Policy Brief

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# Regional Regulatory Network for Digital Assets in Africa

UnyimeAbasi Odong

The Future of Digital Finance

Emerging opportunities in India, in China and on the African continent

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### Key Points

- Digital assets have potentials to expand opportunities and improve outcomes for African people and businesses. They also embody risks to users, challenges to regulators and vulnerabilities for the broader financial system.
- Fragmented regulation across the continent limits the capability of regulators to respond to threats and vulnerabilities and limits options for businesses and users.
- A network of regulators would increase regulatory capacity and resources, support the development of a harmonized framework, and provide regulators a comprehensive view of the landscape for more effectively regulating digital assets to promote innovation within safe guardrails.

# Digital Asset and a Pathway to Prosperity

Across Africa, there is an increase in the adoption and use of digital assets. For instance, with mobile money adoption, receipt of digital payments rose from 28 percent in 2014 to 50 percent in 2021. (Anthony et al. 2024) and Nigeria in Sub-Saharan Africa ranks second in the global crypto adoption index, and sub-Saharan Africa is a global leader in decentralized finance adoption. The evolution and increased adoption of digital assets bring promises and emerging realities of expanded opportunities, economic growth, and inclusion (Chainalysis 2024). Lower costs and increased reach for the previously unbanked and underserved enable increased, safer, and more efficient access to financial services.(Baldini et al. 2024)

As an effective mechanism for tackling poverty, digital asset finance provides small and medium scale businesses and low-income families tools to support and scale their economic activities, receive payment, save, and access credit. f Digital financial services help facilitate timely transfers, and create and establish transaction and financial histories and trails which are necessary conditions to access loans and other financial services. Digital finance also facilitates seamless cross-border payments and remittances, critical for businesses operating across jurisdictions, by providing quicker and cheaper alternatives to traditional channels(Pandey 2025). By enabling secure and safe transactions, and engendering innovative financial services(Milken Institute 2024), digital finance expands access to markets and economies and offer pathways for African economies and businesses to merge into the global financial traffic and drive broader economic and social development across the region (Willige 2023; Ricci et al. 2025).

# Siloes, Blind Spots and Limited Resources

Simultaneous with these benefits, when poorly regulated, , digital financial services, create and heighten systemic vulnerabilities and risks of exclusion, illicit activities, unfair practices and exploitation, and data protection(Pazarbasioglu et al. 2020).. As with most technology regulation, African regulators, like their global counterpart, struggle to balance safety and innovation. Their approaches, shaped by different national agenda, regulatory maturity, priorities, and available resources(CCAF 2021; Milken Institute 2024) produce regulatory inconsistency and fragmentation across the continent. Within this fragmented regime, cracks emerge, risks and threats multiply, and capacity to protect users and the broader financial system against vulnerabilities is diminished. The gaps create opportunities for criminals and threat actors and for sanctions from global financial regulators(OECD 2022). These risks manifest for three broad stakeholder groups – consumers, regulators, digital financial service providers- and the broader financial system.

Fragmented regulation of digital assets create and heighten financial crimes risks (Ricci et al. 2025). The regulatory arbitrage that is engendered by regulatory blind spots allows activities to escape regulatory monitoring, as they move across borders. This is exacerbated by increased association and information and resource sharing between organized crime groups across multiple jurisdictions, facilitated by investment in sophisticated technologies, which helps criminals to expand operational capabilities, find vulnerabilities and opportunities for regulatory arbitrage, and move different aspects of operations to evade detection and disruption of financial crime activities (Department of Finance Canada 2025). For instance, gaps in the regulatory architecture across countries like Nigeria and Ghana, Zimbabwe and Uganda enable money laundering, terrorist financing, fraud, exploitation, and digital lending abuses (Rodima-Taylor et al. 2025). Recognizing this, the Financial action task Force (FATF), has issued red flag indicators for digital-asset-related illicit activity, particularly across jurisdictions (FATF 2020).

Countries' differentiated regulatory approaches and maturity levels (Milken Institute 2024; Adeleye et al. 2024; Fuje et al. 2022; International Monetary Fund 2022) also exacerbate risks. The resulting patchwork reduces interoperability of national systems because of difference in encryption standards, legal definitions, and compliance requirements (Ricci et al. 2025). This legal and technical incompatibility impedes regulatory information flows, and heightens cybersecurity threats.

