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EASTERN AND SOUTHERN AFRICA
ANTI-MONEY LAUNDERING GROUP

ESAAMLG FINTCH FIRST FOLLOW UP REPORT

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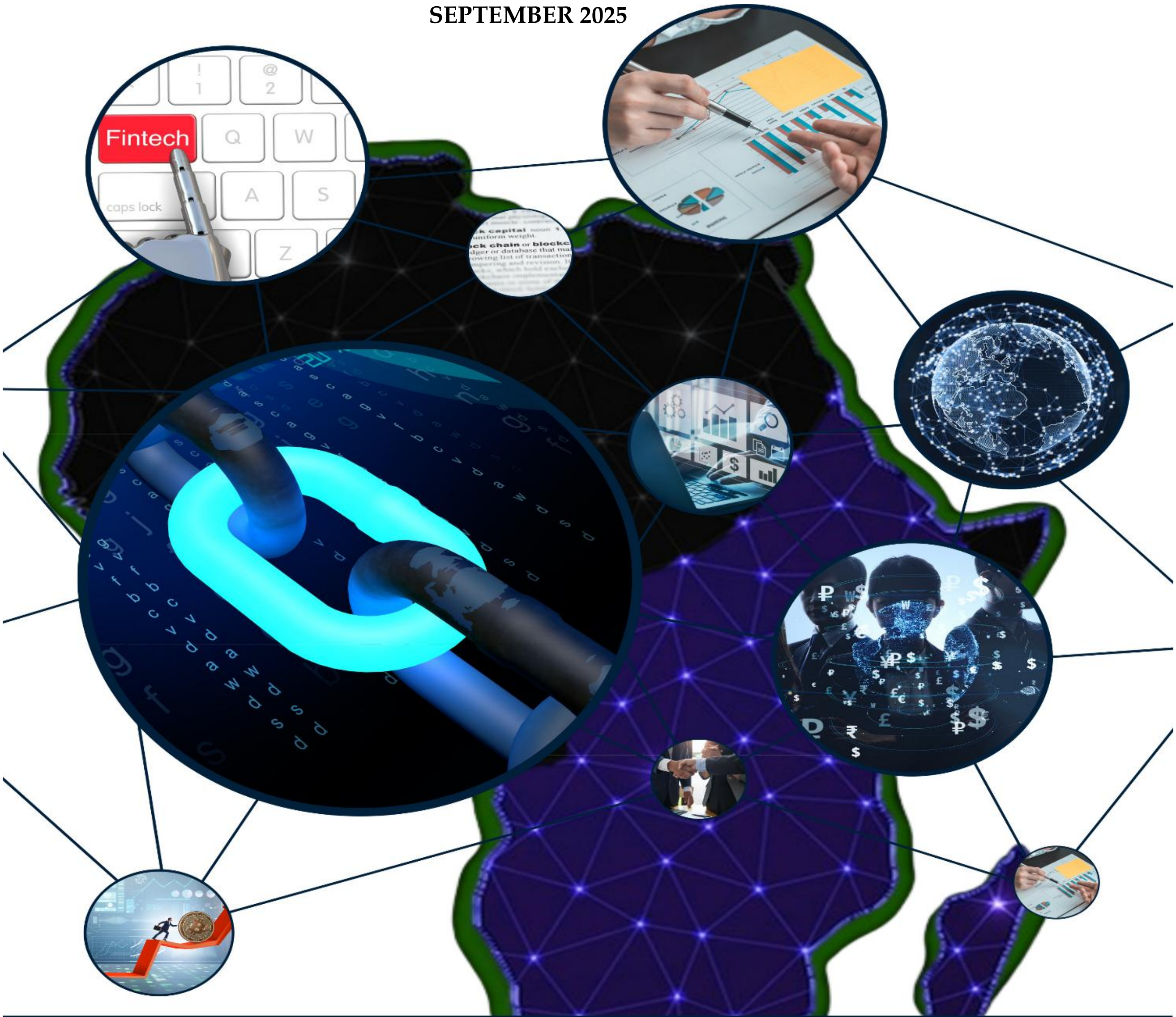

The Opportunities and Challenges Posed by Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs) in the Eastern and Southern Africa Anti-Money Laundering (ESAAMLG) Region

Monitoring the implementation of FATF Recommendation 15 and 16 related to VAs and VASPs across ESAAMLG member countries

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AECs	Anonymity-enhanced cryptocurrencies
AML/CFT/CPF	Anti-Money Laundering/ Combating Financing of Terrorism/ Countering Proliferation Financing
BO	Beneficial Ownership
BTC Scan	Bitcoin scan
CDD	Customer Due Diligence
DNS	Domain Name System
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIU	Financial Intelligence Unit
FinTech	Financial Technology
FUR	Follow-Up Report
IMF	International Monetary Fund
KYC	Know your customer
LEAs	Law Enforcement Agencies
MER	Mutual Evaluation Report
ML/ TF/PF	Money Laundering/ Terrorist Financing/ Proliferation Financing
NC	Non-compliant
PC	Partially compliant
P2P	Peer-to-peer
Recs.	Recommendations
Regtech	Regulatory technology
SADC	Southern African Development Community
STRs	Suspicious Transactions Reports
UNODC	United Nations Office on Drugs and Crime
UNSC	United Nations Security Council
VAs	Virtual Assets
VASPs	Virtual Asset Service Providers
VPN	Virtual private network
WG-RCFI	Working Group on Risk, Compliance, and Financial Inclusion
UTXO	Unspent transaction output

D. DEFINITION OF TERMS

Virtual Asset	A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations.[i]
Virtual Asset Service Provider	Virtual Asset Service Provider means any natural or legal person who is not covered elsewhere under the Recommendations, and as a business conduct one or more of the following activities or operations for or on behalf of another natural or legal person: (i) exchange between virtual assets and fiat currencies; (ii) exchange between one or more forms of virtual assets; (iii) transfer of virtual assets; (iv) safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and (v) participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.[ii]

i https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Updated-Guidance-VA-VASP.pdf

ii https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Updated-Guidance-VA-VASP.pdf

E. EXECUTIVE SUMMARY

This follow-up report by the ESAAMLG assesses the progress, opportunities, and challenges in implementing FATF Recommendations 15 and 16 related to VAs and VASPs across member jurisdictions. Building on the 2023 baseline study, this survey is based on responses from 17 of 21 ESAAMLG member countries and aims to track improvements, identify implementation gaps, and provide actionable insights for regional compliance and risk mitigation. The survey, which gathered feedback in January and February 2025, focused on the calendar year 2024.

Key findings show that Angola, Botswana, Mauritius, Mozambique, Namibia, Seychelles, South Africa, and Uganda have each designated specific authorities responsible for the supervision of VASPs within their jurisdictions. In Angola, the designated authorities are the National Bank of Angola and the Capital Markets Commission. Botswana oversees VASPs through the Non-Bank Financial Institutions Regulatory Authority. In Mauritius, the Financial Services Commission is the designated authority, while Mozambique relies on the Banco de Moçambique for VASP supervision.

In Namibia, the Bank of Namibia is responsible for supervisory oversight, and in Seychelles, the role is fulfilled by the Financial Services Authority. South Africa has a dual regulatory arrangement, with both the Financial Sector Conduct Authority and the Financial Intelligence Centre mandated to supervise VASPs. Lastly, in Uganda, the Financial Intelligence Authority serves as the designated authority for VASP regulation and supervision.

Supervisory inspections for VASPs are still limited in the region, with only Botswana having conducted one (1) onsite inspection supported by continuous surveillance. A total of 60 sanctions were issued across three (3) countries: South Africa (57), Mauritius (2), and Botswana (1). South Africa had the highest sanction count, primarily due to VASPs operating without being registered under the Financial Intelligence Centre Act. The other sanctions were administrative penalty and investor alerts. Notably, administrative penalty was applied by Botswana, while Mauritius issued investor alerts. With regards to planned activities for 2025, only Mauritius and South Africa provided details on upcoming inspections. South Africa outlined specific quarterly inspection targets, while other jurisdictions did not specify their inspection plans for the upcoming year.

The data reveals a mixed level of AML/CFT/CPF supervisory activities for VASPs across the region, with South Africa demonstrating the most sanctioning regime. The overall lack of inspections in most jurisdictions may indicate limited supervisory capacity of the sector or ongoing strategic focus adjustments. Embarking on inspections especially for jurisdictions that have passed legislation, will be key to strengthening regional AML/CFT/CPF oversight for VASPs in 2025 and beyond.

Few jurisdictions in the region have begun implementing the FATF "travel rule" requirement for VASPs, although several challenges persist particularly relating to interoperability of systems and the legal and regulatory readiness of countries. Botswana, Mauritius, Namibia, and Seychelles have enacted and operationalized enabling legislation to give effect to the travel rule requirements, marking important steps toward FATF compliance.

