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Africa's cryptocurrency market: Regulatory fragmentation and barriers to global integration and economic opportunity

Raphael Esu

University of Hertfordshire, United Kingdom

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ABSTRACT

The global cryptocurrency market, valued at more than four trillion United States Dollars, continues to grow as regulatory frameworks strengthen investor confidence. In contrast, Africa faces challenges in fully integrating into this expanding digital economy due to its fragmented regulatory environment. Despite these challenges, cryptocurrency adoption on the continent has accelerated, largely driven by practical needs such as affordable remittances, cross-border transactions, and financial inclusion. This article examines Africa not as a uniform entity, but as a diverse continental market, and categorises regulatory responses into four broad models: absolute prohibitions, banking restrictions, passive tolerance, and structured licensing regimes. It draws upon domestic legislation, case law, regional agreements, and international conventions to analyse how these different approaches shape market participation. The article argues that regulatory fragmentation reduces economic opportunities in remittances, financial inclusion, and decentralised finance, while simultaneously increasing risks of financial crime and compliance challenges under global standards.

1. Introduction to issues

The global cryptocurrency market has achieved substantial maturity, with a market capitalisation exceeding USD 4trillion as of September 2025.[1] This growth reflects widespread adoption, driven by decentralised finance, tokenisation of assets, and institutional investment, alongside advancements in blockchain technology. Revenue projections for the sector stand at approximately USD 85.7 billion in 2025, underpinned by robust regulatory frameworks in leading jurisdictions.[2] Markets with regulations, such as the European Union under the Markets in Crypto-Assets Regulation[3] and Singapore through its Payment Services Act,[4] have seen accelerated expansion, with licensing and anti-money laundering requirements fostering investor confidence and market liquidity. These regimes correlate directly with larger market sizes, as evidenced by the European Union's crypto economy surpassing one trillion euros in value, where harmonised rules have attracted institutional capital and reduced illicit activity.[5] Similarly, the United States, with evolving federal oversight, maintains the world's largest crypto trading volumes, demonstrating how proportionate regulation enables innovation while mitigating risks.[6]

In Africa, continental efforts towards regulatory alignment remain nascent. The African Continental Free Trade Area Protocol on Digital Trade, adopted in 2024,[7] seeks to facilitate cross-border digital services, though it omits explicit provisions for virtual assets, leaving room for

E-mail address: a.esu@herts.ac.uk.

[1] CoinGecko, 'Global Cryptocurrency Market Cap Charts' (CoinGecko, 17 September 2025) https://www.coingecko.com/en/charts accessed 17 September 2025

[2] Daniel Ruby, 'Cryptocurrency Market Size & Share 2025 [Industry Reports]' (Demand Sage, 21 August 2025) https://www.demandsage.com/cryptocurrency-market-size/ accessed 17 September 2025

[3] Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-Assets and Amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directive (EU) 2013/36 [2023] OJ L150/40 (MiCA).

[4] Payment Services Act (Singapore) 2019, s 6

[5] European Securities and Markets Authority, 'Trends, Risks and Vulnerabilities Report No 2, 2025' (ESMA50-1949966494- 3846, September 2025) https://www.esma.europa.eu/sites/default/files/2025-09/ESMA50-1949966494-3846_TRV_2_2025.pdf accessed 19 September 2025.

[6] Chainalysis, 'From ETFs to Treasuries: How The U.S. Is Shaping Digital Finance' (Chainalysis, 13 February 2025) https://www.chainalysis.com/blog/north-america-crypto-adoption-2025/ accessed 19 September 2025.

[7] Protocol to the Agreement Establishing the African Continental Free Trade Area on Trade on Digital Trade (adopted February 2024) (AfCFTA Digital Trade Protocol).

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interpretive harmonisation among member states. Initiatives like the African Union's Digital Transformation Strategy 2020–2030 acknowledge blockchain's role in financial inclusion, yet implementation varies.[8] Large markets with regulations illustrate the link between oversight and growth. South Africa, Africa's leading crypto economy, has issued over 138 licences to crypto asset service providers by mid-2024 under the Financial Sector Conduct Authority, contributing to a compliant ecosystem that has drawn institutional investment and positioned the country as a regional hub.[9] Nigeria, the continent's second-largest market, reversed earlier restrictions in 2023 and, through the Investments and Securities Act 2025, now recognises digital assets as securities, overseeing them via the Securities and Exchange Commission. This has correlated with high peer-to-peer volumes and emerging institutional activity.[10] Kenya, another major adopter, explores regulation through draft bills, supporting grassroots usage that ranks among global leaders in peer-to-peer trading.[11]

Africa's issue in this regard is acute regulatory fragmentation, which contrasts with approaches in other markets and impedes continental market potential.[12] This article views Africa not as a monolith but as a continental market comprising distinct national and regional economies, each with unique adoption patterns, economic drivers, and regulatory capacities, ranging from high-volume informal trading in West Africa to structured institutional frameworks in the south. The central issue in this article is that this regulatory fragmentation hinders Africa's integration into the global digital economy, resulting in missed commercial opportunities in areas such as remittances, financial inclusion, and decentralised finance, while exacerbating international challenges related to financial crime, compliance burdens, and enforcement cooperation.

The article analyses the regulatory landscape for cryptocurrencies in Africa and evaluates the implications of its fragmentation, drawing on domestic legislation, regional agreements, international conventions, and relevant case law. It proceeds as follows: Section 2 provides an overview of regulatory approaches across the continent, categorising them into absolute bans, banking restrictions or soft bans, passive tolerance or unregulated grey zones, and regulated or licensing models, with examples and implications for each; this typology highlights policy priorities and evolving trends towards convergence. Section 3 examines the consequences of this fragmentation in two domains: missed commercial opportunities for African economies, subdivided into remittances, financial inclusion, and decentralised finance, institutional investment, and tokenisation; and crime and compliance problems for the international community, covering uneven implementation of Financial Action Task Force standards, cross-border crime, greylisting, and compliance burdens, and enforcement cooperation with doctrinal constraints. The analysis emphasises proportionality in regulation, the tension between monetary sovereignty and international obligations, and the need for harmonisation under frameworks like the African Continental Free Trade Area.

By addressing these issues, the article argues that continued fragmentation risks marginalising African markets in the global digital economy, while coordinated reforms could harness cryptocurrency's benefits within a stable legal structure.

The terms used in the literature are not always interchangeable. This article uses 'cryptocurrency' to refer to decentralised, blockchain-based tokens such as Bitcoin and Ether. The Financial Action Task Force treats cryptocurrency as a sub-category of the broader concept of 'virtual assets', which encompasses stablecoins and certain non-fungible tokens.[13] Where 'digital assets' appears, the term tracks the usage of the relevant domestic statute or regulator, since jurisdictions differ in their preferred categories.

Several of the difficulties examined in this article are not unique to Africa. The decentralised and pseudonymous character of permissionless blockchains, the borderless operation of peer-to-peer markets, the legal classification of varied cryptoassets, and the practical reach of supervisors over service providers established outside their jurisdictions or operating below compliance-cost thresholds, are recurring concerns identified by the Financial Action Task Force, the Financial Stability Board, and IOSCO in successive reports.[14] The argument advanced here concerns the particular configuration these wider difficulties take across African jurisdictions and the avoidable costs that more coordinated and proportionate regimes could reduce. Academic legal scholarship on cryptocurrency regulation in Africa remains comparatively limited, with much of the available analysis appearing in policy and practitioner sources, and a doctrinal consolidation is one of the contributions this article seeks to make.

2. Overview of regulatory approaches across Africa

Cryptocurrency regulation in Africa spans a spectrum from strict prohibition to permissive engagement. For analytical clarity, this article categorises the approaches into four broad types: (1) Absolute Bans, where all cryptocurrency activities are entirely outlawed; (2) Banking Restrictions or "Soft" Bans, which stop short of criminalising crypto but block its integration with the formal financial system; (3) Passive Tolerance / Unregulated Grey Zones, where authorities neither expressly ban nor fully regulate crypto, creating a legal limbo; and (4) Regulated / Licensing Models, where governments actively legalise and supervise crypto activities through licensing frameworks. Each category reflects different policy priorities and risk perceptions.

2.1. Absolute bans

Absolute bans refer to jurisdictions that have completely prohibited the use, trading, or possession of cryptocurrencies. In these countries, typically through legislation or central bank directives, any dealing in crypto-assets is criminalised. The rationale often cited for absolute bans includes protecting monetary sovereignty (preventing an alternative currency from challenging the national currency), curbing capital flight, and mitigating risks of illicit financial activity (money laundering, tax evasion, terrorism financing). Several African nations, particularly in

[8] AfricanUnion Commission, 'Digital Transformation Strategy for Africa (2020–2030)' (AU, 2020) https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf accessed 19 September 2025.

[9] Financial Sector Conduct Authority, 'List of Crypto Asset Service Providers (CASPs) Authorised under the Financial Advisory and Intermediary Services (FAIS) Act, No 37 of 2002 – June 2024 Update' (FSCA, June 2024) https://www.fsca.co.za/Documents/Published%20list%20of%20authorised%20CASPs%202024%20Final%20June%202024%20Update.pdf accessed 17 September 2025

[10] Investments and Securities Act 2025 (Nigeria), s 4; Central Bank of Nigeria, 'Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers' (Circular FPR/DIR/PUB/CIR/002/003, 22 December 2023) https://www.cbn.gov.ng/Out/2024/FPRD/GUIDELINES%20ON%20OPERATIONS%20OF%20BANK%20ACCOUNTS%20FOR%20VIRTUAL%20Asset%20Providers.pdf accessed 19 September 2025.

[11] Virtual Asset Service Providers Bill 2025 (Kenya)

[12] See Oliver McPherson-Smith, 'The Politics of Cryptocurrency Regulation in Africa' (2024) 123 African Affairs 377.

[13] Financial Action Task Force, 'Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers' (FATF, October 2021) https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Updated-Guidance-VA-VASP.pdf accessed 28 April 2026.

[14] Financial Stability Board, 'Global Regulatory Framework for Crypto-asset Activities' (FSB, 17 July 2023) https://www.fsb.org/uploads/P170723-1.pdf accessed 28 April 2026; International Organization of Securities Commissions, 'Policy Recommendations for Crypto and Digital Asset Markets: Final Report' (IOSCO, November 2023) https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf accessed 28 April 2026; FATF Updated Guidance (n 13).

North Africa, have adopted this stance; notably Algeria, Morocco, and Egypt, among others.

In Algeria, the legal basis for an outright ban was established by the 2018 Finance Law (Law No. 17–11).[15] Article 117 of this law defines "virtual currency" as any digital value not issued or guaranteed by a government, and it explicitly criminalises the creation, possession, use, or trading of such currency.[16] Violators face substantial fines and even imprisonment, underscoring the state's strong opposition to decentralised financial systems. The Algerian government defends this policy by pointing to the potential for cryptocurrencies to facilitate tax evasion, money laundering, and other illicit flows that could undermine the formal economy.[17] By eliminating crypto usage, authorities aim to reinforce existing currency controls and protect the Algerian dinar from unofficial competition. Enforcement of the ban, however, is challenging because the decentralised and borderless nature of blockchain means Algerian users can, in theory, transact on peer-to-peer platforms or overseas exchanges, thus skirting domestic law.[18] This enforcement gap illustrates that suppression of crypto activity remains difficult without comprehensive internet and capital controls.

