant to the Proceeds of Crime and Anti-Money Laundering Act, as may be amended from time to time, the Office shall be a reporting institution and shall regulate, supervise and enforce compliance for anti-money laundering, combating the financing of terrorism and countering proliferation financing purposes by all reporting institutions regulated and supervised by the Office and whom the provisions of the Proceeds of Crime and Anti-Money Laundering Act, 2009 apply.</p> <p>(2) In undertaking its mandate under subsection (1), the Office may—</p> <ol style="list-style-type: none"> <li>vet proposed significant shareholders, proposed beneficial owners, proposed directors and senior officers of a reporting institution;</li> <li>conduct onsite inspection and offsite surveillance;</li> <li>undertake consolidated supervision of a reporting institution and its group;</li> </ol>

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**FIRST SCHEDULE – STATUTORY CAPITAL REQUIREMENTS**

1. A virtual asset service provider shall, at all times, have sufficient unimpaired capital and liquidity resources of such nature, amount and quality that results in the capital and liquidity resources of the virtual asset service provider when taken as a whole being adequate, taking into account the nature, scale and complexity of its activities and the risks to which it is or could be exposed.
2. For purposes of this Act –
  - a) “**core capital**” means the permanent shareholders’ equity in the form of issued and fully paid-up shares of common stock.
  - b) “**supplementary capital**” means general provisions which are held against future and presently unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves which arise periodically from independent valuation, and any other form of capital as may be determined from time to time by the Office.
  - c) “**working capital**” means the amount of capital based on fixed overheads of the licensee and financial resources as may be determined by the Office from time to time.
  - d) “**total capital**” means the total sum of core capital, supplementary capital, and working capital.
3. Every licensed person shall, at all times, maintain total capital as follows –
  - a) supplementary capital as prescribed by the Office from time to time;
  - b) sufficient working capital to continue business for at least 12 months based on realistic forecasts for the business in different market conditions (both positive and negative);
  - c) core capital of not less than 12 per cent of total fiat value of the virtual assets held or proposed to be held in the custody of the platform;



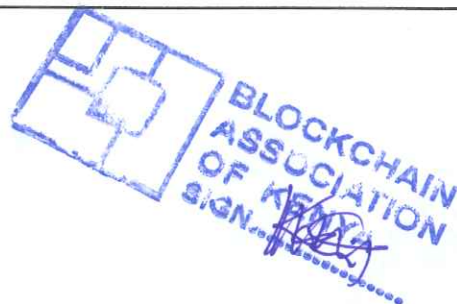


4. Intangible assets, including goodwill, cannot be used as part of calculating capital and shall be deducted prior to determining whether there is sufficient capital for the purposes of this Schedule.
5. The Office shall establish prudential guidelines that licensed persons must adhere to for the purpose of safeguarding the integrity, stability, and security of the virtual asset ecosystem.

## **SECOND SCHEDULE - FITNESS AND PROPRIETY REQUIREMENTS**

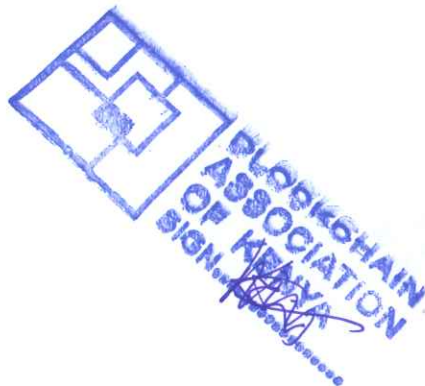
### **PART A – FIT AND PROPER REQUIREMENTS FOR KEY PERSONNEL OF A LICENSEE**

1. The Office shall give a person an opportunity to be heard before determining whether the person is fit and proper for the purposes of this Act.
2. In determining whether the key management of a licensee is, for the purposes of this Act, a fit and proper person, the Office may have regard in respect of a natural person, of that individual and, where the person is a corporate body, the key personnel of the corporate body, to –
  - (a) his possession of adequate educational or other qualifications or experience or both for the position for which he is proposed;
  - (b) his ability to recommend sound practices gleaned from other situations;
  - (c) the financial status or solvency of the person;
  - (d) the ability to discharge the relevant functions competently, honestly and fairly;
  - (e) the reputation, character, financial integrity and reliability of the person; and
  - (f) his ability to avoid conflicts of interest in his activities and commitments with other organisations.
3. The Office may, in considering whether a person is fit and proper take into account whether the person:



- (a) has contravened the provision of any law, in Kenya or elsewhere, designed for the protection of members of the public against financial loss due to dishonesty, incompetence, malpractice by persons engaged in transacting with virtual assets;
  - (b) was part of the key personnel of a licensed person who has been liquidated or is under liquidation or statutory management or undergoing any other insolvency process;
  - (c) has taken part in any business practice which, in the opinion of the Office, was fraudulent, prejudicial to the market or public interest, or was otherwise improper, which would discredit the person's methods of conducting business; or
  - (d) has taken part, has acted in such a manner, or has been associated with any business practice which casts doubt on the competence or soundness of judgment of that person.
4. The Office may take into account any information in the possession of the Office, whether provided by the applicant or not, provided that any information not received from the applicant shall be shared with the applicant for their response if the Office intends to rely on such information.
5. The Office may request any person to furnish such additional information as may be necessary in determining whether a person is fit and proper.