However, the remaining regional member countries have not yet implemented the travel rule in their respective jurisdictions. Progress in these countries is still pending, mainly due to the absence of legislation on VASPs. Accelerating adoption of the travel rule remains a critical priority for ensuring the integrity and traceability of virtual asset transactions across borders.

It was noted that many jurisdictions still lack comprehensive legal and regulatory frameworks, face significant supervisory and technical capacity gaps, and struggle with enforcement and compliance monitoring. VAs and blockchain technologies are relatively new and rapidly evolving. Many member countries are still in the early stages of understanding their risks and potential, which limits the pool of trained professionals and regulators. There is also evidence of supervisory and law enforcement bodies lack access to specialized training and tools such as VA typologies, blockchain analytics, or forensic tracing necessary to monitor and investigate VA transactions.

It was further observed that many FIUs, central banks, and sectoral regulators across ESAAMLG member jurisdictions operate under tight budgetary constraints and limited human resources. These institutional limitations hinder the ability of some countries to establish dedicated supervisory teams for VASPs. Additionally, delays in the integration of VAs into existing legal and regulatory frameworks have left regulators in several jurisdictions without a clear legal mandate or the necessary technical expertise to oversee and take enforcement action for the sector. This regulatory gap not only weakens national oversight but also exposes the region to heightened risks of money laundering and terrorist financing through virtual assets.

Given the current stage of regulatory development in the region regarding VAs and VASPs, formal mechanisms for sharing intelligence particularly on suspicious VASP activities, beneficial ownership information, and cross-border virtual asset transactions remain either underdeveloped or entirely absent in many ESAAMLG member jurisdictions. Moreover, notable disparities in technical capacity such as limited access to blockchain analytics tools and the absence of specialized transaction monitoring systems further constrain the region's ability to cooperate effectively in tracing cross-border VA flows.

This report highlights both the opportunities and challenges shaping the region's regulatory trajectory and recommends targeted actions to support member countries in closing compliance gaps and achieving effective supervision of the VA sector.

F. KEY INSIGHTS FROM THE STUDY

(1) **Good Response Rate (81%):** 17 of 21 ESAAMLG member countries submitted responses to this follow-up study questionnaire, showing a decreased engagement compared to initial survey where 18 of 20 members responded. The decline in participation was primarily due to non-responses from Eritrea, South Sudan, Tanzania, and Zambia.

(2) **Risk Assessments**: About 59% (10 of 17 jurisdictions) have conducted VA/VASP-related risk assessments, with others at various stages of completion.

(3) **Regulatory Approaches**: 41% (7 of 17 jurisdictions) have adopted legal frameworks, while 59% (10 of 17 jurisdictions) have yet to establish laws.

(4) **Licensing and Registration**: 41% (7 of 17 jurisdictions) have begun licensing or registering VASPs, with notable improvements since 2023.

(5) **Designated Authorities**: Eight (8) jurisdictions have appointed supervisory authorities empowered to license, supervise, and enforce compliance among VASPs.

(6) **Supervisory Action**: Onsite inspections and sanctions remain minimal; supervisory oversight is still emerging in most jurisdictions.

(7) **Travel Rule Compliance**: Only four (4) jurisdictions (Botswana, Mauritius, Namibia, Seychelles) have enacted and implemented enabling legislation for travel rule for VASPs.

(8) **Technological Readiness**: Most jurisdictions lack blockchain analysis tools, real-time monitoring systems, or technical expertise to supervise VA activity effectively.

(9) **Cross-border Cooperation**: Some countries (e.g., Mauritius, Seychelles, Zimbabwe) reported information exchange, but international collaboration remains limited.

(10) **Capacity Needs**: 71% (12 of 17 jurisdictions) identified capacity-building needs in regulation, supervision, enforcement, travel rule implementation, and blockchain analytics tools.

(11) **Opportunities**: Regulation offers potential for technology-driven oversight, economic diversification, improved financial inclusion, and regional peer learning.

(12) **Challenges**: Lack of regulatory frameworks, technological complexity and proliferation of offshore VASPs for some jurisdictions.

1. INTRODUCTION AND BACKGROUND

1.1. In October 2018, the FATF revised Recommendation 15 to address the emerging money laundering and terrorist financing risks associated with VAs and VASPs. The primary objective of this revision was to encourage jurisdictions to implement robust and risk-based AML/CFT/CPF measures tailored to the unique characteristics of the virtual asset ecosystem. This enhancement was further reinforced in June 2019 through the adoption of an Interpretive Note, which provided detailed guidance on the effective application of AML/CFT/CPF obligations to VAs and VASPs. Since then, the FATF has continued its efforts to support jurisdictions in closing implementation gaps, enhancing compliance, and responding to evolving risks in the virtual asset sector.

1.2. In response to these developments, the ESAAMLG, through its Working Group on Risk, Compliance, and Financial Inclusion (WG-RCFI), undertook a study to assess the opportunities and challenges presented by VAs and VASPs within the region. This undertaking was initiated in April 2022 and the report officially published on ESAAMLG website in June 2024. The study revealed that most member jurisdictions achieved a rating of Partially Compliance or Non-Compliance with FATF Recommendation 15. These findings reflect the ongoing need for FATF members to closely monitor the implementation of FATF Rec 15 and 16 specifically related to VA and VASPS due to the evolving nature of this technology.

1.3. The overarching goal of continued monitoring is to promote the effective implementation of AML/CFT requirements while identifying areas that warrant improvement and targeted technical assistance. In support of this objective, the ESAAMLG Task Force endorsed a proposal by the WG-RCFI to maintain oversight of fintech developments across the region.

1.4. ESAAMLG has continued a regional monitoring initiative aimed at tracking the implementation of AML/CFT/CPF measures related to VAs and VASPs. As part of this initiative, the existing questionnaire was revised, and a new structured questionnaire was developed to facilitate the tracking of progress in implementing key recommendations from the study and to assist member countries in aligning with the requirements of FATF Recommendation 15 and element of 16.

1.5. Compared to the initial questionnaire, which broadly sought to determine the existence of VAs and VASPs, the availability of legal frameworks, sectoral interactions, and general trends, the follow-up questionnaire was designed to capture more advanced developments in regulatory and technical aspects. It focused on concrete actions taken by jurisdictions, including ML/TF/PF risk assessments, licensing and registration, supervisory mechanisms, and enforcement measures. Additionally, the revised questionnaire explored the specific needs of the region to strengthen compliance with FATF standards on VASPs. It also expanded its scope to include insights into regional market dynamics and the emerging technologies mostly used by VASPs.

1.6. This report presents a consolidated overview of the findings, capturing the diverse initiatives undertaken by countries to enhance required compliance. It also highlights key challenges encountered during implementation and identifies critical areas where further enhancements and technical support are needed by member countries. The survey covered the period 1 January to 31 December 2024. The questionnaire was distributed to member countries on 14 January 2025, with responses due by 28 February 2025.

2. OBJECTIVES OF THE FOLLOW-UP STUDY

2.1. **Monitor Implementation**

Objective: To track and assess the extent to which ESAAMLG member countries have adopted and operationalised FATF Recommendations 15 and 16 in relation to VAs and VASPs.

Expected Outcome: A clear regional picture of implementation progress, gaps, and challenges, enabling targeted technical assistance and policy adjustments.

2.2. **Strengthening Supervision & Enforcement**

Objective: To ensure that member countries have effective AML/CFT/CPF frameworks, with robust supervisory and enforcement mechanisms governing VAs and VASPs.

Expected Outcome: Enhanced compliance across the VASP sector, minimization of regulatory arbitrage, and strengthened resilience of ESAAMLG financial systems against ML/TF/PF risks emanating from VASPs.

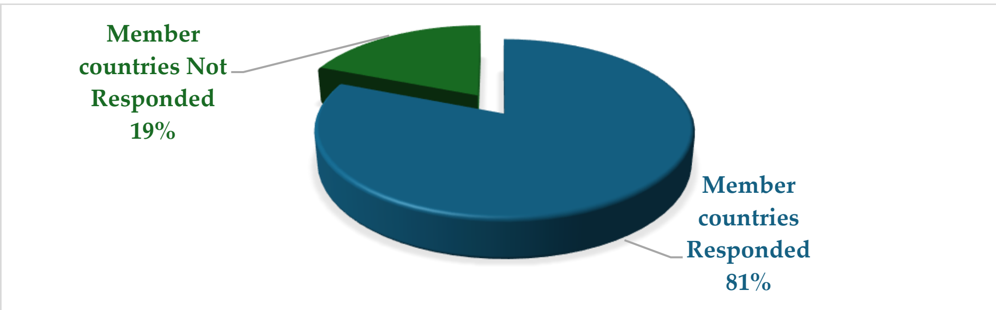
3. THE IMPLEMENTATION STATUS BY ESAAMLG MEMBERS

3.1 Questionnaire Response Rate and Quality

3.1.1. The study adopted a survey-based methodology, utilizing a structured questionnaire to gather data from member countries. The project team, through the ESAAMLG Secretariat, managed to distribute the questionnaire to all twenty-one (21) member countries. Distribution commenced on 14 January 2025, with an initial response deadline set for 28 February 2025. The questionnaire was designed to capture insights across key cross-cutting themes within the VA focal area.