Morocco has similarly taken a prohibitionist approach, though it is now showing signs of rethinking its position. In November 2017, Morocco's central bank (Bank Al-Maghrib), Capital Markets Authority, and Ministry of Finance issued a joint statement declaring that transacting in cryptocurrencies violates exchange regulations and is illegal.[19] Cryptocurrency dealings were essentially treated as unlicensed foreign currency transactions, contravening Morocco's foreign exchange laws. This blanket ban was motivated by concerns over monetary policy efficacy and prevention of capital flight from the Moroccan dirham.[20] For several years, the ban was reiterated through public warnings, and cryptocurrency was not legally recognised.[21] Notably, despite this stance, Morocco became one of the most active crypto markets in North Africa by 2021, indicating significant underground or peer-to-peer usage occurring in defiance of the policy.[22] This latent demand has contributed to a policy shift, as in 2024, Moroccan authorities acknowledged the need to regulate rather than ignore the crypto sector. Bank Al-Maghrib announced it was working on a draft law to establish a regulatory framework for cryptocurrencies, potentially ending the outright ban.[23]

In Egypt, the government's stance can likewise be considered prohibitive. Egypt's central bank has not officially sanctioned any cryptocurrency as legal tender, and in 2020 the country embedded a ban into statute via the Central Bank and Banking System Law (Law No. 194 of 2020).[24] Article 206 of this law forbids issuing, trading, or promoting cryptocurrencies or tokens without a license from the Central Bank of Egypt (CBE).[25] To date, the CBE has not issued any such licenses, effectively rendering all crypto activities illegal by default.[26] The penalties for violation include significant fines and potential prison terms, reflecting a clear intolerance of decentralised finance.[27] The CBE and other officials have repeatedly warned that cryptocurrencies could undermine financial stability and monetary authority, particularly by enabling the circumvention of exchange controls and facilitating untraceable financial crimes.[28] Indeed, Egypt has faced issues with informal dollar trading and capital outflows, and a parallel crypto economy is seen as a threat to the state's tight grip on capital movement.[29] In public statements, the CBE has also emphasised the risks of fraud and terrorist financing, aligning the crypto ban with Egypt's broader anti- money laundering (AML) and counter-terrorism financing policies.[30]

It is noteworthy that these North African bans have largely relied on extending existing financial or penal laws to cryptocurrencies, rather than crafting crypto-specific legislation. Regulators essentially classify cryptocurrency under categories of unauthorised or counterfeit currency, triggering pre-existing prohibitions. This approach underscores a broader pattern in many jurisdictions where lawmaking struggles to keep pace with technology, where instead of new rules, authorities try to fit crypto into old legal boxes. Tunisia, for example, issued a 2018 central bank directive that made it a crime to undertake any cryptocurrency transactions without government approval, effectively banning public trading, exchange services, or even crypto payments.[31] The Tunisian central bank simultaneously reinforced currency controls (the Tunisian dinar is non-convertible) and warned that crypto use could violate anti-export of currency laws.[32] Ironically, Tunisia later launched a fintech sandbox to allow controlled testing of blockchain solutions in its financial sector, even as the general ban remained – a duality that has

[15] Law No. 17-11 of 8 Rabie Ethani 1439 (27 December 2017) on the Finance Law for 2018, Official Gazette of the People's Democratic Republic of Algeria, No. 76 (28 December 2017).

[16] Baker McKenzie 'Blockchain and Cryptocurrency in Africa' (Baker Mckenzie, 2018) https://www.bakermckenzie.com/media/files/insight/publications/2019/02/report_blockchainandcryptocurrencyreg_feb2019.pdf accessed 11 February 2025.

[17] Maxim Nechiporenko, Chinmay Soni and Mirjan Hipolito, 'Algeria's Crypto Laws: Regulation & Taxation' (Traders Union, 26 March 2025) https://tradersunion.com/interesting-articles/what-is-cryptocurrency/crypto-regulation/in-algeria/ accessed 16 September 2025.

[18] Chainalysis, 'The 2023 Global Crypto Adoption Index' (Chainalysis, 12 September 2023) https://www.chainalysis.com/blog/2023-global-crypto-adoption-index/ accessed 19 September 2025.

[19] Ministère de l'Économie et des Finances, Bank Al-Maghrib and Autorité Marocaine du Marché des Capitaux, 'Communiqué de presse conjoint sur l'usage des monnaies virtuelles' (20 November 2017) https://www.bkam.ma/fr/Actualites/2017/Communique-de-presse-conjoint-sur-lusage-des-monnaies-virtuelles accessed 18 February 2025.

[20] Law Library of Congress, 'Regulation of Cryptocurrency Around the World' (LoC, November 2021) https://tile.loc.gov/storage-services/service/ll/llglrd/2021687419/2021687419.pdf accessed 17 September 2025.

[21] Bank Al-Maghrib, 'Monnaie virtuelle' (Bank Al-Maghrib, undated) https://www.bkam.ma/Trouvez-L-information-concernant/Monnaie-virtuelle accessed 18 September 2025.

[22] Chainalysis, 'The 2021 Geography of Cryptocurrency Index' (Chainalysis, October 2021) https://www.chainalysis.com/blog/2021-global-crypto-adoption-index/ accessed 17 September 2025.

[23] Ahmed Eljechtimi, 'Morocco Preparing Law to Allow Cryptocurrencies, Central Bank Chief Says' (Reuters, 26 November 2024) https://www.reuters.com/technology/morocco-preparing-law-allow-cryptocurrencies-central-bank-chief-says-2024-11-26 accessed 11 February 2025.

[24] Law No. 194 of 2020 (Egypt), Central Bank and Banking Sector Law (promulgated 15 September 2020).

[25] Central Bank of Egypt, 'Warning Statement' (13 September 2022) https://www.cbe.org.eg/en/news-publications/news/2022/09/12/warning-statement accessed 11 February 2025.

[26] Anastasiia Chabaniuk, 'Egypt's Crypto Laws: Regulation & Taxation' (Traders Union, 15 September 2024) https://tradersunion.com/interesting-articles/what-is-cryptocurrency/crypto-regulation/in-egypt/ accessed 17 September 2025.

[27] Andersen in Egypt, 'The Legality of Cryptocurrency in Egypt' (January 2025) https://eg.andersen.com/ar/legality-cryptocurrency-in-egypt/ accessed 11 February 2025.

[28] https://www.cbe.org.eg/-/media/project/cbe/listing/news/english/files/bitcoin-pr_273_en.pdf accessed 17 September 2025.

[29] Monetary Fund, 'Arab Republic of Egypt: 2022 Article IV Consultation—-Press Release; Staff Report; and Statement by the Executive Director for the Arab Republic of Egypt' (IMF Country Report No. 22/297, September 2022) https://www.imf.org/-/media/Files/Publications/CR/2022/English/1EGYEA2022002.ashx accessed 17 September 2025.

[30] https://www.cbe.org.eg/en/news-publications/news/2022/09/12/warning-statementaccessed 17 September 2025.

[31] Law Library of Congress (n 20).

[32] Ibid.

been criticised for sending mixed signals to innovators.[33] The reliance on traditional legal frameworks also raises the question of adequacy, where applying old foreign exchange or banking laws to the novel phenomenon of crypto can lead to overbroad or ineffective regulation. Cryptocurrencies do not respect national boundaries, and users can often transact pseudonymously, making enforcement of these bans costly and technically complex.

China presents the most prominent absolute ban outside Africa. The People's Bank of China's September 2021 notice declared all activities related to virtual currencies illegal, including trading, mining, and the provision of services by overseas exchanges to Chinese residents.[34] The same authorities have advanced the e-CNY, a state-issued central bank digital currency, as the sanctioned digital alternative. The combination of prohibition and CBDC issuance reflects a policy logic that retains the perceived advantages of digital settlement within a state-controlled medium while excluding private cryptocurrencies. Some African states with strong monetary-sovereignty concerns may find this model attractive, though the cost is forgoing the open innovation associated with permissionless networks.

There are suggestions that outright bans may be legally and economically untenable in the long run. A notable example comes from outside Africa. In the case of *Internet and Mobile Association of India v. Reserve Bank of India*, the Indian Supreme Court struck down the central bank's blanket prohibition on banks dealing with crypto businesses.[35] The Court held that the RBI's 2018 circular banning crypto-related banking services was a disproportionate response, violating the constitutional right to carry on trade (Article 19(1)(g)). The judges noted that the central bank failed to demonstrate actual harm caused by cryptocurrencies to the entities it regulated, and crucially, that a total ban was not the "least intrusive" means to mitigate risks. Less draconian measures (such as targeted regulation) were not sufficiently considered. This judgment underscores a principle of regulatory proportionality that could be persuasive in other jurisdictions requiring authorities to balance risk mitigation with economic freedoms, and blanket bans may overreach if they are not buttressed by solid evidence of necessity. While African legal systems differ, the logic from that innovation should not be stifled absent of a clear, proportionate reason, resonates in policy discussions around African crypto regulation as well.

2.2. Banking restrictions / "Soft" bans

Rather than enacting explicit criminal bans on crypto, some African regulators have opted for what can be termed a "soft ban", typically implemented as administrative restrictions through the banking sector. In this model, cryptocurrencies per se are not outlawed for individuals, but banks and financial institutions are prohibited from interfacing with crypto transactions or businesses. The effect is to choke the fiat on- and off-ramps of the crypto market, thereby constraining the convertibility of crypto to local currency and vice versa. This approach has been employed in countries such as Nigeria (for a period) and Zimbabwe, and essentially amounts to a de facto ban without passing new legislation. Proponents of this strategy argue it buys time to assess risks and prevents the contamination of the regulated financial system with crypto- related hazards.[36]However, as experience shows, such restrictions often face circumvention and can be legally challenged if not well-founded in law.