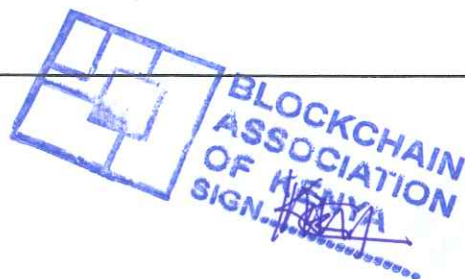
**PART B – FIT AND PROPER REQUIREMENTS FOR A SIGNIFICANT SHAREHOLDER OF A LICENSEE**



1. In order to determine, for the purposes of this Act, the moral suitability of a significant shareholder of a licensee, the Office shall have regard to the previous conduct and activities of the significant shareholder concerned in business or financial matters and, in particular, to any evidence that such person has been convicted of the offence of fraud or any other offence of which dishonesty is an element or contravened the provisions of any law designed for the protection of members of the public against financial loss due to dishonesty or malpractices by persons engaged in provision of financial services.
2. For purposes of determining moral suitability of a corporate entity, its key personnel shall satisfy the criterion in paragraph 1 of Part B of this Schedule.
3. The Office may request any person to furnish such additional information as may be necessary in determining whether a person is fit and proper.

**THIRD SCHEDULE – KEY FINANCIAL SECTOR AND OTHER ACTS RELEVANT  
TO VIRTUAL ASSETS**

1. Companies Act No. 17 of 2015.
2. Capital Markets Act, Chapter 485A of the Laws of Kenya.
3. Central Bank of Kenya Act Chapter 491 of the Laws of Kenya.
4. Competition Act of Kenya No. 12 of 2010.
5. Data Protection Act, 2019
6. Nairobi International Financial Centre Act No. 25 of 2017
7. Proceeds of Crime and Anti-Money Laundering Act No. 9 of 2009
8. Computer Misuse and Cybercrimes Act, Act No. 5 of 2018





**MEMORANDUM AND OBJECTS OF REASON**

The Bill seeks to implement Part 1 (9) of the Fourth Schedule of the Constitution on national economic policy and planning by providing a legal framework for the licensing of virtual asset service providers.

**Part 1** of the Bill provides for preliminary provisions. The part provides that the objects of the Bill is to provide a legal framework for legal certainty, promote and support innovation, protect consumers, position Kenya as a global virtual assets hub and attracting foreign direct investment into the sector.

**Part II** of the Bill provides for regulatory and supervisory authority. The part provides for the establishment of the Office of Virtual Assets Regulation, its functions and powers.

**Part III** of the Bill provides for a Joint Virtual Assets Regulatory Sandbox. The Part provides for the establishment of a Joint Virtual Assets Regulatory Sandbox, its objectives, functions, powers and composition. It also provides for creation of an oversight committee and its composition

**Part IV** of the Bill provides for licensing and registration. The part provides for requirements to be licensed, the licencing classes, duration and variation of licence and designation of a compliance officer.

**Part V** of the Bill provides for suspension and revocation of licence. The part provides for

**Part VI** of the Bill provides for tokens. The part provides for information to be provided in the whitepaper during an offer and coming up with a policy to determine the procedure of listing a virtual asset on their platforms.

**Part VII** of the Bill provides for consumer protection. The part provides for the required conduct of licensed persons to ensure the protection of consumers. It also provides for issuance of electronic tax invoice and provision of a statement of transactions upon request by customer.

**Part VIII** of the Bill provides for taxation of virtual assets. The part provides for introduction of payment of income/corporate/personal tax and capital gains tax.

**Part IX** of the Bill provides for annual reporting requirements. The part provides for licensed persons being mandated to provide audited financial statements in every financial year and to keep records of transactions.

**Part X** of the Bill provides for anti-money laundering and combating the financing of terrorism and countering proliferation financing matters. The part provides for mandatory reporting by all reporting institutions under the virtual assets regulation office.

**Part XI** of the Bill provides for winding up, dissolution or voluntary liquidation. The part provides for the process of winding up, dissolution or voluntary liquidation which must include approval from the virtual assets regulation office.

**Part XII** of the Bill provides for disciplinary proceedings and administrative sanctions. The part provides for the various administrative sanctions and the determining factors when considering which administrative sanctions to administer.

**Part XIII** of the Bill provides for general penalty for offences. The part provides for the penalty for offences mentioned in the Act where no penalty has been provided.



## VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2024

**Part XIV** of the Bill provides for transitional provisions. The part provides for the transition period for virtual asset service providers to apply for licences. It also provides for the transition period for virtual assets regulation office under the Capital Markets Authority into an independent regulatory body.

