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THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – FOURTH SESSION – 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL
PLANNING

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
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CLERK OF THE TABLE:	MS. ANN SHIBUKO

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LIST OF ABBREVIATIONS AND ACRONYMS

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

ANNEXURES

Annexure 1: Adoption Schedule

Annexure 2: Minutes

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

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Annexure 6: Memoranda by stakeholders

CHAIRPERSON'S FOREWORD

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

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

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

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

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

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

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

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

Chairperson, Departmental Committee on Finance and National Planning

CHAPTER ONE

I PREFACE

I.1 ESTABLISHMENT AND MANDATE OF THE COMMITTEE

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

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

I.2 COMMITTEE MEMBERSHIP

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

Chairperson

Hon. CPA Kuria Kimani, CBS, MP
Molo Constituency

UDA Party

Vice-Chairperson

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

UDA Party

Members

Hon. Peter Kaluma, CBS, MP
Homabay Town Constituency

ODM Party

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

ODM Party

Hon. Mboni, David Mwalika, MP
Kitui Rural Constituency

WDM Party

Hon. Okuome Adipo Andrew, MP
Karachuonyo Constituency

ODM Party

Hon. Betty Maina, MP
Muranga County

UDA Party

Hon. CPA Rutto Julius Kipletting, MP
Kesses Constituency

UDA Party

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

UDA Party

Hon. Chiforomondo Mangale, MP
Lunga Lunga Constituency

UDM Party

Hon. Sheikh Umul, MP
Mandera County

UDM Party

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

Jubilee Party

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

ODM Party

Hon. Machele M. Soud, MP
Mvita Constituency

ODM Party

1.3 COMMITTEE SECRETARIAT

5. The Committee is facilitated by the following staff:

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

CHAPTER TWO

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

2.1 BACKGROUND

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

2.2 SUMMARY OF LEGAL PROVISIONS

7. The principal object of the Bill is to provide for a legislative framework to regulate virtual asset service providers. The Bill seeks to address the potential risk associated with the misuse of virtual asset products and virtual asset services. In that regard, the Bill designates the Capital Markets Authority and the Central Bank of Kenya as the primary regulatory authorities for virtual asset services and virtual asset service providers.
8. **PART I** (Clauses 1-5) of the Bill provides for preliminary matters including, the short title and interpretation of technical terms used in the Bill.
9. **PART II** (Clauses 6-8) of the Bill contains provisions on the designation of regulatory authorities. In this regard, the Bill designates the Capital Markets Authority, Central Bank of Kenya and any other public body that the Cabinet Secretary may designate as a regulatory body responsible for the implementation of this Act. The designated regulatory authorities above are empowered regulate, supervise and monitor the activities and the conduct of virtual asset service providers to ensure market integrity and soundness of financial system in respect of matters falling under the Act.
10. **PART III** (Clauses 9-18) of the Bill provides for the licensing regime of virtual asset service providers by setting out requirements expected to be met by an applicant who wants to be licensed as a virtual asset service providers operating in or from Kenya. Further the Bill provides for the grounds upon which a virtual asset service providers licence may be granted.
11. **PART IV** (Clauses 19-32) of the Bill seeks to provide for the general obligations of a person licensed as a virtual asset service provider in the country. Such a licensee shall be a fit and proper person based on several factors, including the person's probity, competence, experience and soundness of judgment for fulfilling the responsibilities of the relevant position; any evidence that the person has committed any offence involving dishonesty or fraud or has contravened any law designed to protect members of the public arising from dishonesty, incompetence, malpractice, misconduct or

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

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

CHAPTER THREE

3. PUBLIC PARTICIPATION AND STAKEHOLDER ENGAGEMENT ON THE BILL

3.1 LEGAL FRAMEWORK ON PUBLIC PARTICIPATION

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

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

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

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

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

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

3.2 MEMORANDA RECEIVED ON THE BILL

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

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

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

Clause By Clause Submission

Clause I

YELLOW CARD KENYA

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

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

Committee Observation

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

Clause 2

YELLOW CARD KENYA

Clause 2 on the definition of 'Stablecoin'

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

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

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

Committee Observation

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

CREDENCE AFRICA

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

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

Committee Observation

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

Clause 2 on the definition of 'Virtual asset'

YELLOW CARD KENYA

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

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

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

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

Committee Observation

The Committee agreed with the stakeholder.