A leading example is Zimbabwe. In May 2018, the Reserve Bank of Zimbabwe (RBZ) issued a circular to banks and financial institutions instructing them to cease all dealings with cryptocurrencies or cryptocurrency exchanges.[37] This meant banks had to close accounts of companies like Golix (then Zimbabwe's largest crypto exchange) and individuals suspected of trading crypto. The RBZ did not cite a specific law that cryptocurrencies violated, but framed the move as a prudential measure to protect the financial system from risks associated with unregulated digital assets (including volatility and criminal abuse). Importantly, at the time Zimbabwe had no law explicitly banning cryptocurrency, the RBZ acted under its general mandate to oversee monetary and financial stability. Golix and others impacted by this directive sought legal relief, and in a landmark 2020 decision (Golix v. Reserve Bank of Zimbabwe), the High Court of Zimbabwe nullified the RBZ's ban.[38] The court held that the central bank had exceeded its authority – effectively, only Parliament had the power to outlaw cryptocurrency activities, and the RBZ's order, having the character of a legislative ban, was ultra vires. The court's ruling was procedural (RBZ had not followed due process to put forth a regulation) rather than an endorsement of crypto, but its effect was to lift the immediate banking blockade. Following the court decision, Zimbabwe's stance shifted from unilateral restriction to cautious engagement. The government did not immediately legalise crypto, but the episode seemed to prompt a reevaluation. By 2021, Zimbabwe was studying the feasibility of a central bank digital currency (CBDC) as a state-sanctioned alternative, and by mid-2024 the government opened a public consultation on crafting a regulatory framework for cryptocurrencies.[39]

Nigeria provides another instructive case of a soft ban that eventually gave way to regulation. Nigeria did not criminalise cryptocurrency usage by citizens; in fact, Nigerians have been among Africa's most avid adopters of crypto.[40] However, the Central Bank of Nigeria (CBN) in February 2021 took a stringent step by issuing a letter to all Nigerian banks directing them to freeze accounts associated with cryptocurrency trading and to stop facilitating payments for crypto exchanges.[41] The CBN cited dangers such as fraud, the extreme volatility of crypto assets, and their use in money laundering and terrorism financing as justification for this directive.[42] This move was effectively a ban on crypto-fiat integration: exchanges like Binance or local platforms could no longer receive deposits or allow withdrawals through Nigerian banks, pushing all trading into unofficial channels.[43] The immediate consequence was the shuttering or relocation of several Nigeria-based crypto businesses and a shift of remaining users to peer-to-peer (P2P) trading. Rather than dampening crypto activity, the ban fueled its metamorphosis – Nigeria shortly became the world's second- largest Bitcoin P2P market (after the United States) as users found ways to trade directly with each other

[33] https://fintech.bct.gov.tn/en/acualite/official-launch-bct-regulatory-sandbox accessed 17 September 2025.

[34] People's Bank of China and Others, 'Notice on Further Preventing and Resolving the Risks of Virtual Currency Trading and Speculation' (Yin Fa [2021] No 237, 15 September 2021) https://www.pbc.gov.cn/en/3688253/3689012/2025080817521950275/index.html accessed 28 April 2026.

[35] Internet and Mobile Association of India v. Reserve Bank of India 2020 SCC Online SC 275 (Supreme Court of India).

[36] FO Ukwueze, 'Cryptocurrency: Towards Regulating the Unruly Enigma of Fintech in Nigeria and South Africa' (2021) 24 PER/PELJ

[37] Reserve Bank of Zimbabwe, 'Circular to Banking Institutions No. 2/2018: Virtual Currencies' (Circular, 15 May 2018) https://www.rbz.co.zw/index.php/regulation-supervision/regulation-supervision/guidelines-circulars-and-public-notices-3/499-circular-to-banking-institutions-no-2-2018-virtual-currencies accessed 17 September 2025.

[38] Bitfinance (Pvt) Ltd t/a Golix v Reserve Bank of Zimbabwe (HC 4696/18) [2018] ZWHHC 290 (High Court of Zimbabwe)

[39] Techpoint Africa, 'Zimbabwe Plans to Come Up with a Crypto Regulatory Framework' (Techpoint Africa, 12 June 2024) https://techpoint.africa/news/zimbabwe-crypto-regulatory-framework/ accessed 17 September 2025.

[40] Chainalysis (n 18).

[41] Central Bank of Nigeria, 'Circular to Banks on Accounts of Persons and Entities Involved in Virtual Currency Exchange' (Circular No. BSD/DIR/PUB/LAB/014/001, 5 February 2021) https://www.cbn.gov.ng/out/2021/ccd/letter%20on%20crypto.pdf accessed 17 September 2025.

[42] Ibid.

[43] Reuters, 'Nigerian Central Bank Lifts Ban on Crypto Trading' (Reuters, 23 December 2023) https://www.reuters.com/world/africa/nigerian-central-bank-lifts-ban-crypto-trading-2023-12-23/ accessed 17 September 2025.

without involving bank transfers.[44] Stablecoins pegged to the dollar also gained popularity as a hedge against Nigeria's high inflation and currency devaluation, all trading outside the regulated banking system.[45]

Faced with these outcomes, Nigerian regulators began reassessing. The soft ban was effectively reversed in late 2023. In December 2023, the CBN issued new guidelines allowing licensed banks to once again facilitate crypto transactions for customers, provided these transactions adhere to KYC/AML requirements and are within a regulated structure.[46] It coincided with Nigeria ramping up efforts to develop its regulatory capacity, as the Nigeria's Securities and Exchange Commission (SEC) launched in June 2024 the "Accelerated Regulatory Incubation Program (ARIP)" for fintech and crypto firms. Under ARIP, crypto startups can apply for a temporary license to operate within a trial period, during which they are monitored and required to gradually meet regulatory benchmarks.[47] By August 2024, the SEC had granted provisional licenses to two fintech companies, Quidax and Busha, under this scheme, effectively bringing them into the legal fold and supervising their activities.[48] Moreover, Nigeria signalled that full operational licenses for crypto asset service providers (such as exchanges) would be issued in the near future – a sharp turn from the bank-ban approach of 2021; however, as of mid-2025, further licenses have been delayed due to due diligence.[49] In March 2025, the Investments and Securities Act 2025 was signed into law, formally recognising digital assets as securities and placing them under SEC oversight, which includes requirements for registration, reporting, and taxation.[50]

It should be noted that some other jurisdictions have also used banking restrictions informally. For instance, Kenya's central bank has long warned banks not to deal with crypto firms (stemming from a 2015 circular), and Ghana's central bank similarly in 2022 instructed banks and mobile money providers to refrain from facilitating unlicensed digital currency transactions.[51] These directives, while not always backed by explicit legislation, create an environment where crypto businesses cannot easily integrate with the formal financial sector, amounting to a soft ban. However, as seen in Kenya and Ghana (discussed further in the next section), such restrictions often coexist with widespread peer-to-peer trading that lies beyond the banks' purview.

2.3. Passive tolerance / unregulated grey zones

Between the poles of bans and regulation, many African countries currently sit where there is no specific legal framework for cryptocurrencies at all. In these jurisdictions, cryptocurrencies are not officially recognised as legal tender or financial instruments, nor are they expressly prohibited.[52] This results in a de facto "grey zone" in which crypto transactions are tolerated passively. Regulators in such countries often confine themselves to public advisories about the risks of crypto, without taking concrete steps to ban or regulate it. The reasons for this passive stance vary. Some governments may lack capacity or expertise to formulate crypto regulations, some may be adopting a "wait-and-see" approach given the volatile nature of the crypto market, and others may tacitly welcome the technology's benefits (like investment and remittances) as long as it does not threaten financial stability. However, the absence of clear rules can create uncertainty for businesses and consumers and potentially expose the market to scams and abuses due to the lack of oversight.

Kenya exemplifies the contradictions inherent in an unregulated approach. Kenyan authorities have been aware of the crypto phenomenon for years and have issued periodic warnings yet have not enacted any binding legal framework to govern it. In 2015, the Central Bank of Kenya (CBK) released a notice cautioning the public that Bitcoin and similar digital currencies were not legal tender in Kenya and were unregulated.[53] The CBK reiterated that any dealings in crypto would be at the user's own risk, emphasising issues like price volatility and the potential use of crypto in cybercrime. Similar advisories have been repeated in subsequent years by the CBK and even Kenya's Capital Markets Authority, but critically, no law or regulation was passed to either ban or formalise crypto trading.[54] Meanwhile, Kenya has emerged as one of Africa's leading cryptocurrency markets by usage. By 2021, it ranked among the top countries globally for peer-to-peer Bitcoin trading volumes, evidencing a robust grassroots adoption.[55] The Kenyan government's passive tolerance has led to policy dissonance where, on one hand, the Kenya Revenue Authority treats cryptocurrency profits as taxable income under general tax law (signalling implicit acceptance of crypto's existence).[56] On the other hand, financial regulators maintain that crypto exchanges and traders operate outside the official purview, which means no consumer protections or prudential standards apply to them. In 2023, a Kenyan legislator put forward the draft Blockchain and Cryptocurrency Bill, aiming to license and regulate crypto service providers and impose obligations like reporting transactions above certain thresholds, signalling a thrust towards regulatory clarity.[57] However, this bill stalled in Parliament, partly over concerns that strict regulation

[44] Chainalysis, 'Sub-Saharan Africa: Nigeria Takes #2, South Africa Grows Crypto Adoption' (Chainalysis, 2 October 2024) https://www.chainalysis.com/blog/subsaharan-africa-crypto-adoption-2024/ accessed 17 September 2025.

[45] Chainalysis (n 18).

[46] Central Bank of Nigeria, 'Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers' (n 10).

[47] Securities and Exchange Commission, 'Framework on Accelerated Regulatory Incubation Programme for the Onboarding of Virtual Assets Service Providers and Other Digital Investments Service Providers' (SEC, 2024) https://home.sec.gov.ng/about/resources/checklists/accelerated-regulatory-incubation-program-arip-checklist-for-vasp-onboarding/ accessed 17 September 2025.

[48] Fintech News Africa, 'Nigeria's SEC Delays Crypto Licensing, Cites Additional Due Diligence' (Fintech News Africa, 17 April 2025) https://fintechnews.africa/45144/fintech-nigeria/nigeria-sec-delays-crypto-licences-due-diligence/ accessed 17 September

2025. September 2025; Bank of Ghana, 'Notice No BG/GOV/SEC/2022/23' (BoG, 2022) referenced in Bank of Ghana, 'Draft Guidelines on Digital Assets' (Draft Guidelines, August 2024) https://www.bog.gov.gh/wp-content/uploads/2024/08/Draft-Guidelines-on-Digital-Assets.pdf accessed 17 September 2025.

[49] TechCabal, 'Nigeria's SEC to Fast-Track Crypto Licensing in 2025' (TechCabal, 6 February 2025) https://techcabal.com/2025/02/06/sec-to-issue-crypto-licences-faster/ accessed 17 September 2025.

[50] Investments and Securities Act 2025 (Nigeria).

[51] See Central Bank of Kenya, 'Banking Circular No 14 of 2015: Virtual Currencies - Bitcoin' (CBK, 18 December 2015) https://www.centralbank.go.ke/uploads/banking_circulars/2075994161_Banking%20Circular%20No%2014%20of%202015%20-%20Virtual%20Currencies%20-%20Bitcoin.pdf accessed 17

[52] PwC, Global Crypto Regulation Report 2025 (PwC, 2025) https://legal.pwc.de/content/services/global-crypto-regulation-report/pwc-global-crypto-regulation-report-2025.pdf accessed 18 September 2025.

[53] Central Bank of Kenya, 'Public Notice on Virtual Currencies such as Bitcoin' (December 2015) https://www.centralbank.go.ke/images/docs/media/Public_Notice_on_virtual_currencies_such_as_Bitcoin.pdf accessed 18 February 2025.

[54] https://www.elibrary.imf.org/view/journals/019/2025/001/article-A001-en.xml accessed 17 September 2025.

[55] Eastern Africa Association, 'Commentary: Developments in use of Cryptocurrencies' (EAA Newsletter, July 2022) https://www.easternafricaassociation.org/commentary-developments-towards-cryptocurrency-2022-2/ accessed 18 February 2025.

[56] Kenya Revenue Authority, 'Key Highlights of the Finance Act 2023' (June 2023) https://www.kra.go.ke/popular-links/key-highlights-of-the-finance-act-2023 accessed 18 February 2025; see also Steve Kaaru, 'Kenya collects $78 million in digital currency taxes' (CoinGeek, 13 November 2024) https://coingeek.com/kenya-collects-78-million-in-digital-currency-taxes/ accessed 18 February 2025.