With potential to undermine financial and macroeconomic stability, digital assets like crypto and CBDCs pose systemic risks to the broader financial ecosystem. Consumer protection concerns are triggered and exacerbated by their volatility, and they embody unique cybersecurity, financial stability and integrity, and ML/TF risks and vulnerabilities (Ricci et al. 2025) especially in a multi-jurisdictional context.

As digital platforms and infrastructure are designed and deployed, mostly at the subregional level,[1] limited interoperability hinder integration (Ricci et al. 2025). Difference in encryption standards and methods, and in legal definitions engender legal and technical incompatibility.

[1] These include the East African Payment System (EAPS), SADC-RTGS; the West African Monetary Zone (WAMZ) Payments System; the Central Africa Payment System; and the Regional Payment and Settlement System (REPSS) for the Common Market for Eastern and Southern Africa.

These differences limit the flow of digital financial services and information for regulators, and heighten cybersecurity risks.

For businesses, multiple overlapping regulators with conflicting requirements create duplicative and burdensome compliance costs and impede both innovation and regional scaling (Yellow Card 2025). Inconsistent governance frameworks engender operational complexity, erode regulatory certainty and clarity, deter cross-border partnerships, and delay go-to-market timelines. Over time, this undermines financial inclusion and regional integration while also incentivizing a “race to the bottom,” where jurisdictions adopt permissive, overly business-friendly regulation at the expense of effective regulation.

Cryptocurrencies, CBDCs, and other digital assets pose not only consumer protection and cybersecurity challenges but also systemic risks to macroeconomic and financial stability. Their volatility, multi-jurisdictional nature, and potential misuse for money laundering and terrorist financing make them uniquely destabilizing if left under-regulated (Ricci et al. 2025). Fragmentation also denies regulators the comprehensive oversight needed for effective supervision and monitoring, further weakening capacity to contain cross-border threats (Alliance for Financial Inclusion 2022).

To address these challenges, this policy brief analyzes of options, and makes a case for a regional regulatory network to support the development and implementation of harmonized and consistent regulation, support joint supervisory practices, and enable more effective information sharing across jurisdictions. Strengthening regional cooperation is critical to both mitigating risks and unlocking the potentials of digital assets in Africa

# Options for Cross Border Regulation

As nations design and deploy strategies to address the challenges posed by the geographic fluidity of digital assets, lessons emerge on their governance.

To continue as is while countries intensify efforts to minimize vulnerabilities allows regulators to leverage institutional expertise and experience, operating in familiar environments and structures. This responds to concerns about regulatory sovereignty. As jurisdictions can tailor regulations to local circumstances and priorities, this ensures that regulation and policy reflects national priorities and risk tolerance (WEF 2024). For businesses, the extant structures and the “regulatory arbitrage” that it enables might enable choices of operating jurisdiction  that give them competitive advantage(Amponsah 2025). There may be some reduced compliance costs and increased time to market implied in this choice (Frew et al. 2025).

Loosely structured dialogues and information sharing at regional levels can be seen in efforts such as the North American Securities Administrators Association.[2] Trade agreements like the CUSMA address free flow of digital products and encourage cooperation in consumer protection and market integrity; however, in the absence of harmonized regulatory frameworks, even amidst strong national regulation, cross-border digital asset transactions remain vulnerable and constitute conduits for the risks to seep into national systems (Department of Finance Canada 2025).

Alternatively, states may adopt bilateral and/or multilateral agreements. The Rwanda-Ghana fintech sandbox agreement provides a bilateral exemplar. In the francophone and central African subregions, digital financial service providers operators can establish operations across the West African Economic and Monetary Union (WAEMU) jurisdictions under one license granted by the Central Bank of the West African States (BCEAO), obliterating the need for multiple licensing (Grant Thornton 2025). The east African community regional payment system (EAPS) is also a subregional model

These arrangements have benefits. They ease cross-jurisdiction transactions, enhance consumer protection, and reduce ML/ TF risks between partner countries. They also provide certainty for businesses operating in the partner countries (Boison and Obu 2025). For the regulators, bilateral regulation offers opportunities to pilot the models before regional commitment and scale successes while mitigating risks. There is a lower risk of regulatory arbitrage between the partner countries, and countries can leverage the different resource availability and technical expertise to strengthen their internal regulatory structures (Kugler 2024).