3.1.2. By the initial deadline, twelve (12) member states had submitted responses. While the feedback received was valuable, the response rate fell short of expectations. To improve participation, the remaining ten (10) member countries were granted an extension until 11 April 2025; however, this additional window did not yield further submissions from several jurisdictions. By mid-June 2025, a total of seventeen (17) responses had been received. These were subsequently used as the basis for the data analysis and development of this report. Figure 1 shows the distribution of responses and non-responses among members' jurisdictions.

Figure 1: Distribution of Questionnaire Respondents in the ESAAMLG region



Source: *ESAAMLG Member Jurisdictions (2024)*

3.1.3. The overall response rate for the questionnaires was good and the project team complimented member states who participated in the survey project namely: Angola, Botswana, Burundi, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Uganda and Zimbabwe responded to the questionnaire. However, Eritrea, South Sudan, Tanzania and Zambia did not respond to the questionnaire. Tanzania and Zambia had initially committed to submitting their responses by 11th April 2025 during the Uganda Taskforce meeting; however, they did not meet this deadline, and no reasons were provided for the non-submission. Eritrea and South Sudan did not commit to submit their responses. However, it was noted that Eritrea, Tanzania and Zambia participated on the initial study with South Sudan not participating in both legs of the study.

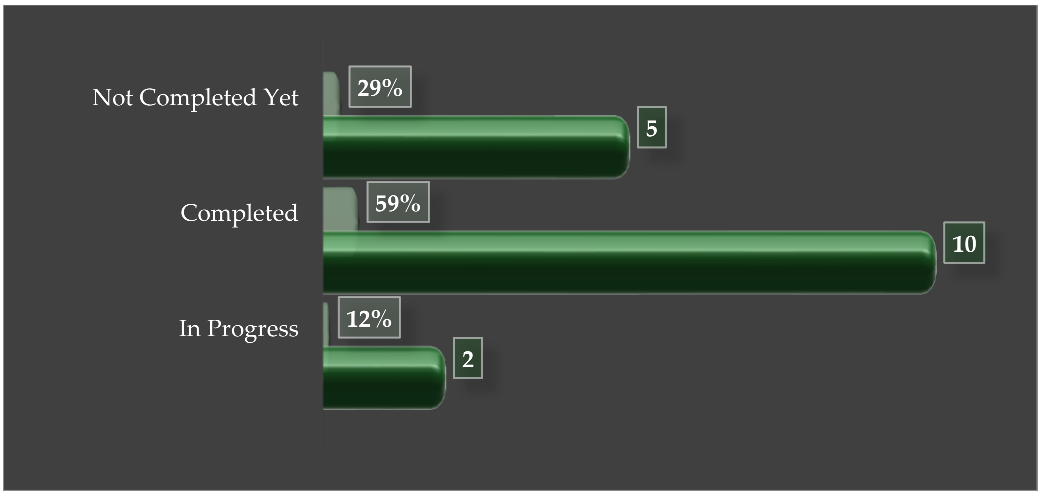
3.1.4. The project team reviewed and validated responses from seventeen (17) member countries to ensure consistency and accuracy. All responses across the questionnaire were coherent. Respondents demonstrated an understanding of the questionnaire requirements, and their responses effectively conveyed the project team's expectations.

3.2 Risk Assessment for VAs and VASPs in the region

3.2.1. From the survey insights, it was noted that 59% (10 out of 17 jurisdictions) have conducted risk assessments for VAs and VASPs, while 29% (5 out of 17 jurisdictions) have not done so yet. It was further noted that 12% (2 out of 17 jurisdictions) were still in the process of conducting the risk assessments as at the time of data collection. The risk assessments were completed between 2021 to 2024, with those in progress expected to be completed in 2025.

3.2.2. From the assessment findings, it is evident that most of the jurisdiction who completed their risk assessments are yet to adequately implement the results. The complexity of VAs, coupled with rapid technological advancements, require regulatory bodies and private sector to continuously update their knowledge around VAs. This proves to be difficult among member countries. Figure 2 depicts the status of conducting risk assessments for VAs and VASPs by member countries.

Figure 2: Risk assessment for VAs & VASPs in the ESAAMLG region



Source: *ESAAMLG Member Jurisdictions (2024)*

3.2.3. Member jurisdictions who completed their risk assessments in the region identified threats and vulnerabilities related to VAs and VASPs. The common threats identified in the regions include high level of mining, VA fundraising sources, anonymity nature of VA (unidentified or unverified transactions), price volatility, speculative trading, hack attacks, cross boarder nature, fraudulent activities, financing of terrorism using VAs, the ease with which VA channels are accessible to criminals, use of false information to transact in crypto, absence of face-to-face transactions, tax evasion, circumventing exchange control regulations and scams.

3.2.4. In terms of vulnerabilities, the most common identified by member countries include lack of regulatory framework; unauthorised access to private keys; lack of regulatory oversight; limited knowledge and capacity among law enforcement agents, regulators, and financial institutions; regulatory uncertainty; and lack of consumer knowledge and awareness. Further, other member countries noted vulnerabilities specific to their context which include prevalence of P2P transactions, rapid transactions settlement, licensed or not licensed abroad but operating in the jurisdiction. Majority of member countries classified VAs as high-risk and very high-risk except for Kenya which indicated that VAs are not yet officially classified in the country using risk-related features.

3.3 Legal and Regulatory Framework for VAs and VASPs

3.3.1. The study assessed the regional developments with regards to legal and regulatory framework for VAs and VASPs. Member states indicated the level of existence and scope of regulations on VAs and VASPs, and regulatory approaches adopted (regulate, or restrict, or ban). The analysis also considered alignment of regulatory framework with risk-based approach principles and any legal gaps and ongoing reforms being implemented by member countries respectively. Table 1 detailed the findings on status of legal and regulatory framework among jurisdictions in the ESAAMLG region.

Table 1: Regulatory framework for VAs and VASPs in the region

Member Country	Have specific regulation for VAs and VASPs	Approach to manage risks posed by VAs and VASPs	Alignment of regulatory approach with risk-based Principles	Measures undertaken by the country to manage risks posed by VAs and VASPs	Existing AML/CFT/CPF measures apply to VASPs
Angola	No	• Consider Regulating	• No	• Prohibit Cryptocurrency mining	• Yes
Botswana	Yes	• Regulate	• No	• Regulation of VAs and VASPs. • Review of the 2022 Act.	• Yes
Burundi	No	• Not specified	• N/A	• Yet to implemented measures	• No
Eswatini	No	• Not specified	• Yes	• Public awareness initiatives • Monitoring transactions • Intercepting illegal deposits • LEAs capacitation	• Yes
Ethiopia	No	• Ban	• No	Not specified	• No
Kenya	No	• Consider Regulating	• Yes	• Caution the public • Undertook risk assessment • Set an ad hoc Parliamentary Committee in 2023 to investigate the risks involved in the wake of World Coin activities.	• No
Lesotho	No	• Consider Regulating	• No	• None yet	• No
Madagascar	No	• Consider Regulating	• Yes	• Instructed FIs to include VA and VASP transactions in the cash transaction report.	• Yes
Malawi	No	• N/A	• N/A	• None yet	• No
Mauritius	Yes	• Regulate	• Yes	• Enactment of the VAITOS Act.	• Yes

				• Designate FSC as the supervisor and regulator. • Observatory for VA activities. • Ongoing collaboration between FCC and FSC. • Ongoing training LEA and legal advisers.	
Mozambique	Yes	• Regulate	• Yes	• Conducted risk assessment. • Sandbox regulatory program for VASPs applied for registration. • Continue on awareness raising.	• Yes
Namibia	Yes	• Regulate	• Yes	• Virtual Assets Act, 2023. • Adopted legal framework for licensing.	• Yes
Rwanda	No	• Consider Regulating	• Yes	• Develop a regulatory framework. • Designate a regulatory body	• Yes
Seychelles	Yes	• Regulate	• Yes	• Enacted the relevant legal framework. • Designated an authority. • Conducted refresher risk assessment	• Yes
South Africa	Yes	• Regulate	• Yes	• Authorising VASPs as FSPs. • Register VASPs as accountable institutions. • Conducting sector risk assessment. • Included VASPs in the NRA. • Require VASPs to conduct business risk assessment. • Supervising VASPs.	• Yes
Uganda	Yes	• Regulate	• Yes	• Registering VASPs as accountable persons. • Establishment of Block Chain Technology Working Group to spearhead development of regulations and policies.	• Yes