[57] The Capital Markets (Amendment) Bill, 2023 (Kenya) https://www.kaplanstratton.com/wp-content/uploads/2023/06/Capital-Markets-Amendment-Bill.pdf accessed 18 February 2025.

or taxation could stifle innovation and drive the industry underground.[58] Thus, Kenya continues in a holding pattern; the crypto industry grows, and the state watches from the sidelines, intervening only through warnings and by studying potential future regulations.

Ghana offers a similar landscape of cautious non-intervention. The Bank of Ghana (BoG) has not declared cryptocurrencies illegal, but in the absence of a legal framework, it has occasionally acted to limit direct integration with the financial system. In a notice issued in March 2022, the BoG underscored that no entity in Ghana had been licensed to deal in cryptocurrencies and advised the public of the risks, specifically mentioning an impending launch of a dubious cryptocurrency project (Freedom Coin) as unlicensed and potentially fraudulent.[59] Despite this stance, cryptocurrency trading (especially via P2P) has grown in Ghana, fuelled by factors like high mobile money penetration and interest in dollar-denominated assets amid local currency depreciation.[60] The Securities and Exchange Commission (SEC) of Ghana clarified in 2018 that cryptocurrencies are not considered "securities" under Ghanaian law (and thus not under SEC regulation), but it also stated that crypto trading was not illegal, essentially placing it in a lawful-but- unregulated category.[61] This means crypto investors in Ghana currently have no legal recourse under financial laws if, for example, an exchange collapses or a fraud occurs, since regulators claim no jurisdiction. At the same time, Ghanaian authorities have hinted at future oversight, as the BoG's 2023 Financial Stability Review noted the potential of blockchain technology for financial inclusion and acknowledged the need for appropriate regulatory measures, though it cited ongoing concerns about money laundering and proceeded cautiously.[62] Indeed, the BoG in 2024 released draft Digital Asset Guidelines proposing a licensing regime for digital asset issuers and service providers.[63] These draft guidelines suggest requirements for exchanges (such as minimum capital and cybersecurity standards) and hint at cooperation between the BoG and Ghana's Financial Intelligence Centre to monitor crypto transactions. However, as of the time of writing, these guidelines remain non-binding proposals. No firm regulations have been adopted, leaving Ghana's crypto market in the grey zone for the time being. Meanwhile, the gap between regulators' cautious approach and market reality is filled by private sector innovation. For instance, some Ghanaian fintech startups and mobile money operators have introduced services that let users buy or sell

Bitcoin using mobile wallets, a trend that illustrates how crypto can piggyback on existing informal financial networks even without explicit regulatory blessing.[64] Beyond Kenya and Ghana, many African countries fall into this category of passive or uncertain crypto governance. As of 2025, countries such as Uganda, Tanzania, Cameroon, Zambia, and others have no dedicated crypto laws or official licensing systems for crypto businesses.[65] Typically, central banks in these countries have issued one or two public statements warning citizens that cryptocurrencies are risky and not protected, often after notable incidents (like a big scam or a spike in public interest). But they have stopped short of either banning crypto or creating a framework to supervise it.[66] The result is that crypto activity operates informally and interested individuals trade on global exchanges using mobile money or foreign bank accounts, and P2P trading via platforms like Paxful or Binance is common.[67] Adoption remains largely grassroots in these places, serving use-cases like remittances, small-scale savings in stablecoins, or speculative trading among tech enthusiasts. This unregulated growth can be double-edged. On one side, it allows experimentation and can drive financial inclusion in a way that strict regulation might inhibit. On the other side, it can lead to unchecked risks. There have been numerous reports of Ponzi schemes and fraudulent "crypto investment clubs" preying on users in countries without clear regulations, as people are enticed by the high returns without understanding the lack of legal protections. For example, in Uganda, scams like the Dunamiscoins scheme (which imploded in 2019) led to public outcry and calls for government action, highlighting that doing nothing is not a sustainable strategy once significant public harm is felt.[68]

The passive tolerance approach thus reflects a regulatory limbo. The ambiguity can be seen in conflicting government actions. A tax authority might be taxing crypto gains under existing law, implying legitimacy, while the central bank simultaneously tells banks not to touch crypto-related funds, implying illegitimacy. This split posture arguably delays the inevitable because, as crypto adoption increases, pressure mounts to either formally integrate it into the legal system or clamp down on it. The consequence of inaction, however, is a lack of clarity that can itself dampen beneficial innovation. A fintech company might hesitate to launch crypto services in a country with no laws (fearing a sudden ban or punitive regulation in the future), and banks will generally err on the side of caution by avoiding any crypto dealings, thereby limiting the growth of a compliant crypto industry.

2.4. Regulated / licensing models

At the opposite end of the spectrum from bans, a growing number of African jurisdictions have chosen to embrace cryptocurrencies within a regulated framework. In these countries, authorities have put in place laws or regulations that recognise crypto-assets and set up a licensing regime for businesses that deal with them (often termed "virtual asset service providers" or VASPs). The primary goals of regulation are to mitigate risks (through AML/KYC enforcement, consumer protection rules, etc.), integrate crypto into the formal economy (for example,

[58] https://blockchain.bakermckenzie.com/2025/01/14/the-evolution-of-cryptocurrency-regulation-in-kenya-from-opposition-to-legalization/ accessed 17 September 2025.

[59] Bank of Ghana, 'Notice to the General Public on a Digital and Virtual Currency Operation in Ghana Called "Freedom Coin"' (9 March 2022) https://www.bog.gov.gh/wp-content/uploads/2022/03/Notice-on-Digital-Virtual-Currency-Operations-in-Ghana-Called-Freedom-Coin-9th-March-2022.pdf accessed 18 February 2025.

[60] Fintech News Africa, 'Ghana to License Crypto Platforms as $3B Transactions Spur Regulation' (Fintech News Africa, 25 July 2025) https://fintechnews.africa/45581/fintech-ghana/ghana-crypto-regulation-2025/ accessed 17 September 2025.

[61] Securities and Exchange Commission (SEC) Ghana, 'Public Notice on Investment and Trading in Cryptocurrencies and Their Digital Platforms' (SEC Notice, 2018) https://sec.gov.gh/public-notice-on-investment-and-trading-in-cryptocurrencies-and-their-digital-platforms/ accessed 18 February 2025.

[62] Bank of Ghana, Financial Stability Review 2023 (October 2024) https://www.bog.gov.gh/wp-content/uploads/2024/10/Financial-Stability-Review-2023.pdf accessed 18 February 2025.

[63] Bank of Ghana, Draft Guidelines on Digital Assets (August 2024) https://www.bog.gov.gh/wp-content/uploads/2024/08/Draft-Guidelines-on-Digital-Assets.pdf accessed 18 February 2025.

[64] Labari, 'How Bank of Ghana's Virtual Asset Bill Could Impact Ghana's Fintech Space' (Tech Labari, 12 August 2025) https://techlabari.com/how-bank-of-ghanas-virtual-asset-bill-could-impact-ghanas-fintech-space/ accessed 17 September 2025.

[65] https://techcabal.com/2025/08/06/crypto-licensing-in-africa/ accessed 17 September 2025.

[66] Monitor, 'Borrow a Leaf on Crypto Regulation' (Daily Monitor, 18 June 2025) https://www.monitor.co.ug/uganda/oped/commentary/borrow-a-leaf-on-crypto-regulation-5086144 accessed 17 September 2025.

[67] 'Sub-Saharan Africa Shows Strong Crypto Retail Activity' (Chainalysis, 10 September 2025) https://www.chainalysis.com/blog/subsaharan-africa-crypto-adoption-2025/ accessed 17 September 2025.

[68] 'Ugandan Victims of Dunamiscoins Scam Petition Gov't for Lost Investments' (Cointelegraph, 17 January 2020) https://cointelegraph.com/news/ugandan-victims-of-dunamiscoins-scam-petition-govt-for-lost-investments accessed 17 September 2025.

allowing taxation and oversight), and encourage beneficial innovation by providing legal clarity. Notable African countries pursuing this path include South Africa, Botswana, and Mauritius, with others like Namibia and Rwanda also taking steps in this direction in recent years. These jurisdictions are positioning themselves as crypto-friendly (to different degrees), which could attract investment and tech talent, but they also face the challenge of crafting rules for a fast-evolving industry.

South Africa has emerged as a regional leader in crypto regulation, driven by the country's relatively advanced financial system and several high-profile crypto-related incidents that spurred regulatory action. For years, South African regulators observed the crypto market (which is one of the continent's largest) and issued cautionary statements, but they lacked an official regulatory framework.[69] This changed in 2022 when the Financial Sector Conduct Authority (FSCA), South Africa's financial markets regulator, formally declared crypto assets to be "financial products" under the existing Financial Advisory and Intermediary Services (FAIS) Act.[70] By classifying crypto as a financial product, the FSCA brought crypto asset service providers (CASPs) into the ambit of licensable financial services. Concretely, any company or individual in South Africa providing crypto trading, advising, brokerage, custody or related services is now required to register as a Financial Services Provider (FSP) and comply with the FAIS Act and its regulations. These regulations impose AML/KYC obligations, among other requirements. For example, CASPs must implement customer identification and verification processes, keep transaction records and report suspicious transactions just as banks or remittance providers are required to do. They also need to meet fit- and-proper criteria, which include financial soundness (capital requirements), competency of personnel, and operational capability to carry out their crypto business in a safe manner. The alignment with global standards is evident as South Africa's framework mirrors elements of regulations in jurisdictions like Singapore (which regulates crypto intermediaries under its Payment Services Act with strong AML rules).[71] In fact, South Africa's regulators explicitly cite recommendations of the Financial Action Task Force (FATF) in crafting these rules, such as the "Travel Rule" that requires VASPs to share sender and receiver information for crypto transactions above certain thresholds. In June 2024, South Africa's Financial Intelligence Centre issued Directive 9 to implement the Travel Rule for CASPs, underscoring the country's commitment to international AML/CFT norms in the crypto sector.[72]

South Africa's regulatory push has been tested in the enforcement arena, notably through the collapse of Mirror Trading International (MTI), a South African cryptocurrency scheme exposed in 2020 as a multi- billion-rand Ponzi affecting over 290,000 investors globally. Following the classification of crypto assets as financial products under the Financial Advisory and Intermediary Services Act 37 of 2002 via Government Notice 1350 (GG 47334, 19 October 2022), the Financial Sector Conduct Authority (FSCA) pursued action against MTI. The case of *Bester NNO v Mirror Trading International (Pty) Ltd* upheld the FSCA's authority to sanction unlicensed crypto activities.[73] The court declared MTI's operations unlawful for soliciting investments without a financial services provider licence, confirming its status as a Ponzi scheme and voiding investor agreements. This ruling set a precedent that crypto ventures in South Africa must comply with regulatory requirements or face legal consequences, reinforcing the FSCA's commitment to protecting consumers from malfeasance in the crypto space. Meanwhile, legitimate crypto businesses in South Africa have largely welcomed the regulatory clarity. By the end of the licensing application window, the FSCA reported that it had received (and was processing) over 380 license applications from crypto service providers.[74] As of mid-2024, 138 licenses had been granted to CASPs ranging from local exchanges and wallet providers to international platforms seeking to formally operate in South Africa. This large response underscores the demand for regulated status and the depth of the crypto industry in the country. It also means South Africa now hosts one of the most comprehensive sets of registered crypto financial institutions in Africa, positioning it as a potential hub for the industry on the continent.