CREDENCE AFRICA

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

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

Committee Observation

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

OXYGENE

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

Committee Observation

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

NJOGU & ASSOCIATES ADVOCATES

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

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

Committee Observation

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

Clause 2 on the definition of ‘Competent Authority’

CREDENCE AFRICA

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

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

Committee Observation

The Committee agreed with the proposal by the stakeholder.

Clause 2 on the definition of ‘E-Money’

CREDENCE AFRICA

34. Delete the definition of ‘e-money’ under the National Payment Systems Regulations, 2014 as it is outdated, unused elsewhere in the Bill and conceptually incompatible with the operational and technological realities of modern crypto-assets.

35. Instead, introduce a new definition for ‘e-money token’ that accurately captures fiat-pegged crypto for payments to read as follows:

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

Committee Observation

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

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

CREDENCE AFRICA

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

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

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

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

Committee Observation

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

Clause 2 on the definition of 'Issuer' and 'Virtual asset offering'

CREDENCE AFRICA

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

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

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

Committee Observation

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

Clause 2 on the definition of 'Virtual service token'

CREDESCENCE AFRICA

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

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

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

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

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

Committee Observation

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

Clause 2 on the definition of 'Virtual asset trading platform'

CREDESCENCE AFRICA

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

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

This includes, but is not limited to:

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

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

Committee Observation

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

New Proposal

NJOGU & ASSOCIATES ADVOCATES

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

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

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

Committee Observation

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

Clause 3(1)

CREDENCE AFRICA

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

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

Committee Observation

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

ANJARWALLA & KHANNA (ALN) LLP

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

Committee Observation

The Committee agreed with the Stakeholder.

Clause 3(2)

CREDENCE AFRICA

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

Committee Observation

The Committee agreed with the stakeholder.

OXYGENE

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

Committee Observation

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

Clause 4

CREDENCE AFRICA

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

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

Committee Observation

The Committee acknowledged the proposal by the stakeholder.

Clause 5(2)

CREDENCE AFRICA

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

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

Committee Observation

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

Clause 5 (2) (b)

NJOGU & ASSOCIATES ADVOCATES

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

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

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

Committee Observation

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

Clause 6

CREDENCE AFRICA

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

Committee Observation

The Committee agreed with the submission by the stakeholder.

VIRTUAL ASSETS CHAMBER

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

Establishment of a joint Virtual Asset Regulatory Authority

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

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

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

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

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

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

Committee Observation

The Committee agreed with the submission by the stakeholder.

ANJARWALLA & KHANNA (ALN) LLP

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

Committee Observation

The Committee agreed with the submission by the stakeholder.

NJOGU & ASSOCIATES ADVOCATES

54. The stakeholder proposed amending the clause to include;

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

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

Committee Observation

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

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

YELLOW CARD KENYA

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

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

57. The current provision makes both the Capital Markets Authority and the Central Bank of Kenya as the regulatory Authorities, which is going to be very bureaucratic for a start-up industry. Having two regulators is against global standards of innovation and makes it uncertain for the industry players, creating an issue of overregulation.

58. The Virtual Assets Industry falls outside both the Capital Markets and Central bank mandate, and while both regulators might have aspects of their mandate to oversee the Virtual Asset industry, it does not fall within traditional finance, and therefore, a non-bank regulator is the better option. Although still within the financial services industry, it is not traditional finance, and therefore, introducing a new regulator is better.

Committee observation

The Committee agreed with the submission by the stakeholder.

Clause 7

CREDENCE AFRICA

59. Amend the clause to include clear, risk-sensitive and accountability-based powers with codified inter-agency coordination, align with global best practice and ensure public transparency through building market trust to read as follows:

“7(1) The relevant regulatory authorities shall exercise their functions in accordance with the following principles:

- (a) Risk-Based Supervision – Regulatory action and licensing requirements shall be proportionate to the nature, scale, complexity, and risk profile of the virtual asset service provider or activity.*

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

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

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

Committee Observation

The Committee agreed with the stakeholder and agreed to harmonize.

Clause 7

ASSET RECOVERY AGENCY

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

Committee Observation

The Committee acknowledged the submission by the stakeholder

Clause 8

CREDENCE AFRICA

61. The instant clause does not explicitly provide for consumer and investor protection and omits financial inclusion and global cooperation. In addition, there is a drafting error, repetition of subclause (b). Therefore, amend the clause to read as follows:
“In exercising their powers and discharging their functions under this Act, the relevant regulatory authorities shall be guided by the following principles—