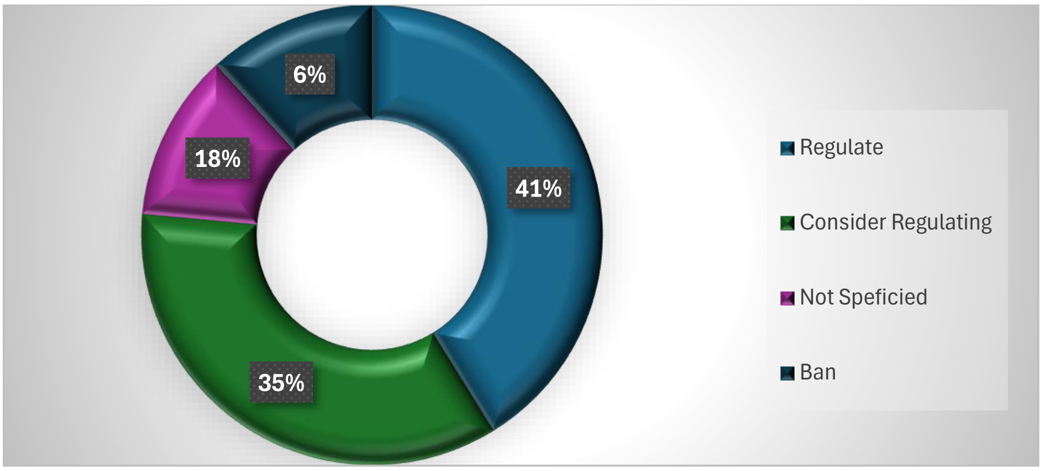
Zimbabwe	No	• Consider Regulating	• Yes	• Banned Financial Institutions from processing VA and VASP related transactions.	• No

Source: *ESAAMLG Member Jurisdictions (2024)*

3.3.2. The regulatory landscape of VAs and VASPs in the region has shifted from the results of the initial study although there is still diverse regulatory response to VAs and VASPs in the region. Majority of member jurisdictions are now regulating VASPs. From the survey insights, 41% (7 out of 17 jurisdictions) indicated that they are using regulation to manage risks posed by VAs and VASPs in their respective jurisdictions. These countries include Botswana, Mauritius, Mozambique, Namibia, Seychelles, South Africa, and Uganda. Further, 35% (6 out of 17 jurisdictions) are considering regulating the sector. These countries are Angola, Kenya, Lesotho, Madagascar, Rwanda, and Zimbabwe.

3.3.3. On the other hand, one jurisdiction, Ethiopia (representing 6%) indicated that they are managing risks posed by VAs and VASPs through total ban. Burundi, Eswatini and Malawi making 18% (3 out of 17 jurisdictions) did not specify their approaches in managing risks posed by VAs and VASPs in their respective countries. Figure 3 depicts the ESAAMLG regulatory response to VAs and VASPs.

Figure 3: Regulatory response to VAs and VASPs in ESAAMLG region



Source: *ESAAMLG Member Jurisdictions (2024)*

3.3.4. VAs and VASPs implement the same preventive measures as financial institutions, including customer due diligence, record keeping and reporting of suspicious transactions. They are also required to obtain, hold, and securely transmit originator and beneficiary information when making transfers. However, implementing specific regulations for VAs and VASPs remains a challenge in the region. As of the date of receipt of questionnaires, 41% (7 out of 17 jurisdictions) have legal and regulatory frameworks in place. The seven are Botswana, Mauritius, Namibia and Seychelles, Mozambique, South Africa and Uganda.

3.3.5. The remaining 59% (10 out of 17 jurisdictions) have no legal frameworks in place.

3.4 Licensing and Registration on VAs and VASPs

3.4.1. VASPs, under FATF Recommendation 15, must be licensed or registered as a minimum compliance standard. Global approaches vary and include **registration** which offers basic oversight, **licensing** imposes stricter standards, while **regulation** ensures continuous supervision. Some jurisdictions use **hybrid** models or **sandbox** frameworks to balance innovation and oversight.

3.4.2. 41% of jurisdictions (7 out of 17) require VASPs to be licensed or registered. These include Botswana, Mauritius, Mozambique, Namibia, Seychelles, South Africa and Uganda. Botswana, Mauritius, Namibia, Seychelles, South Africa and Uganda have commenced the process of licensing or registering VASPs, showing an improvement from 2022-2023 study. However, Mozambique is still to license or register VASPs.

3.4.3. . In Botswana, a person shall not carry out a virtual asset business, unless the person is licensed as per section 8 of the Virtual Asset Act of 2025. Under the VAITOS Act 2021, no person shall carry out the business activities of a VASP in or from Mauritius unless he is the holder of a VASPs licence. In Mozambique, VASPs must fulfil the requirements set out in Article 5 of the Notice n.10/GBM/2024, of 30 August in order to be registered. Namibia requires an entity intending to be licensed under the Virtual Assets Act to meet the licensing requirements set out in the Act and its subordinate legislation.

3.4.4. For Seychelles, in terms of VASP Act of 2024, only companies incorporated under the International Business Companies Act, 2016 or the Companies Act, 1972 are eligible to apply for a VASP licence. In South Africa, the Financial Sector Conduct Authority (FSCA) introduced a licensing framework for VASPs in June 2023, aimed at ensuring transparency, security, and accountability in the digital asset sector. Lastly, the FIA of Uganda registers VASPs as accountable persons for AML/CFT related matters. Table 2 shows number of VASPs licensed and registered in the ESAAMLG region in 2024**.**

Table 2: VASPs Licensed or Registered in 2024

Country	Licences	Registered	Licences in process	Registrations in process	Licence rejections	Registration rejections
Angola	0	0	0	0	0	0
Botswana	5	N/A	1	N/A	2	N/A
Mauritius	6	N/A	8	N/A	0	N/A
Mozambique	0	0	0	0	0	0
Namibia	0	N/A	2	N/A	0	N/A
Seychelles	0	N/A	27	N/A	4	N/A
South Africa	256	263	74	Unknown	0	0
Uganda	N/A	16	N/A	0	N/A	0
Total	**267**	**279**	**112**	**0**	**6**	**0**

Source: *ESAAMLG Member Jurisdictions (2024)*

3.4.5. Of the member jurisdictions implementing licensing and registration requirements, VASPs are subjected to the full range of AML/CFT/CPF obligations include reporting obligations. It was also noted that VASPs are required to disclose holders, or beneficial owners of, a significant or controlling interest, or holders of a management function in, the VASPs with different percentage constitutes a significant or controlling interest among the jurisdictions. External VASPs are required to be licensed or registered as a VASP in jurisdiction of operation and disclose their jurisdiction of origin respectively.

3.4.6. Table 3 indicates actions being taken by member jurisdictions to identify those that carry out VASP activities without the requisite licence or registration.

Table 3: Actions to identify unlicensed or unregistered VASPs

Country	Actions Implemented to unearth unlicensed or unregistered VASPs
Angola	• Use of web-scraping and open-source information • Use of public informants • STRs and investigative leads • Intelligence by LEAs
Botswana	• Use of whistleblowing and information received from financial institutions. • Use of Media information. • Cease-and-desist letters issued identified entities • However, unable to conduct the surveillance process on VASPs due to resourcing challenges.
Mauritius	• Use of screening, referrals, complaints and whistleblowing.

	• Monitor VA transactions/activities using Observatory for VA activities • Use of blockchain analytical tool
Mozambique	• None
Namibia	• Monitoring of market activities, through regulatory and enforcement agencies. • Use of STRs • Use of complaints from the public • Exploring the adoption of advanced supervisory tools
Seychelles	• Reconciliation of working list. • Added sub tab under the VASP Tab on the FSA website introducing the concept of reporting suspected illegal VASP activity in Seychelles • Use of complaints • Use of open-source information • Press releases, warnings, cease, desist letters, striking off and other legal actions used to discourage operating without licence in Seychelles
South Africa	• FSCA and FIC information sharing • Social media monitoring • Tip-offs and complaints
Uganda	• Stakeholder engagements • Monitoring of the sector • Intelligence to the FIU

Source: *ESAAMLG Member Jurisdictions (2024)*

3.5 Supervision, and Enforcement Capacity for VASPs

3.5.1. Eight (8) member jurisdictions constituting 47% of respondents identified authorities responsible for supervision and regulation of VAs and VASPs in their respective countries. These countries include Angola, Botswana, Mauritius, Mozambique, Namibia, Seychelles, South Africa and Uganda. The rest of the member countries do not have specific authorities responsible for the supervision and regulation of VAs and VASPs mainly due to the lack of regulatory framework.