To encourage innovation alongside regulation, South African authorities have employed tools like the Intergovernmental Fintech Working Group (IFWG) Regulatory Sandbox, launched in 2020.[75] The sandbox provides fintech startups (including crypto projects) a controlled environment to test products with regulatory waivers or guidance for a limited time. One success story from this sandbox was Centbee, a crypto payments company that piloted cross-border remittances using Bitcoin SV. Centbee's trial involved facilitating remittance transfers from South Africa to Ghana and other countries by converting fiat to crypto and back to fiat, all while under the observation of regulators. The project was allowed to operate with relaxed rules (for example, simplified KYC for small transactions) to gauge its viability and risks.[76] The sandbox gave Centbee and the FSCA valuable insight into how crypto could reduce remittance costs. However, a critique of South Africa's sandbox approach has been the lack of a clear pathway from sandbox to full licensing. Unlike, say, Singapore's MAS sandbox which has published guidelines on transitioning successful experiments into permanent regulated services, South Africa treated its sandbox more as an ad- hoc trial.[77] Upon completing the sandbox, firms like Centbee had to apply anew for an FSP license under the general process and meet all requirements, which can be onerous. In Centbee's case, by late 2023 it did receive a full license as an FSP, but the interim uncertainty

[69] Polity, 'Cracking Down or Catching Up? South Africa's Approach to Crypto Regulation Part 2: Financial Services and FICA' (Polity, 20 August 2025) https://www.polity.org.za/article/cracking-down-or-catching-up-south-africas-approach-to-crypto-regulation-part-2-financial-services-and-fica-2025-08-20 accessed 17 September 2025.

[70] Financial Sector Conduct Authority (South Africa), 'Declaration of Crypto Assets as a Financial Product' (FSCA Press Release, 20 October 2022) https://www.fsca.co.za/News%20Documents/FSCA%20Press%20Release_Declaration%20of%20Crypto%20Assets%20As%20A%20Financial%20Product_20%20October%202022.pdf accessed 18 February 2025.

[71] Monetary Authority of Singapore, Notice PSN01: Prevention of Money Laundering and Countering the Financing of Terrorism – Specified Payment Services (2020) https://www.mas.gov.sg/regulation/notices/psn01-aml-cft-notice—specified-payment-services accessed 18 February 2025.

[72] Financial Intelligence Centre (South Africa), Directive 9 of 2024: Implementation of the Travel Rule by Crypto Asset Service Providers (effective 30 April 2025) https://www.fic.gov.za/wp-content/uploads/2024/11/Media-release-FIC-publishes-Directive-9-relating-to-the-implementation-of-the-travel-rule-by-CASPs.pdf accessed 20 February 2025.

[73] [2023] ZAWCHC 83, decided by the High Court of South Africa, Western Cape Division, on 26 April 2023,

[74] Financial Sector Conduct Authority (South Africa), 'Press Release: FSCA update on approved Crypto Asset Service Providers' (2 July 2024) https://www.fsca.co.za/News%20Documents/FSCA%20Press%20Release%20-%20FSCA%20update%20on%20approved%20Crypto%20Asset%20Service%20Providers%20%2002%20July%202024.pdf accessed 2 September 2025.

[75] Intergovernmental Fintech Working Group (IFWG, South Africa), Position Paper on Crypto Assets (June 2021) https://www.ifwg.co.za/Document/IFWG_CAR_WG_Position_Paper_on_Crypto_Assets.pdf accessed 18 February 2025.

[76] TechTrends Africa, 'SA's Centbee Graduates from Regulatory Sandbox, Adds New Countries to Remittance Service' (September 2021) https://techtrends.africa/sas-centbee-graduates-from-regulatory-sandbox-adds-new-countries-to-remittance-service/ accessed 18 February 2025.

[77] Monetary Authority of Singapore, 'FinTech Regulatory Sandbox Guidelines' (November 2016) https://www.mas.gov.sg/development/fintech/regulatory-sandbox accessed 18 February 2025; see also Intergovernmental Fintech Working Group, 'Regulatory Sandbox' (2020) https://www.ifwg.co.za/Pages/Regulatory-Sandbox.aspx accessed 18 February 2025.

exemplified how startups might struggle to navigate the gap between innovation testing and full compliance. This is an area South African regulator may refine as they continue to engage with the industry.

Moving north, Botswana has enacted one of Africa's first stand-alone crypto-specific laws being the Virtual Assets Act 2022. This law provides a dedicated framework for regulating virtual asset businesses and went into effect in early 2022. The Act is administered by Botswana's Non-Bank Financial Institutions Regulatory Authority (NBFIRA), which now serves as the oversight body for the crypto sector.[78] Under the Virtual Assets Act, any entity wishing to offer crypto services in Botswana, such as operating a crypto exchange, providing wallet custody, or facilitating token sales, must secure a license from NBFIRA. The licensing process is conditioned. Applicants are required, inter alia, to demonstrate a minimum capital reserve (the Act specifies 5 million pula, roughly US$370,000, as the base capital for exchanges and trading platforms). They must also put in place AML/KYC systems and controls, consistent with Botswana's obligations under international AML standards, and their directors and senior management must pass "fit and proper" tests (ensuring they have no relevant criminal record, have requisite experience, and are of sound financial probity). These entry requirements are relatively high. For context, Botswana's thresholds in dollar terms exceed those of South Africa's current regime and are on par with jurisdictions like the Abu Dhabi Global Market (ADGM), which similarly mandates high capital and compliance benchmarks for crypto firms.[79] The philosophy in Botswana appears to be to only attract serious, well-resourced players who can invest in compliance, thus weeding out fly-by-night operators. Indeed, since the Act's passage, it has been reported that relatively few firms have applied, and NBFIRA has been deliberate in processing licenses to ensure full adherence to the new rules (as of 2024, the public has yet to see a thriving domestic exchange in Botswana, indicating the framework is still bedding in).

Mauritius stands out as one of the first African jurisdictions to enact a holistic regulatory regime for crypto- assets and ICOs. The culmination of its efforts was the Virtual Asset and Initial Token Offering Services Act 2021 (VAITOS Act), which was passed by Parliament in December 2021 and came into force on 7 February 2022. The VAITOS Act, in line with Mauritius's ambition to be a fintech hub, provides a comprehensive legislative framework for the licensing and supervision of VASPs and issuers of initial token offerings (ITOs). Under this law, any person or business involved in exchanging virtual assets, transferring them, providing custody of crypto, administering platforms, or giving advice on virtual assets must be registered and licensed. The Act established several classes of licenses, tailored to different activities: for example, Class M for broker-dealers operating exchanges, Class R for custody services, Class S for marketplace operators, Class O for wallet services, and Class I for investment advisors and for token issuance. Each class has its own minimum capital requirements and ongoing obligations. To illustrate, a Class M exchange license requires a minimum of 2 million Mauritian rupees in capital (about US$43,000), Class R (custodian) requires MUR 5 million ($109,000), and Class S (exchange or trading platform) requires MUR 6.5 million ($141,000). Other classes ensure that even those who do not take on custodial risk (like advisors or token issuers) must maintain sufficient working capital or solvency margins. These thresholds, while lower in absolute terms than Botswana's, are significant in the Mauritian context and serve to professionalise the sector. The Financial Services Commission (FSC) of Mauritius is charged with licensing and supervising VASPs, and it actively monitors compliance with provisions that mirror global best practices, including segregation of client assets, cybersecurity safeguards, auditing, and reporting of suspicious transactions. Mauritius also required licensees to comply with the full panoply of AML/CFT measures, going so far as to implement the FATF Travel Rule within its guidance to industry. The emphasis on AML is not surprising, as Mauritius was only recently removed from the FATF "grey list" and EU "blacklist" for deficiencies in its AML regime; thus, the country seems keen to demonstrate that embracing crypto will not undercut its progress on financial integrity.[80] The introduction of the VAITOS Act has placed Mauritius at the forefront of regulated crypto activity in Africa. By mid-2022, Mauritius had already issued a number of licenses under the Act, and by 2023 local companies like BitSoko, BloomX, and GBC Finance were operating with official approval.[81]

The regulated/licensing models being adopted in parts of Africa reflect a pragmatic pivot in governance. Rather than fighting the tide of crypto adoption, these countries seek to channel it in a way that maximises economic benefits while controlling risks. Effective regulation can provide consumer confidence (attracting more users to participate through legal channels), encourage foreign investment and partnerships (global exchanges or fintech firms are more likely to enter a market with clear rules), and enable governments to tax and monitor crypto economic activity.

As a general observation to continental regulatory approaches, what is evident is a continental trend towards greater regulatory convergence as absolute bans are slowly thawing (or being narrowly enforced), grey zones are being edged out by at least basic registration regimes, and pioneers of regulation are refining their frameworks in response to feedback and new developments. Africa, as of 2025, presents a patchwork of regulatory postures, but the typology of absolute ban vs soft ban vs tolerance vs regulation helps in understanding each country's position. Ultimately, the success of any approach will be measured by its outcomes i.e. protecting consumers and financial systems from harm, while not unduly hindering the positive potential of cryptocurrency and blockchain innovation for African economies.

3. Consequences of regulatory fragmentation

The regulatory fragmentation across African jurisdictions, discussed in Section 2 above, produces consequences that extend well beyond immediate domestic policy concerns. These effects manifest in two interconnected domains. First, they result in missed commercial opportunities for African economies, where inconsistent legal frameworks hinder integration into the global digital asset market, particularly in remittances, financial inclusion, blockchain-based innovation, and institutional investment. Second, this fragmentation generates crime and compliance challenges for the international community, including vulnerabilities to money laundering, terrorist financing, and proliferation financing, which complicate adherence to global standards such as those of the Financial Action Task Force (FATF). The analysis here draws on domestic legislation, regional treaties, international conventions, and relevant case law to assess these implications.

3.1. Missed commercial opportunities for Africa

3.1.1. Remittances

Remittance flows constitute a critical element of African economies, both at macroeconomic and household levels. The World Bank reported that inflows to Sub-Saharan Africa exceeded USD 100 billion in 2022, a

[78] Virtual Assets Act 2022 (Botswana), sections 4, 10, 20, 26 (Act No. 8 of 2022, published 18 February 2022).

[79] Financial Services Regulatory Authority (Abu Dhabi Global Market), 'Guidance – Regulation of Virtual Asset Activities in ADGM' (18 December 2023) https://www.adgm.com/documents/legal-framework/guidance-and-policy/fsra/guidance-virtual-asset-activities-in-adgm-20231218.pdf accessed 20 February 2025.

[80] Financial Action Task Force, 'Jurisdictions under Increased Monitoring: 21 October 2021' (FATF, 21 October 2021) https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2021.html accessed 17 September 2025.

[81] TechCabal (n 65).

figure that outstripped both foreign direct investment and official development assistance.[82] In several states, including The Gambia and Lesotho, remittances account for more than one-fifth of GDP, underscoring their centrality to economic stability.[83] Despite this importance, Africa continues to experience the highest global remittance costs. The World Bank's Remittance Prices Worldwide survey places the regional average at 8.5 per cent of the transaction value, in contrast with a global mean of 6.4 per cent.[84]

The persistence of these high costs can be traced to the architecture of international financial transfers. Traditional channels rely on correspondent banking networks in which multiple intermediaries process and clear transactions, each imposing compliance checks and liquidity buffers.[85] The prevalence of exclusivity agreements between major banks and remittance providers restricts competition and entrenches incumbent pricing structures.[86] Compliance with anti-money laundering and counter-terrorist financing rules, mandated by regimes such as the US Bank Secrecy Act 1970, the EU's Payment Services Directive II, and the standards of the Financial Action Task Force, adds additional layers of cost, particularly where transactions are routed through multiple jurisdictions.[87]

These features reflect a structural difficulty within global financial regulation. Legal frameworks designed to safeguard integrity and stability inevitably generate compliance obligations that weigh more heavily on low-value transactions common to remittance flows.[88] It has been stated that African states bear a double cost in this respect, absorbing both the burden of compliance with international standards that they have little role in shaping and the exclusionary effects that follow from their implementation.[89] The technological capacity of cryptocurrencies and related payment networks to mitigate these costs has been widely acknowledged. Stablecoins denominated in reserve currencies provide a mechanism to preserve value without exposure to volatility, while the Lightning Network attached to Bitcoin has enabled near-instant settlement at negligible fees.[90] Empirical evidence suggests that remittances are among the most common uses of cryptocurrency in Sub-Saharan Africa, with adoption driven primarily by functional necessity rather than speculative investment.[91] It has been emphasised that crypto-asset adoption in Africa has been bottom- up and purpose-driven, with remittances representing a significant proportion of use cases.[92]

The economic logic of these developments, however, is constrained by the legal position adopted in individual jurisdictions. In Egypt, as previously discussed, article 206 of the Central Bank and Banking System Law 2020 prohibits the issuance, promotion, or trading of cryptocurrencies without the approval of the central bank, attaching fines of up to EGP 100 million and the possibility of imprisonment.[93] Algeria's Finance Law 2017 similarly criminalises the use of virtual currencies in any form.[94] These statutes represent categorical prohibitions, justified on the basis of monetary sovereignty and the exclusive competence of the state to designate lawful means of payment. Such measures fall within the doctrinal ambit of central bank authority and have received judicial support in other contexts where the primacy of monetary regulators has been challenged.[95] South Africa, for example, has taken a different path as the Financial Advisory and Intermediary Services Act, interpreted in light of the Financial Sector Conduct Authority's declaration of 2022, classifies crypto-assets as "financial products."[96] This provides a statutory basis for regulatory supervision without criminalisation. Within this framework, the FSCA has permitted experimentation through its Innovation Hub, enabling remittance providers to pilot transfers using crypto-assets under controlled conditions. The South African example illustrates that once assets are recognised within a supervisory category, legal space exists for controlled innovation. The implications of these divergent approaches extend into the sphere of international obligations. African states are parties to instruments that commit them to reducing remittance costs. The Addis Ababa Action Agenda of 2015 calls for a global effort to reduce the cost of remittances, and Sustainable Development Goal 10.c sets a target of reducing average transaction costs to three per cent by 2030.[97] Absolute prohibitions on the use of cryptocurrencies for remittance purposes appear difficult to reconcile with these commitments, particularly where alternative channels demonstrably reduce costs below the specified threshold. These tensions can be viewed through the lens of proportionality. It is argued that restrictions on cryptocurrency should be assessed for their necessity, suitability, and proportionality in relation to legitimate aims such as consumer protection and financial stability.[98] A prohibition that entirely forecloses the most cost-efficient technology, while leaving more expensive incumbents intact, risks failing such a test. This reasoning draws on established public law doctrines across multiple jurisdictions, where economic regulations are reviewed for their rationality and proportionality relative to constitutional rights.

The regional dimension introduces further issues. The Agreement establishing the African Continental Free Trade Area (AfCFTA) seeks to

[82] World Bank, 'Migration and Development Brief 36: Remittances Remain Resilient but Are Slowing' (September 2024) https://www.knomad.org/publication/migration-and-development-brief-36 accessed 19 September 2025.

[83] Ibid

[84] World Bank, 'Remittance Prices Worldwide Quarterly – Issue 44, December 2022' (December 2022) https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q422_final.pdf accessed 19 September 2025.

[85] A Baglioni and R Hamaui, 'The Choice Among Interbank Settlement Systems: The European Experience' (2003) 32 Economic Notes 67

[86] T Beck and MS Martínez Pería, 'What Explains the Price of Remittances' (2012) 26(3) The World Bank Economic Review 482

[87] Financial Action Task Force, 'International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations' (FATF, 2012, updated June 2025) https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf accessed 19 September 2025.

[88] DW Arner, RP Buckley, DA Zetzsche and R Veidt, 'Sustainability, FinTech and Financial Inclusion' (2020) 21 EBOR 7.

[89] E Osei-Assibey, 'What Drives Behavioral Intention of Mobile Money Adoption? The Case of Ancient Susu Saving Operations in Ghana' (2015) 42 Intl J Soc Econ 962

[90] Strike, 'Strike Expands "Send Globally" to the Philippines, Bringing Lightning-Fast Money Transfers from the U.S. to One of the World's Largest Remittance Markets' (Business Wire, 31 January 2023) https://www.businesswire.com/news/home/20230131005380/en/Strike-Expands-%E2%80%9CSend-Globally%E2%80%9D-to-the-Philippines-Bringing-Lightning-Fast-Money-Transfers-from-the-U.S.-to-One-of-the-World%E2%80%99s-Largest-Remittance-Markets accessed 19 September 2025.

[91] T Falcao and B Michel, 'Towards a Comprehensive Cryptocurrency Income Tax Policy for Countries in Africa' (ATAF December 2023) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4658850 accessed 19 September 2025.

[92] Ibid.

[93] Central Bank and Banking System Law No 194 of 2020 (Egypt), art 206.

[94] Finance Law No 17-11 of 2017 (Algeria), art 117.

[95] Financial Advisory and Intermediary Services Act 37 of 2002 (South Africa, as amended); FSCA Declaration GN 1350 GG 47334 (19 October 2022).

[96] M Adelowotan, 'Exploring the Development of Regulatory Framework for Crypto Assets in South Africa' (2024) 15 The Business and Management Review 1.

[97] UNGA, Addis Ababa Action Agenda of the Third International Conference on Financing for Development (27 July 2015) UN Doc A/RES/69/313.

[98] UNGA Res 70/1, Transforming Our World: The 2030 Agenda for Sustainable Development (25 September 2015) SDG 10.c.

liberalise trade in goods and services across the continent.[99] Its 2024 Protocol on Digital Trade does not, however, make explicit provision for virtual assets.[100] This omission leaves interpretive uncertainty. One reading suggests that digital financial services fall within the liberalisation commitments of the agreement, requiring member states to facilitate cross-border provision rather than restrict it. An alternative interpretation is that the omission reflects a deliberate decision to leave discretion with domestic regulators. Either construction results in uncertainty, which is inimical to investment in regional-scale remittance platforms. Partial harmonisation may be possible. A study of BRICS and Eurasian Economic Union frameworks finds that jurisdictions which create bespoke categories for crypto assets achieve a balance between innovation and supervision.[101] Fragmented domestic regimes, by contrast, force firms to adapt compliance frameworks to each jurisdiction, creating inefficiency and deterring cross-border operations. For Africa, a coordinated approach under AfCFTA, or through regional economic communities such as ECOWAS and SADC, could provide a more stable legal environment for remittance innovation. The opportunity costs of maintaining the status quo are noteworthy. The IMF estimates that halving remittance costs could add USD 5 billion annually to African GDP.[102] Literature consistently finds that lower remittance costs translate directly into improvements in household consumption, educational outcomes, and health expenditure.[103] The failure to implement frameworks that enable low-cost remittance technologies therefore results in measurable welfare losses.

3.1.2. Financial inclusion

Financial inclusion has been identified as one of the primary development challenges across Sub-Saharan Africa. According to the World Bank's Global Findex database, nearly 57 per cent of adults in the region remain unbanked, with limited or no access to formal financial services.[104] The persistence of this exclusion has long been attributed to structural barriers such as distance from bank branches, high account fees, lack of formal identification, and the prevalence of informal labour markets.[105] Policymakers and development institutions have argued that digital financial services, including mobile money and blockchain-based systems, offer a means of addressing these barriers.[106] The legal treatment of cryptocurrencies therefore intersects directly with questions of economic participation.

The utility of cryptocurrencies for financial inclusion lies in their capacity to facilitate low-cost transactions without reliance on traditional banking infrastructure. Integration with mobile money platforms, already widespread in countries such as Kenya, Uganda and Ghana, provides a ready-made distribution channel for such services.[107] Studies have shown that mobile money has been strongly associated with improvements in consumption smoothing, female labour force participation, and resilience to income shocks.[108] Extending similar functionality to blockchain-based payments could build on these gains, particularly by enabling cross-border transfers that mobile money platforms alone cannot deliver. The legal frameworks governing cryptocurrencies in Africa, however, often impede such integration. In Ghana, for example, as discussed in Section 2, the Bank of Ghana Act 2002 grants the central bank authority to regulate payment systems, and the Anti-Money Laundering Act 2020 imposes compliance obligations on financial institutions.[109] Despite this, there is yet to be specific licensing regime for virtual asset service providers (VASPs). As a consequence, cryptocurrency transactions remain legal but unregulated, operating in a grey zone. Contracts denominated in cryptocurrency may be void under section 27 of the Electronic Transactions Act 2008, which renders unenforceable contracts contrary to law or public policy.[110]

It is argued that clear licensing rules for VASPs are critical to extending financial inclusion because they provide a framework for consumer protection, anti-fraud enforcement, and contractual enforceability.[111] Where such rules are absent, informal use persists but with higher risk, creating what is described as inclusion without integrity.[112] This condition is particularly acute in Sub-Saharan Africa, where informal finance is widespread but legal protection is thin. The South African model again offers a contrasting approach. By classifying crypto-assets as financial products under the Financial Advisory and Intermediary Services Act, the FSCA has created a licensing pathway for firms offering services such as custodial wallets and trading platforms.[113] While the system remains nascent, it provides users with recourse to regulatory protections, including fit-and-proper requirements for service providers and access to the Office of the Ombud for Financial Services Providers. The South African regime does not expressly address financial inclusion, but by situating crypto-assets within established supervisory structures, it enables controlled participation.

A question is whether African states have an obligation to adopt similar frameworks to advance financial inclusion. The argument for such an obligation rests on both domestic constitutional principles and international commitments. Domestically, several African constitutions recognise socio-economic rights that may be interpreted to encompass access to financial services. The Constitution of Kenya, for example, enshrines the right to economic and social rights in Article 43, which includes the right to social security.[114] Internationally, commitments under the United Nations' Sustainable Development Goals emphasise financial inclusion as part of the agenda for reducing inequality. SDG 8 calls for the promotion of sustained and inclusive economic growth, including access to financial services for all.[115] The World Bank and IMF have repeatedly underscored that digital financial services are central to

[99] Agreement Establishing the African Continental Free Trade Area (adopted 21 March 2018, entered into force 30 May 2019).