3.5.2. Among the eight (8) jurisdictions which have identified authorities are, Non-Bank Financial Institutions Regulatory Authority in Botswana, the Financial Services Commission in Mauritius, Financial Services Authority in Seychelles, Bank of Namibia in Namibia which were designated by Acts developed specifically for VAs and VASPs regulation. The Financial Sector Conduct Authority and Financial Intelligence Centre in South Africa, National Bank of Angola and Capital Markets Commission in Angola, Banco de Moçambique and Financial Intelligence Authority in Uganda were designated through other existing Acts.

3.5.3. Member jurisdictions with designated authorities ensured that their supervisory authorities have sufficient resources and technical capacity to adequately supervise VASPs. Among the actions taken are, the establishment of Fintech Departments, ongoing training of staff, and having dedicated AML/CFT/CPF teams to work with fintech teams. There were very few onsite inspections, offsite surveillance that were conducted on VASPs in the region. Further, sanctions are also still few in the region. Table 4 shows the number of inspections conducted and sanctions imposed in the period under review.

Table 4: Number Inspections and Sanctions on VASPs in 2024

Country	Designated Authority	No of Inspections	No of Sanctions	Type of Sanctions	Planned inspections in 2025
Angola	National Bank of Angola and Capital Markets Commission	0	0	None	Not Specified
Botswana	Non-Bank Financial Institutions Regulatory Authority	1 Onsite and Continuous surveillance	1	Administrative	Not Specified
Mauritius	Financial Services Commission	0	2	Investor alert	1
Mozambique	Banco de Moçambique	0	0	None	Not Specified
Namibia	Bank of Namibia	0	0	None	Not Specified
Seychelles	Financial Services Authority	0	0	None	Not Specified
South Africa	Financial Sector Conduct Authority and Financial Intelligence Centre	0	57	Non-registration with the FIC Act	• FIC (9 in Q1) • FSCA (10 in Q1)
Uganda	Financial Intelligence Authority	0	0	None	Not Specified
Total		**1**	**60**	**0**	**20**

Source: *ESAAMLG Member Jurisdictions (2024)*

3.5.4. With the exception of Uganda and Zimbabwe, all member jurisdictions' FIUs do not have tools for analysing VA-related transactions. The FIU Zimbabwe uses online tools such as Blockchian, BTC scan, and MetaSleuth to analyse VA transactions. Uganda did not specify the tools its FIA is using to analyse VA transactions. In terms of law enforcement agencies capacity to investigate VA-related crimes, all member countries indicated lack of capacity except for Angola, Kenya, Mauritius, and Seychelles.

3.5.5. In terms of international cooperation related to VAs and VASPs, Zimbabwe has received intelligence from South Africa during analysis of VA-related cases. For Mauritius, assistance was sought from international counterparties pertaining to VASP and individuals purportedly offering

VA services and in the form of exchange of information. The FIU in Mauritius solicited assistance from one of its overseas counterparts to secure identification documents, account numbers, login details and balance of VAs held by subjects with VASPs registered in that particular jurisdiction. Further, its Attorney General's Office got a request for Fraud and Money Laundering which includes Crypto Assets, namely Bitcoins.

3.5.6. In Seychelles, the Financial Crimes Investigation Unit (Seychelles Police) side, received many requests of information in relation to VAs, that was linked or suspected to be linked to criminal offences. Assistance has also been provided to international counterparts, by seizing a certain amount of cryptocurrency. As it was being held by a VASP's located in Seychelles.

3.6 Travel Rule Compliance

3.6.1. Recommendation 16 for virtual asset transfers require originating VASPs to obtain and hold required and accurate originator information and required beneficiary information on virtual asset transfers, submit the information to the beneficiary VASP or financial institution (if any) immediately and securely and make it available on request to appropriate authorities. It also requires beneficiary VASPs obtain, and hold required originator information and required and accurate beneficiary information on virtual asset transfers and make it available on request to appropriate authorities.[iii]

3.6.2.. Botswana, Mauritius, Namibia and Seychelles have passed legislations which facilitates implementation of travel rule in the ESAAMLG region. The other member countries surveyed have not yet passed the necessary legislation for the Travel Rule implementation.

3.6.3. In Botswana, section 26 of the Virtual Assets Act of 2025 requires the exchange of information about the sender and recipient of a transfer. For Mauritius, the VAITOS Act incorporates the Travel Rule requirements. Section 19(4) of the VAITOS Act 2021 explicitly states that an originating VASP shall not execute a transfer of a virtual asset unless the required and accurate information has been obtained. Section 18 of Virtual Assets Act, 2023 provides for implementation of travel rule in Namibia. In Seychelles,

[iii] FATF (2024), Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems, FATF, Paris, www.fatf-gafi.org/en/publications/Mutualevaluations/Assessment-Methodology-2022.html

section 45B of Virtual Asset Service Providers Act, 2024 provides obligations of an originating virtual asset service provider.

3.6.4. In terms of interoperability and implementation challenges, Mauritius indicated that ensuring that different technical solutions can work together seamlessly is a significant challenge. Differences in jurisdictional rules for data privacy, online security, and AML/CFT/CPF requirements hinders interoperability among jurisdictions. The other three jurisdictions did not indicate any travel rule interoperability and implementation challenges.

3.7 Evaluation of Recommendation 15: Progress and Challenges

3.7.1. The survey identified latest MER and most recent FUR adopted for the member jurisdictions who responded to the questionnaires. In these reports, ratings for Recommendation 15 were established to better understand compliance level by member countries. The ratings for Recommendation 15 in the most recent FUR shows that all members states with the exception of Mauritius and Namibia are either NC or PC on Recommendation 15. Table 5 is the illustration of these results.

Table 5: Rating for Recommendation 15 in the most recent FUR

Member Jurisdiction	Latest MER adopted	Rating for Rec 15 in the latest MER	Most recent FUR	Rating for Rec 15 in the most recent FUR
Angola	June 2023	PC	April 2025	**PC**
Botswana	May 2017	NC	September 2022	**PC**
Burundi	**awaiting mutual evaluation**			
Eswatini	June 2022	NC	None	**NC**
Ethiopia	May 2015	LC	April 2022	**PC**
Kenya	September 2022	NC	August 2024	**NC**
Lesotho	September 2023	NC	None	**NC**
Madagascar	September 2018	NC	April 2025	**NC**
Malawi	September 2019	PC	April 2024	**PC**
Mauritius	July 2018	NC	September 2022	LC
Mozambique	June 2021	NC	April 2025	**PC**
Namibia	September 2022	NC	April 2025	LC
Rwanda	July 2024	PC	None	**PC**
Seychelles	September 2018	NC	April 2024	**NC**
South Africa	October 2021	NC	November 2023	**PC**
Uganda	April 2016	NC	September 2024	**PC**
Zimbabwe	September 2016	NC	April 2024	**PC**

Source: *ESAAMLG Secretariat (2025)*

Progress Towards Regulating VAs and VASPs

3.7.2. Some member states have made progress in aligning with FATF Recommendation 15, with nearly two thirds of member jurisdictions conducted or in progress of conducting risk assessments for VAs and VASPs. These assessments are key milestone towards development of regulatory frameworks for VAs and VASPs. Some member countries have started regulating VASPs, designating them as accountable institutions under their specific legislations and/or national AML/CFT/CPF laws. Supervisory activities for the VASP continue to improve in the region, with some jurisdictions already designated supervisors of the sector in their respective countries.

3.7.3. National awareness campaigns and outreach efforts have been launched to improve stakeholder understanding across the region. Some member states have begun acquiring blockchain analytics tools to monitor VA transactions and identify illicit activity. For some, legislative amendments have been made to incorporate VAs within existing financial regulatory regimes. Some countries have licensed or registered VAs, creating reference points for regional peer learning. Policy recommendation papers have been developed to guide national decisions on VA regulation in some jurisdictions.

Challenges of regulating VAs and VASPs

3.7.4. Despite positive developments, some member countries face persistent challenges in implementing requirements of new technologies. The lack of comprehensive regulatory and supervisory frameworks in many jurisdictions in the ESAAMLG region restricts enforcement and oversight activities. Authorities also struggle to adapt to new technologies such as advanced transaction monitoring tools and blockchain analytics. Supervisory engagement with VASPs remains minimal in some countries even though regulatory frameworks are in place, with limited inspection and offsite monitoring activities currently taking place.

3.7.5. Technical capacity gaps among supervisory and regulatory staff, financial and budgetary constraints have all contributed to the challenges faced by regional authorities in the rapidly evolving sector of VA transactions. Adding on to that, the implementation of the "travel rule", a key FATF requirement for VA transactions, has also proven difficult for many member jurisdictions, owing to both technical and regulatory challenges.

These issues necessitate sustained support, resource allocation, and regional collaboration to ensure effective supervision and ensure the smooth functioning of this rapidly evolving sector.