[100] Protocol to the Agreement Establishing the African Continental Free Trade Area on Digital Trade (adopted 18 February 2024)

[101] M Chudinovskikh and V Sevryugin, 'Cryptocurrency Regulation in the BRICS Countries and the Eurasian Economic Union' (2019) 6 BRICS LJ 63.

[102] International Monetary Fund, 'Africa's Growing Crypto Market Needs Better Regulations' (IMF Blogs, 22 November 2022) https://www.imf.org/en/Blogs/Articles/2022/11/22/africas-growing-crypto-market-needs-better-regulations accessed 18 September 2025.

[103] RH Adams Jr and A Cuecuecha, 'Remittances, Household Expenditure and Investment in Guatemala' (2010) 38 World Dev 1626

[104] A Demirgüç-Kunt and others, 'The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19' (World Bank 2022) https://www.worldbank.org/en/publication/globalfindex accessed 19 September 2025.

[105] A Demirgüç-Kunt, L Klapper, D Singer, S Ansar and J Hess, 'The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution' (World Bank 2018) https://doi.org/10.1596/978-1-46481259-0 accessed 19 September 2025.

[106] A Sy and others, 'Fintech in Sub-Saharan African Countries: A Game Changer?' (IMF Working Paper WP/19/37, February 2019) https://www.imf.org/en/Publications/WP/Issues/2019/02/14/Fintech-in-Sub-Saharan-African-Countries-A-Game-Changer-46572 accessed 19 September 2025

[107] Osei-Assibey (n 89).

[108] W Jack and T Suri, 'Risk Sharing and Transactions Costs: Evidence from Kenya's Mobile Money Revolution' (2014) 104 American Economic Review 183; T Suri and W Jack, 'The Long-Run Poverty and Gender Impacts of Mobile Money' (2016) 354 Science 1288

[109] Bank of Ghana Act 2002 (Act 612) s 3; Anti-Money Laundering Act 2020 (Act 1044, Ghana).

[110] Electronic Transactions Act 2008 (Act 772, Ghana) s 27.

[111] L Zetzsche, D Arner and R Buckley, 'The Future of Data-Driven Finance and RegTech: Lessons from EU Big Bang II' (2020) 21 Journal of Banking Regulation 73.

[112] Ibid

[113] Financial Advisory and Intermediary Services Act 37 of 2002 (South Africa, as amended); FSCA Declaration GN 1350 GG 47334 (19 October 2022).

[114] Constitution of Kenya 2010, art 43.

[115] UNGA Res 70/1 (n 97).

achieving this target.[116] Where states prohibit or fail to regulate crypto-assets that could reasonably extend access, they risk undermining their own development commitments.

Regional frameworks again provide only partial guidance. The East African Community Treaty and the Southern African Development Community Protocols both promote financial sector integration but do not explicitly address digital assets.[117] As a result, each member state retains discretion, producing fragmented approaches. Harmonisation under regional bodies could reduce this fragmentation, but progress has been slow. The African Union's Digital Transformation Strategy 2020–2030 acknowledges the potential of blockchain and cryptocurrencies for inclusion but stops short of recommending uniform regulatory standards.[118] In the absence of harmonisation, national courts and regulators are left to develop piecemeal solutions. The result is legal uncertainty that discourages responsible providers from entering the market while leaving informal activity unchecked. The cumulative effect is the perpetuation of financial exclusion, despite the availability of technologies capable of addressing it.

3.1.3. *DeFi and institutional investment*

The consequences of regulatory fragmentation extend beyond remittances and retail-level inclusion into more complex domains of financial innovation. Two areas, decentralised finance (DeFi) and institutional investment, illustrate the cumulative costs of Africa's current approach. Each raises distinct doctrinal challenges, yet all share the underlying problem of uncertain or inconsistent legal classification, which prevents the development of reliable supervisory structures and deters participation.

DeFi has emerged as one of the most significant global developments in digital finance, with total value locked exceeding USD 200 billion by 2024.[119] DeFi platforms allow users to engage in borrowing, lending, and trading activities without central intermediaries, relying instead on smart contracts deployed on blockchain networks. The potential of these systems for Africa lies in their capacity to offer credit, investment, and savings products without dependence on conventional banking institutions, which remain sparse across much of the continent.[120] Studies highlight that decentralised finance could provide small businesses and individuals with direct access to capital markets, thereby reducing reliance on informal credit networks that often charge usurious rates.[121] The legal impediments to DeFi in Africa mirror those identified in the context of remittances and financial inclusion. Most jurisdictions have no statutory provisions that recognise smart contracts, decentralised exchanges, or liquidity pools. It is argued that jurisdictions that explicitly classify smart contracts as legally binding instruments attract higher levels of DeFi experimentation and venture investment.[122] The absence of such classification in Africa excludes domestic innovators from accessing venture capital and deters foreign firms from operating in the region. Institutional investment is similarly constrained.

While Africa has some of the highest rates of retail adoption globally, institutional participation remains minimal. Nigeria provides an example. The Central Bank's prohibition of 2021 prevented banks from engaging with crypto-assets, a position partly reversed by new guidelines in 2023.[123] The Securities and Exchange Commission has signalled an intention to license exchanges, but coordination with the central bank remains incomplete. This fragmented could create an adverse effect for institutional investors, who require legal certainty in order to allocate capital. Courts have reinforced the primacy of monetary regulators, as in *NDIC v Okem Enterprises Ltd*, where the Nigerian Supreme Court affirmed that directives of the central bank prevail over private contracts.[124] Such precedents underscore the weight of central bank authority but also highlight the need for explicit statutory frameworks if institutional investors are to operate with cconfidence. South Africa again provides a partial counterpoint. By classifying crypto-assets as financial products, the FSCA has created a basis for regulated funds to include them in portfolios.[125] Nonetheless, the absence of prudential rules akin to those found in the European Union's Markets in Crypto-Assets Regulation limits institutional engagement. MiCA not only classifies assets but also prescribes disclosure, governance, and prudential requirements, thereby creating a comprehensive framework for institutional participation.[126] South Africa's narrower regime illustrates the limits of classification without a full supervisory architecture. Institutional investors require not only legal recognition of assets but also regulatory assurance regarding market integrity and investor protection. The opportunity costs of institutional exclusion are noteworthy. It is observed that developed markets have contributed to market stabilisation by replacing speculative retail dominance with longer-term capital.[127] The absence of such flows in Africa contributes to volatility and undermines confidence. Furthermore, institutional exclusion forecloses the possibility of developing domestic investment products, such as exchange-traded funds or structured products, which could provide regulated access for retail investors.

These challenges can be seen as a missed opportunity to align financial innovation with developmental objectives. Arner argues that digital financial transformation depends on three pillars: technology, market adoption, and regulatory alignment.[128] In Africa, technology and adoption are advancing rapidly, but regulatory alignment lags. The hesitation to classify or recognise new instruments reflects legitimate concerns about stability and consumer protection, yet the consequence is to foreclose innovation that could address longstanding challenges of credit access, liquidity, and investment. In distributive terms, the exclusion of DeFi, institutional investment, and tokenisation disproportionately affects African economies by limiting integration into global financial flows. Studies emphasise that integration into global capital markets is positively correlated with growth and poverty

[116] International Monetary Fund and World Bank, 'The Bali Fintech Agenda' (IMF Policy Paper, October 2018) https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/10/11/pp101118-bali-fintech-agenda accessed 18 September 2025.

[117] Treaty for the Establishment of the East African Community (1999), art 75; SADC Finance and Investment Protocol (2006), art 5.

[118] African Union Commission, 'Digital Transformation Strategy for Africa (2020–2030)' (2020) https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf accessed 19 September 2025.

[119] DappRadar, 'Dapp Industry Report – 2024 Overview' (14 January 2025) https://dappradar.com/blog/dapp-industry-report-2024-overview accessed 18 September 2025.

[120] IMF, 'Fintech and Financial Inclusion in Sub-Saharan Africa' (Working Paper WP/20/157, August 2020) https://www.elibrary.imf.org/view/journals/001/2020/157/001.2020.issue-157-en.xml accessed 18 September 2025.

[121] R Beck, M Avital, M Rossi and JB Thatcher, 'Blockchain Technology in Business and Information Systems Research' (2017) 59 Bus Inf Syst Eng 381

[122] DA Zetzsche, DW Arner and RP Buckley, 'Decentralized Finance' (2020) 6 J Fin Reg 172

[123] Central Bank of Nigeria, 'Circular to Banks on Accounts of Persons and Entities Involved in Virtual Currency Exchange' (Circular BSD/DIR/PUB/LAB/014/001, 5 February 2021) https://www.cbn.gov.ng/out/2021/ccd/letter%20on%20crypto.pdf accessed 19 September 2025; Central Bank of Nigeria, 'Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers' (Circular FPR/DIR/PUB/CIR/002/003, 22 December 2023) https://www.cbn.gov.ng/Out/2024/FPRD/GUIDELINES%20ON%20OPERATIONS%20OF%20BANK%20ACCOUNTS%20OF%20OR%20VIRTUAL%20Asset%20Providers.pdf accessed 19 September 2025.

[124] NDIC v Okem Enterprises Ltd [2004] 10 NWLR (Pt 880) 107 (SC, Nigeria).

[125] FSCA Declaration GN 1350 GG 47334 (19 October 2022).

[126] MiCA (n 3).

[127] AH Dyhrberg, S Foley and J Svec, 'How Investible is Bitcoin? Analyzing the Liquidity and Transaction Costs of Bitcoin Markets' (2018) 171 Econ Letters 140

[128] Arner, Buckley and Zetzsche (n 88).

reduction, provided that regulatory safeguards are in place.[129] By maintaining fragmented regimes, African states risk marginalisation from these flows, reinforcing structural dependence on aid and volatile foreign direct investment.

A countervailing concern bears mention. Widespread adoption of dollar-pegged stablecoins in jurisdictions with weak or volatile national currencies presents a credible monetary-stability risk. Where stablecoins displace domestic currency in everyday transactions, the central bank's capacity to conduct monetary policy, manage capital flows, and respond to shocks is reduced. Several African economies experiencing high inflation or chronic currency depreciation are particularly exposed to this form of de facto dollarisation. Proportionate licensing of stablecoin issuers, addressing payment-system access, reserve composition, and disclosure obligations consistent with international guidance, offers a route that addresses these stability concerns within a regulated framework.[130]

3.2. Crime and compliance problems for the rest of the world

The global regulation of crypto-assets has been shaped by the Financial Action Task Force (FATF), which sets the benchmark for anti-money laundering (AML) and counter-terrorist financing (CTF). Recommendation 15 requires jurisdictions to license or register virtual asset service providers (VASPs) and to subject them to risk-based supervision,[131] while Recommendation 16, the Travel Rule, obliges transmission of originator and beneficiary information for transfers above USD 1000.[132] These standards extend AML and CTF obligations into the digital asset domain and reflect the position that crypto-assets should be treated as functionally equivalent to traditional financial institutions for preventing money laundering, terrorist financing, and proliferation financing. The Palermo Convention reinforces this by requiring laundering offences, customer due diligence, and international cooperation.[133]

Implementation in Africa is uneven. South Africa amended the Financial Intelligence Centre Act in 2022 to bring VASPs within the category of accountable institutions,[134] subjecting them to due diligence and reporting duties. Nigeria's Money Laundering (Prevention and Prohibition) Act 2022 similarly includes VASPs within the definition of financial institutions and extends core FATF obligations to them.[135] By contrast, Kenya's Proceeds of Crime and Anti-Money Laundering Act 2009 does not extend to VASPs,[136] which leaves peer-to-peer platforms outside statutory supervision. Tanzania declared crypto-related activities illegal through central bank notices in 2019 and 2021, but did not amend anti-money laundering statutes to incorporate VASPs or impose specific obligations.[137] This divergence means that functional equivalence is not realised and cross-border transfers face inconsistent obligations. The effects are visible in cross-border crime, greylisting, and compliance burdens. Peer-to-peer trading dominates much of the region's crypto use because of exclusion from banking channels and prohibitionist stances. Sub-Saharan Africa accounts for the highest global share of peer-to-peer activity, led by Nigeria, Kenya, and Ghana,[138] with many platforms operating beyond licensing and supervision. The absence of Travel Rule compliance creates tracing gaps and a "weakest link problem", since transactions routed through non-compliant jurisdictions compromise the overall framework.[139] The risks extend beyond fraud to terrorist financing and sanctions evasion, illustrated by the dismantling in 2020 of three fundraising campaigns linked to al-Qaeda, Hamas, and ISIS that relied on crypto-assets.[140]

Greylisting shows the economic and reputational costs of deficiencies. In February 2023, South Africa and Nigeria were placed on the FATF list of jurisdictions under increased monitoring, with weaknesses in VASP supervision among the factors.[141] Greylisting is not a sanction, but it yields immediate market effects. Evidence indicates declines in foreign direct investment, higher sovereign borrowing costs, and reductions in correspondent banking relationships.[142] These outcomes reflect altered risk assessments by investors and intermediaries. The compliance response is extraterritorial. The United States' FinCEN advised institutions to apply enhanced scrutiny to peer-to-peer platforms associated with African flows,[143] and the International Monetary Fund has linked greylisting to "de-risking", whereby international banks terminate relationships with institutions in higher-risk jurisdictions.[144] Such measures raise costs for compliant institutions and concentrate intermediation, while legitimate actors may be excluded even as illicit flows persist through unsupervised channels. The exclusion of VASPs from domestic AML frameworks shifts burdens abroad. Where local supervision is absent, international institutions apply unilateral enhanced due diligence and monitoring. The withdrawal of correspondent banking relationships across parts of Africa has been documented, forcing local banks to rely on costlier intermediaries or to exclude certain flows altogether.[145] These dynamics illustrate how domestic regulatory gaps create externalities for the wider financial system.

Fragmented regulation also impedes enforcement cooperation. The

[129] R Levine, 'Financial Development and Economic Growth: Views and Agenda' (1997) 35 J Econ Lit 688

[130] International Monetary Fund and Financial Stability Board, 'IMF-FSB Synthesis Paper: Policies for Crypto-Assets' (IMF/FSB, 7 September 2023) https://www.fsb.org/2023/09/imf-fsb-synthesis-paper-policies-for-crypto-assets/ accessed 28 April 2026.

[131] FATF Recommendations (n 87) Rec 15.

[132] Ibid

[133] Ibid

[134] Financial Intelligence Centre Act 38 of 2001 (South Africa) as amended by General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act 22 of 2022.

[135] Money Laundering (Prevention and Prohibition) Act 2022 (Nigeria) s 30.

[136] Proceeds of Crime and Anti-Money Laundering Act 2009 (Kenya) s 2.

[137] Bank of Tanzania, 'Public Notice on Cryptocurrencies' (13 November 2019) https://www.bot.go.tz/Adverts/PressRelease/sw/20200313072404242 08.pdf accessed 18 September 2025; Bank of Tanzania.

[138] Chainalysis, 'The 2023 Geography of Cryptocurrency Report' (Chainalysis 2023) https://www.chainalysis.com/wp-content/uploads/2024/06/the-2023-geography-of-cryptocurrency-report-release.pdf accessed 18 September 2025.

[139] G Pavlidis, 'International Regulation of Virtual Assets under FATF's New Standards' (2020) 21(1) Journal of Investment Compliance 1.

[140] United States Department of Justice, 'Three Terror Finance Cyber-Enabled Campaigns Dismantled' (Press Release, 13 August 2020) https://www.justice.gov/opa/pr/three-terror-finance-cyber-enabled-campaigns-dismantled accessed 18 September 2025.

[141] Financial Action Task Force, 'Jurisdictions under Increased Monitoring – 24 February 2023' (FATF, 24 February 2023) https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2023.html accessed 18 September 2025.

[142] L de Koker, J Howell and N Morris, 'Economic Consequences of Greylisting by the Financial Action Task Force' (2023) 11 Risks 81

[143] Financial Crimes Enforcement Network, 'Advisory to Financial Institutions on Illicit Finance Risks Associated with Peer-to- Peer Crypto Platforms' (FinCEN Advisory FIN-2023-A001, 14 April 2023) https://www.fincen.gov/sites/default/files/advisory/2023-04-14/FinCEN%20Advisory%20FIN-2023-A001.pdf accessed 18 September 2025.

[144] Mizuho Kida and Simon Paetzold, 'The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning' (IMF Working Paper No 21/153, 2021) https://www.imf.org/en/Publications/WP/Issues/2021/05/27/The-Impact-of-Gray-Listing-on-Capital-Flows-An-Analysis-Using-Machine-Learning-50289 accessed 18 September 2025.

[145] World Bank, 'Withdrawal from Correspondent Banking' (World Bank, 2018) https://openknowledge.worldbank.org/entities/publication/2c7b1b44-1162-50d4-92bc-850dd87c898a accessed 18 September 2025.

Palermo Convention requires criminalisation of laundering, the creation of investigative powers, and mutual legal assistance.[146] Cooperation presupposes equivalent offences and competent authorities. Where jurisdictions have not integrated VASPs into AML frameworks, requests involving crypto-assets face legal and procedural barriers. By contrast, courts in advanced economies have adapted doctrine. In the United Kingdom, AA v Persons Unknown recognised cryptocurrencies as property subject to proprietary and freezing injunctions,[147] and in the United States SEC v Ripple Labs Inc treated certain token sales as securities transactions.[148] These developments provide clear foundations for enforcement and cooperation where equivalence exists. Asset recovery further exposes constraints. The Palermo Convention obliges states to adopt measures to confiscate the proceeds of crime and to cooperate in tracing and freezing assets,[149] but decentralisation and pseudonymity complicate traditional recovery tools. Even where domestic law recognises cryptocurrencies as property, effective recovery depends on the capacity to identify private keys and secure digital wallets. Limited capacity can undermine mutual legal assistance and create safe havens for illicit assets. The burden then shifts to compliant jurisdictions and institutions, increasing costs and concentrating intermediation.

Other enforcement constraints reinforce these difficulties. Consumer protection rules are difficult to apply against decentralised platforms and offshore service providers, leaving retail users defrauded through unsupervised channels without effective domestic remedy. Confiscation of cryptocurrencies stolen by criminals, or seized in execution of court orders, depends on technical capacities that few African judicial and policing institutions presently possess, including the secure custody of seized private keys. Cross-border enforcement of domestic court decisions is similarly constrained, since judgments concerning crypto-assets often require recognition by foreign jurisdictions where exchange operators or wallets are located, exposing reciprocity gaps that international comity alone does not bridge.

The case for supervised inclusion rather than prohibition follows from these outcomes. Prohibition displaces activity into informal channels, weakens cooperation, and obstructs recovery. Licensing and supervision create the legal and institutional foundations necessary for compliance with international obligations and for effective enforcement cooperation. Comparative models demonstrate workable approaches, including the EU's Markets in Crypto-Assets Regulation and Singapore's Payment Services Act, which integrate crypto-assets into AML and CTF frameworks.[150]

4. Summary and conclusion

Africa's fragmented approach to cryptocurrency regulation constrains economic integration and heightens financial-crime risk. Regulatory stances range from absolute bans to banking restrictions, passive tolerance, and structured licensing. These reflect the legitimate aims of monetary sovereignty, stability, and consumer protection, but in aggregate they suppress the continent's ability to harness crypto's practical uses (remittances, cross-border payments, savings) and to attract institutional capital. Outright bans are largely ineffective against borderless networks and push activity into unregulated channels. Banking "soft bans" disrupt formal rails yet fuel peer-to-peer trading. Passive tolerance permits experimentation but leaves consumers exposed to fraud and offers little legal certainty for firms. By contrast, licensing regimes show that proportionate, risk-based oversight can draw investment, professionalise providers, and align with anti- money-laundering standards—though high compliance thresholds may deter smaller entrants.

The effectiveness of existing approaches admits a qualified assessment. The licensing regimes adopted in South Africa, Mauritius and Botswana have produced measurable progress, including registered service providers, supervisory action against unlawful schemes such as Mirror Trading International, and integration with international AML standards. Uptake remains uneven, and high entry thresholds in some jurisdictions have constrained domestic market depth. The soft-ban experience in Nigeria and Zimbabwe further illustrates that administrative restrictions tend to displace activity into peer-to-peer channels rather than suppress it. A coordinated regional response, including the possibility of a multilateral central bank digital currency project under the African Continental Free Trade Area or a regional economic community, offers a partial answer to fragmentation. A regional CBDC could provide a harmonised digital settlement medium, reduce reliance on dollar-pegged stablecoins for cross-border payments, and serve as an interoperability layer between national systems.

The costs are clear. Economically, disjointed rules impede cheaper remittances, broader financial inclusion, and innovations such as DeFi and tokenisation. Legally and internationally, uneven adoption of global standards complicates supervision, burdens compliance, and weakens enforcement cooperation, with reputational penalties when deficiencies are flagged. Coordinated reform is therefore essential. Regional harmonisation under pan-African frameworks, coupled with clear domestic rules that recognise crypto service providers and enforce AML/CFT obligations, can reconcile sovereignty with openness. Courts and legislators should favour measured, technology-neutral regulation that protects users while enabling innovation. Without such alignment, Africa risks remaining on the periphery of the digital economy, with widespread informal use but limited, sustainable gains.

Declaration of competing interest

The author declares that there are no known financial or personal relationships that could have appeared to influence the work reported in this article. The author confirms that they have no competing interests to declare.

Data availability

No data was used for the research described in the article.

[146] United Nations Convention against Transnational Organised Crime (adopted 15 November 2000, entered into force 29 September 2003) 2225 UNTS 209, art 18.
[147] AA v Persons Unknown [2019] EWHC 3556 (Comm).
[148] SEC v Ripple Labs Inc 2023 WL 4505756 (SDNY, 2023).
[149] United Nations Convention against Transnational Organised Crime (adopted 15 November 2000, entered into force 29 September 2003) 2225 UNTS 209, art 12.
[150] MiCA (n 3); Payment Services Act 2019 (Singapore) (n 4) s 27.