3.8 Market and Technology Landscape

3.8.1. Member jurisdictions who responded to the questionnaire acknowledged existence of VAs related transactions. However, many of them are still grappling to have official statistics available, transactions values and users mainly due to not regulating the sector. 29% (5 out of 17 jurisdictions) of respondents indicated estimated VA transactions value for 2024. These five (5) are Botswana, Eswatini, Mauritius, Uganda, and Zimbabwe. Table 6 shows the estimated VA transactions per country.

Table 6: Estimated VA Transactions Value in 2024

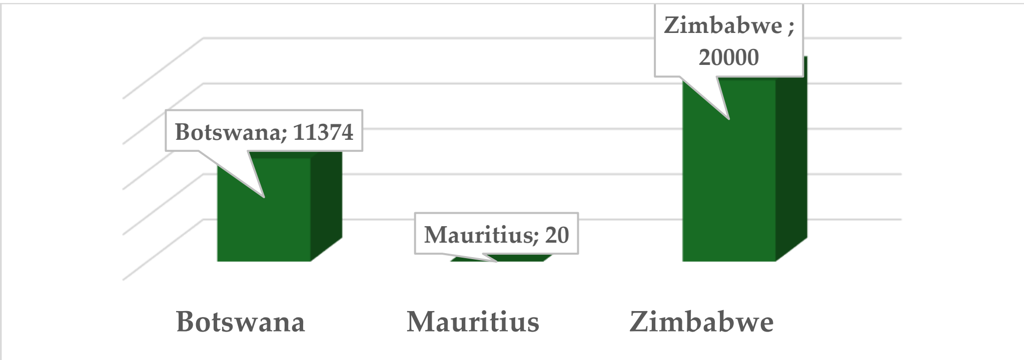
Member country	Estimated VA Transactions Value
Botswana	US$5,329,327.74
Eswatini (Inflows)	US$36,498.52
Eswatini (Outflows)	US$175,749.25
Mauritius (Inflows)	US$6,000,000.00
Mauritius (Outflows)	US$6,130,000.00
Uganda (Inflows)	US$75,570,888.00
Uganda (Outflows)	US$71,434,281.00
Zimbabwe	US$200,000,000.00

Source: *ESAAMLG Member Jurisdictions (2024)*

3.8.2. Only Mauritius indicated the source trading values data, and this is based on data received from only two licensed VASPs who reported their inflows and outflows. Of important to note is Zimbabwe which recorded a significantly higher trading value with a less regulated environment. Ethiopia indicated the need to ban VAs, but according to Chainalysis' 2024 Crypto Adoption Index, Ethiopia is the fastest-growing market for retail-sized stablecoin transfers, with a 180% year-over-year increase.[iv] Botswana, Mauritius and Zimbabwe indicated the estimated number of VA users. Figure 4 illustrates these estimated numbers per country.

iv https://www.chainalysis.com/blog/2024-global-crypto-adoption-index/

Figure 4: Estimated Number VAs users in a country



Source: *ESAAMLG Member Jurisdictions (2024)*

3.8.3. Of the three (3) countries, Botswana and Mauritius operate in a regulated framework and Mauritius recorded only these 20 users from 2 licensed VASPs. On the other hand, Zimbabwe identified around 20,000 users, although authorities noted challenges in achieving accurate figures due to the use of VPNs, which obscure user locations. Zimbabwe is not yet operating a regulatory framework for VAs and VASPs.

3.8.4. In terms of wallets being used in the ESAAMLG region, 47% (8 out of 17 jurisdictions) of respondents indicated the types in use in their respective jurisdictions. All these eight (8) jurisdictions noted that wallets are available across multiple platforms such as desktop, mobile, and web. Table 7 shows the wallets in use among these jurisdictions.

Table 7: Types of Wallets VASPs provide in member countries

Member country	Types of wallets VASPs provide in the country
Angola	Hot
Botswana	Hot
Kenya	Hot & Cold
Mauritius	Hot & Cold
Seychelles	Hot
South Africa	Hot, Cold & Hardware
Uganda	Hot, Cold & Hardware
Zimbabwe	Hot & Cold

Source: *ESAAMLG Member Jurisdictions (2024)*

Data Sharing and Security in relation to VAs and VASPs transactions

3.8.5. Some member countries who responded to the questionnaire noted the importance of agreement, regulations and protection in data sharing mechanism. In Botswana, Section 26 of the Virtual Assets Act of 2025 stipulates the kind of data to be shared with other parties in the transfer of virtual assets. Section 33 of the same Act stipulates that a licence holder shall implement and maintain measures for preserving confidentiality of information from customers. This Act further requires that VASPs have adequate arrangements in place to safeguard the rights of customers and prevent the use of customers' funds for their own account.

3.8.6. In Mauritius, licensees are mandated to enter into agreements with third-party service providers to govern data sharing. Furthermore, Mauritius has enacted the Data Protection Act which ensures the protection of personal data, including that related to digital asset transactions. VASPs are required to ensure secure storage and transmission of customer data, adhering to strict data protection standards.

3.8.7. In Seychelles it was noted that VASPs have been providing information on a voluntary basis. However, as per the Virtual Asset Service Provider (Cyber Security Requirements) Regulations 2024, licensed VASPs are required to have appropriate and effective cyber security measures. This means safeguarding the client's assets from hackers and other digital criminals.

3.8.8. South Africa requires VASPs to register as Accountable Institutions under Schedule 1, Item 22 of the Financial Intelligence Centre Act, enabling the FIC to obtain regulatory reports and access information in case of suspicious activity. Maintaining this collaborative effort between the FIC and the registered VASPs provides an opportunity to effectively share data. VASPs are required in terms of the FAIS Act to have adequate systems and procedures to safeguard the security, integrity and confidentiality of all types of information and safeguard client funds by opening a separate account to be used for holding client funds.

3.8.9. Kenya has regulatory requirements as per the Computer Misuse and Cybercrimes Act, 2018 and Data Protection Act, 2019. In Uganda, VASPs are required to adhere to the Data Protection and Privacy Act, 2019, which governs how personal data is collected, stored, and shared. Other jurisdictions have data protection legislation which are going to be used together with other relevant regulations for VASPs.

Technological and knowledge gaps in understanding VAs and VASPs transactions

3.8.10. A common challenge observed across different countries in the region is the lack of effective expertise and real-time monitoring systems for VA transactions. The understanding of dynamic VA transactions is still lacking within the region, for example understanding the mechanism of record-keeping in blockchains such as unspent transaction output (UTXO) and account-based models. The complexity and nature of VA transactions also necessitate more sophisticated technological tools such as Blockchain or distributed ledger analytics tools and Web-scraping.

3.8.11. VAs can be exploited through the use of tools and methods that increase anonymity in VA transfers. The wide range of techniques include registering internet domain name through proxies and using DNS registrars that suppress or redact the true owners of the domain names. The use of tumblers and mixers as well as anonymity-enhanced cryptocurrencies (AECs) or privacy coins and privacy wallets. Chain hopping and dusting to allow the transfer of tiny amounts of virtual assets to random wallets. The use of decentralized applications as well as decentralized exchanges and atomic swapping changes. All these require technical expertise and technology to enable interception of suspicious transactions in VA ecosystems. Tracing of VA transactions require technical skills especially to trace deposit address, Source Address, TXID, create time, network, IP address, destination address, and apply time.

3.9 ESAAMLG Member countries capacity needs

3.9.1. Majority of respondents constituting 71% (12 out 17 jurisdictions) pointed their need for capacity building to speed up their compliance with Recommendations 15 and 16 related to VAs and VASPs. These countries include Angola, Burundi, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Seychelles, Uganda and Zimbabwe. On the other hand, Botswana, Mauritius, Namibia, Rwanda and South Africa did not register their need for capacity building as these countries have advanced in putting in place mechanisms to comply with the Recommendations in question for example by developing regulatory frameworks and initiating supervisory inspections. Mauritius and Namibia are currently Largely Compliant with Recommendation 15.

3.9.2. Some of the areas of capacity building needs as mentioned by some member countries include the technical capacity building (technology elements of this sector); best practices for cross-border cooperation in investigating VAs; risk assessment framework guide and tools; model framework, policies and procedures; case studies and best practices and blockchain analysis and guidance tools. In addition, clear step by step of implementation of Travel Rule; transaction reporting requirements (how these will be differentiated from traditional STRs) and VASPs compliance monitoring tools were also mentioned among members' needs. Other member jurisdictions require capacitation of clear steps for adequate supervision, continuous monitoring, effective tracing transactions and audit/inspections mechanism of VAs and VASPs spelling out the best practices of inspections and surveillance of this sector.

3.9.3. Further to the member countries capacity building needs, the project team as they identified gaps in technical capacity among authorities also pointed out areas for capacity building in the region. These areas cover from supervisory activities to investigations and possibly to confiscation. The areas for further capacity building include on-chain tracing of assets using blockchain intelligence, identification of suspects at points of crypto/cash conversion, blockchain analysis and investigation (Clustering-Heuristics, Tagging), Indicators, Change of address heuristics among other technical areas of concern.

3.10 Opportunities and Challenges in regulating VAs and VASPs

3.10.1. A number of opportunities associated with supervising and regulating VAs and VASPs sector have been identified. Member states have highlighted the potential for capacity building, particularly in the development of new technical competencies. The regulatory engagement with VAs and VASPs offers authorities in the region the chance to become proficient in leveraging advanced technologies such as blockchain, big data analytics, artificial intelligence, quantum computing, cloud infrastructure, and Regtech solutions. This technological exposure enhances supervisory effectiveness and strengthens agility of the regulatory ecosystem.

3.10.2. Other opportunities identified include **economic diversification** through VA-related innovation and investment, **financial inclusion**

potential via cost-effective, accessible payment and remittance channels, **alternative investments** such as stablecoins, initial coin offerings (ICOs), and tokenized assets, and **regional peer learning** to share good practices, regulatory models, and lessons learned,

3.10.3. Many member jurisdictions indicated that VAs and VASPs regulatory efforts are not without challenges. The regulatory efforts for VAs and VASPs face challenges due to existing laws not being designed with digital assets in mind, leading to difficulties in classifying and regulating entities in this sector. This has delayed regulatory responses by many member states and has created loopholes for criminals. Additionally, limited supervisory capacity among regulatory authorities hinders effective monitoring and oversight of VASPs, especially those operating exclusively online or across borders. Many regulatory authorities in the region reported that they lack the necessary technical expertise, staffing, and resources to effectively monitor and oversee VAs in their respective jurisdictions.

3.10.4. The technological complexity of VAs presents challenges to member countries, including difficulties in tracking transactions, risk assessment, and compliance measures. The evolving nature of the VA ecosystem, coupled with pseudonymous and borderless characteristics, raises concerns about money laundering, terrorist financing, and illicit financial flows. Consumer protection remains a concern, as users may be exposed to fraud, cybercrime, or loss of funds without adequate safeguards. Integration challenges when including VASPs in ML/TF/PF risk assessment models. Proliferation of offshore VASPs serving local customers without local licensing.

4. EMERGING TRENDS & RISKS IN THE VA/VASP SECTOR

4.1. Stablecoins accounted for 63% of illicit cryptocurrency transaction volume in 2024 (Chainalysis, 2024)[v], reflecting their growing role in both legitimate and illicit activities. High-yield investment fraud and "pig butchering" scams were the most prevalent crypto-related fraud schemes during the year. Hackers increasingly targeted decentralized finance (DeFi) platforms, with stolen funds rising by approximately 21% year-over-year to reach $2.2 billion, while centralized services remained the most frequently attacked. Private key

v https://go.chainalysis.com/crypto-crime-2024.html compromises represented 43.8% of stolen crypto, and North Korean hackers particularly the Lazarus Group were responsible for the largest theft, estimated at $1.34 billion.

4.2. Dollar-pegged stablecoins such as USDT and USDC are seeing widespread adoption, particularly in Sub-Saharan Africa. Ethiopia emerged as the fastest-growing market for retail-sized stablecoin transfers, recording a 180% year-over-year increase between July 2023 and June 2024. Additionally, Kenya, South Africa, Tanzania, Uganda, and Zambia have reported increased stablecoin use. Stablecoins now represent 43% of all cryptocurrency transactions in Sub-Saharan Africa, driven by their utility as an inflation hedge, for remittances, access to DeFi services, and business transactions.

5. CROSS-CUTTING OBSERVATIONS

5.1. There are improvements, such as an increase in jurisdictions registering or licensing VASPs in the ESAAMLG region. However, it was observed that member countries struggle with fundamental requirements such as development of regulatory framework, supervisory inspections and enforcement. Even where legislation exists, supervisory actions and enforcement remain low. Botswana, Mauritius, Namibia and Seychelles were the only members which have passed legislations which facilitates implementation of travel rule in the ESAAMLG region.

6. CONCLUSION

6.1. On-chain transactions' value is increasing in Africa due to factors such as financial inclusion, currency volatility, and the demand for efficient cross-border payments. VAs offer alternatives to traditional financial systems and reduce inflation risk. However, balancing innovation and effective regulation is crucial as the adoption of VAs expands across the ESAAMLG region.

6.2. The ESAAMLG region has made commendable progress in laying the groundwork for regulating VAs and VASPs. A number of member jurisdictions have conducted risk assessments and some in the process of conducting same by establishing legal frameworks and initiating licensing and registration regimes for VASPs. These statement highlights efforts aimed at aligning with FATF Recommendations 15 and 16. These efforts reflect increasing alignment with FATF Recommendation 15 and elements of 16.

6.3. However, progress is uneven. Many member countries still lack regulatory frameworks for VAs and VASPs, with limited capacity to enforce AML/CFT/CPF obligations. Inspections, enforcement actions, and implementation of the travel rule remain low across the region. Even where legal frameworks exist, effective supervision is hindered by a lack of technical expertise, financial resources, and tools for blockchain analysis and transaction tracing.

6.4. The rapidly evolving and borderless nature of virtual asset ecosystems continues to outpace the readiness of national authorities, necessitating coordinated action, international cooperation, and sustained technical assistance to address compliance gaps and mitigate associated risks. Also, fostering consumer education and improving regulatory clarity is essential to unlocking the full potential of VAs in the region.

6.5. Supervisors, law enforcement agencies, and Virtual Asset Service Providers (VASPs) in the ESAAMLG region must carefully balance the promotion of innovation with the implementation of robust safeguards. Achieving this balance is crucial for the crypto ecosystem to fulfil its potential as a catalyst for economic growth and financial inclusion in the region, while simultaneously preventing its exploitation for financial crime. Proactive and forward-looking regulation, combined with strong supervision, industry collaboration, and regional coordination, is essential to maintaining this equilibrium.

7. RECOMMENDATIONS

7.1. **Accelerate development of regulatory frameworks**. Most of member countries need to expedite the development and enactment of comprehensive legal and regulatory frameworks for VAs and VASPs aligned with FATF Recommendations 15 and 16 (on travel rule).

7.2. **Complete the risk assessments and strengthen risk-based approaches**. Finalise and operationalise risk assessments on VAs and VASPs and use the findings to inform regulation, supervision, and resource allocation. Member jurisdictions who are still to conduct risk assessment for VAs and VASPs should accelerate the process. Ethiopia's consideration of banning VAs should be informed by the jurisdictions risk assessment respectively.

7.3. **Establish and empower supervisory authorities**. Member countries should designate competent supervisory authorities to license, supervise, and enforce VASP obligations with sufficient legal powers and resourcing.

7.4. **Implement licensing and registration regimes**. ESAAMLG member countries should expedite and require all VASPs to be licensed or registered, ensuring fit-and-proper criteria, beneficial ownership disclosure, and regulatory compliance.

7.5. **Enhance supervisory capacity and tools**. Authorities in of member jurisdictions should invest in blockchain analytics tools, inspection frameworks, and staff training to support effective on-site and off-site supervision of VASPs.

7.6. **Operationalize the travel rule**. Members should accelerate the enactment of enabling legislation and develop interoperable solutions to implement the travel rule in line with FATF guidance.

7.7. **Promote cross-border cooperation**. The region should enhance regional and international collaboration on information sharing, enforcement, and investigations involving VAs and VASPs. Learning from advanced nations especially those in developed world should be prioritised.

7.8. **Facilitate public-private partnerships**. Member's states should drive engagements of financial institutions, FinTechs, and VASPs in regulatory dialogue and foster innovation sandboxes to test solutions within a controlled environment.

7.9. **Support financial inclusion objectives**. The region should ensure regulatory responses to VAs and VASPs do not unduly hinder access to financial services, and the financial inclusion goals.

7.10. **Leverage ESAAMLG platform for capacity building**. The ESAAMLG Secretariat should utilise its ESAAMLG mechanisms, Project Team, Partners to coordinate regional training, knowledge exchange, model policies, and implementation toolkits for member countries who requested capacity building programmes.

7.11. If jurisdictions choose to ban or prohibit virtual assets (VAs), the assessment under Recommendation 15 will include criteria 15.1, 15.2, 15.3(a), 15.3(b), 15.5, and 15.11. Jurisdictions must therefore be fully prepared to demonstrate compliance with these requirements.

8. SUPERVISORY ENHANCEMENT PRIORITIES FOR ESAAMLG MEMBERS

8.1. Increase visibility of VA/VASP licensing and registration requirements to market participants.
8.2. Allocate targeted supervisory resources to high-risk entities and activities.
8.3. Strengthen understanding of supervisory tools and practices among supervisors.
8.4. Designate specific AML/CFT/CPF resources within supervisory agencies.
8.5. Conduct training needs analysis to identify skill gaps.
8.6. Provide training, tools, and resourcing for VA/VASP supervisors.
8.7. Foster public–private collaboration to raise awareness of obligations and risks.
8.8. Develop and issue guidance for the VA/VASP sector on:
   (i) implementation of the Travel Rule.
   (ii) how it should be applied in practice, including cross-border scenarios.

9. ANNEXES

Annex A: Summary Table of Jurisdictional Responses

	Member countries	Response Submitted?
1	Angola	**Yes**
2	Botswana	**Yes**
3	Burundi	**Yes**
4	Eritrea	**No**
5	Eswatini	**Yes**
6	Ethiopia	**Yes**
7	Kenya	**Yes**
8	Lesotho	**Yes**
9	Madagascar	**Yes**
10	Malawi	**Yes**
11	Mauritius	**Yes**
12	Mozambique	**Yes**
13	Namibia	**Yes**
14	Rwanda	**Yes**
15	Seychelles	**Yes**
16	South Africa	**Yes**
17	South Sudan	**No**
18	Tanzania	**No**
19	Uganda	**Yes**
20	Zambia	**No**
21	Zimbabwe	**Yes**

	Response rate	**81%**
	Total Responses	**17 members**

Annex B: Copy of the Questionnaire

ESAAMLG/TFM/XLVIII RCFI doc.4 (2024)

ESAAMLG PROJECT ON OPPORTUNITIES AND CHALLENGES POSED BY VIRTUAL ASSETS AND VIRTUAL ASSETS SERVICE PROVIDERS

Survey Questionnaire Template for Tracking Status of Implementation of Recommendation 15 by ESAAMLG Members

Background and Purpose:

a) The Task Force approved the draft Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs) Report during its April 2024 meeting in Lubango, Angola. The Task Force adopted the proposal from the Working Group on Risk, Compliance, and Financial Inclusion to continue monitoring fintech developments in the ESAAMLG region. This includes amending the Fintech questionnaire and developing a new template to oversee the implementation of key recommendations of the report and assist countries in complying with Recommendation 15.

b) This questionnaire aims to monitor the implementation of FATF Recommendation 15 related to VAs and VASPs across ESAAMLG member countries. The goal is to ensure effective AML/CFT/CPF measures are in place and to identify areas for improvement and support.

c) **Instructions to member countries:**

Reporting Period: January - December 2024

Submission Deadline: 28 February 2025

Supporting Evidence: Provide supporting documents or links to legislation where applicable.

1

ESAAMLG/TFM/XLVIII RCFI doc.4 (2024)

Section 1: General Information

Country:

Sector:

Institution:

Address and Contact Details:

Contact Person:

Definition of Terms

Virtual Asset	A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations
Virtual Asset Service Provider	Virtual Asset Service Provider means any natural or legal person who is not covered elsewhere under the Recommendations, and as a business conduct one or more of the following activities or operations for or on behalf of another natural or legal person: i. exchange between virtual assets and fiat currencies; ii. exchange between one or more forms of virtual assets; iii. transfer of virtual assets; iv. safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and v. participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

Note. *Not all dealings in VAs are required to be subject to AML/CFT controls, only those undertaken by persons who deal in VAs as a business. Such businesses are described as "virtual asset service providers" or VASPs.*

Section 2: Steps taken towards implementing Recommendation 15

1. ML/TF Risk Assessment for VAs and VASPs

i. Has your jurisdiction undertaken a ML/TF/PF risk assessment that includes VAs and VASPs?
Yes☐ No☐ In progress☐

ii. When was the risk assessment completed or is likely to be completed?

iii. What were the country's main threats and vulnerabilities identified based on the risk assessment?

iv. How do you classify VAs and VASPs in your country using risk-related features?

2

ESAAMLG/TFM/XLVIII RCFI doc.4 (2024)

2. Legal Framework for Regulation of VAs and VASPs

i. Does your jurisdiction have specific regulatory framework for VAs and VASPs?
Yes ☐ No ☐

If yes, please provide details of the regulatory framework.

ii. What approach has been or will be taken to manage the risks posed by VAs and VASPs in the jurisdiction? (Please Specify). Restrict ☐ Regulate ☐ Ban ☐

Is the approach specified above informed by the risks identified in the country (risk-based approach)? Yes ☐ No ☐

If no, please justify your approach

iii. What measures has your jurisdiction undertaken to manage the risks posed by VAs and VASPs?

iv. Do existing AML /CFT/CPF measures apply to VAs and VASPs? Yes ☐ No ☐

3. Licensing/Registration

i. Are VASPs required to be licensed or registered? Yes ☐ No ☐

If yes, briefly explain market entry criteria and requirements for VASPs.

ii. Do VASPs have ongoing reporting obligations (e.g., suspicious activity reports, periodic reports)? Yes ☐ No ☐

iii. How many VASPs have been or are in the process of being licenced or registered in the reporting period?

Category	Number
Licensed	
Registered	
In licensing process	
In registration process	

N/A ☐

iv. Are applicants for VASPs licences and registration required to disclose holders, or beneficial owners of, a significant or controlling interest, or holders of a management function in, the VASPs? Yes ☐ No ☐

v. What percentage constitutes a "significant or controlling interest" in this context?

% of Significant Controlling Stake

3

vi. Are external VASPs required to be licensed or registered as a VASP in your jurisdiction?
Yes ☐ No ☐

If yes, what are the applicable requirements?

vii. Are external VASPs required to disclose their jurisdiction of origin? Yes ☐ No ☐

viii. What actions are taken by your jurisdiction to identify those that carry out VASP activities without the requisite license or registration?

4. Supervisory Framework, preventive measures, and supervision

i. Which authority(ies) is (are) responsible for supervising VASPs in your jurisdiction?

ii. What are the main functions and powers of this authority?

iii. What steps is the jurisdiction taking to ensure that the supervisory authority(ies) have sufficient resources and technical capacity to adequately supervise VASPs ?

iv. Are VASPs included in regular supervisory inspections? Yes ☐ No ☐

If yes, indicate number of inspections conducted in the reporting period.

a) Onsite inspections:
b) Offsite inspections/ Surveillance:

v. Can the Supervisor impose sanctions against non-compliant VASPs? Yes ☐ No ☐
If yes, what types and number of sanctions imposed in the reporting period

Sanction Type	Number

5. Enforcement

i. Does the FIU have tools for analysing VA-related transactions? Yes ☐ No ☐

ii. Do law enforcement agencies have the capacity to investigate VA-related crimes? Yes ☐ No ☐

If yes, please give the number of specialized investigators: ______________________________

iii. Has your jurisdiction taken enforcement actions against non-compliant VASPs in 2024
Yes ☐ No ☐

If yes, please provide examples of actions taken: ______________________________

iv. Has your jurisdiction undertaken any form of international cooperation in relation to VAs/VASPs in 2024? Yes ☐ No ☐

If yes, please give brief details: ______________________________

6. **Travel Rule Compliance**

i. Has the travel rule been implemented for VASPs? Yes☐ No ☐

ii. Describe the implementation status and challenges:

iii. Are there interoperability issues with regards travel rule implementation among VASPs in your jurisdiction? Yes ☐ No ☐

Briefly explain your response above.

7. **Recommendation 15 Evaluation**

i. When was the jurisdiction last assessed (include any recent follow up on the recommendation)?

ii. Describe any progress made or challenges faced in implementing Recommendation 15.

8. **VAs/VASPs Requirements: Implementation Toolkit**

iii. Does your jurisdiction require a toolkit to help implement R15 requirements? Yes ☐ No ☐

9. **Market and Technology Insights**

i. Trading Volume

a) Please indicate trading volume of VAs in the jurisdiction from January 2024 to December 2024.

b) Number of VA users as at 31 December 2024

ii. Technology aspect

a) What types of wallets do VASPs in your jurisdiction provide? hot☐ cold ☐ hardware ☐

b) Are wallets available across multiple platforms in your jurisdiction (e.g., desktop, mobile, and web)? Yes ☐ No ☐

c) How is data sharing being managed in your jurisdiction (e.g., sharing data with third parties such as exchanges or other wallets)?

-

What security measures are in place for digital assets in your jurisdiction:

f) Are there specific technological gaps hindering effective regulation or supervision of VASPs?

10. Opportunities and Challenges

i. What opportunities have been identified for improving the regulation and supervision of VAs and VASPs?

ii. What challenges does your jurisdiction face in regulating VAs and VASPs?

=END=

Annex C: References to Relevant Legislation on VAs and VASPs

1) Prohibition of Cryptocurrency Mining and Other Virtual Assets Law no. 3/24, of 10 April (Angola).
2) Virtual Assets Act of 2025, Financial Intelligence (Amendment) Act of 2025 (Botswana)
3) The Virtual Asset and Initial Token Offerings Act (VAITOS) (Mauritius)
4) Virtual Assets Act, 2023 (Act No. 10 of 2023) (Namibia)
5) The Virtual Assets Services Providers Act, 2024 (Seychelles)