The drawback for this include the limited geographic scope of bilateral agreements. While as between partner countries some of the risks are reduced, within the larger continent, the fragmentation challenge remains with its consequence despite the resources that designing and operationalizing bilateral agreements would require (Kugler 2024; Boison and Obu 2025). A proliferation of the bilateral model and commitments can weaken continent-wide efforts at interoperability and standard-setting, like the Africa Continental Free Trade Agreement (AfCFTA) Digital Trade Protocol, or the Pan-African Payment and Settlement System (PAPSS), and delay progress toward cohesive digital asset regulation for Africa (Kugler 2024). Sustainable and effective regulation of the African digital asset space requires a continent-wide framework and deeper regional integration (Boison and Obu 2025), which this brief proposes in the following section. The EU's Single euro Payment Area is precedent for this model of standardized payment systems and reduced risks through shared standards and tools.

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[2] This approach, although primarily aimed at investor protection in the context of securities, provides a model for regulatory cooperation on shared agenda and priorities. See generally https://www.nasaa.org/about/nasaa-history/.

Within the EU model, the ESMA monitors financial activities to identify trends and risk, and leads both regional coordination and international interactions on digital assets (ESMA 2025). The MiCA provides an overarching regulatory framework for crypto assets aimed at financial stability and consumer protection.

# Recommendation: A Network for Harmonization and Strategic Cooperation

Closing the regulatory harmonization gap in Africa requires a regional regulatory network engaging constructive dialogue to in ways that account for Africa's unique regulatory, economic, cultural, and technology contexts.

The elements of this network include:

- A regional regulatory network implemented by the Association of African Central Banks (AACB), and supported by the AfCFTA or AU and other regional structures like the African Development bank (AfDB) to oversee policy alignment,  and leverage existing continental frameworks like the PAPSS and the AfCFTA Digital Trade Protocol (Boison and Obu 2025).
- The development of baseline regulatory and policy guidelines, harmonized criteria and common minimum standards for businesses and regulators across the region to define common licensing and operational requirements and consumer protection safeguards based on comparative mapping of country requirements and international standards
- Coordinated strategy development through sharing data and insights as regulators build capacity share knowledge, strategies and tools, including regulatory technology to address resource constraints and differentiated expertise levels.
- Joint and coordinated regulatory oversight, enforcement and monitoring from the coordinating body and national regulators to address national and cross-border operational challenges for regulators and compliance challenges for businesses.
- Development of shared register and SOPs to harmonize understanding and coordination efforts
- A mutual recognition framework that both builds on and supports commonalities and already existing cultural and economic integration efforts.
- A public facing regulatory infrastructure with standardized compliance templates

## Benefits

By fostering trust and reciprocity, the network would expand the regulatory toolkit and increase regulatory capacity as regulators share expertise, strategies, knowledge, timely data and insight on digital asset regulation (FATF et al. 2025). It would also provide fora for joint research, trend spotting, and early warning signaling, generating a holistic view of consumer, product, channel and systemic risks. This view is made possible by linkages that are revealed when all the pieces of the regional digital asset information mosaic is put together and viewed holistically.

These linkages would also provide opportunities to close regulatory gaps and prevent arbitrage. Wholistic regulatory perspectives, result in increased ability of regulators to spot and intervene in vulnerabilities and points of failure. Through the dialogue facilitated by the network, regulators improve their understanding of the products and services and channels and the risks from digital assets markets.

This regional dialogue also contributes to regulatory alignment with global frameworks, stronger advocacy for regional priorities, development of a community of practice and guidelines for best practices. Additionally, member countries, can be supported in national gap assessments and the development of appropriate context specific strategies and frameworks, including by providing input to policy and legislation proposals.

As regulators engage deeper dialogue, common ground emerges, and opportunities emerge to frame and find shared regulatory priorities and agenda. A regional regulatory network would support financial inclusion, strengthen consumer protection and increase cross-border integration. It would be a forum for deep dialogue on enhancing economic prosperity, innovation, and safety of users and the resilience of the broader financial service system (Boison and Obu 2025).

Harmonized regulatory approaches would help create consistent regulatory standards, data and DPI protocols. This leads to interoperability and supports both regulators and businesses as they scale and expand operations.

As businesses gain clarity from harmonized rules, innovation is accelerated through experimentation and cross border testing of digital asset products and services This network could provide a site for housing initiatives like regional sandboxes and license passporting, and lower the cost of regulatory operations and innovation for operators. As the network harmonizes regulation and policy, the attendant reduction in friction and uncertainty associated with cross border transactions eases intra-regional trade and makes the region attractive to foreign investment needed to catalyze development.

As businesses gain clarity and the regulatory burden eases, more businesses can enter the market, scale operations and collaborate with other businesses across the region. Better insight for businesses on policy priorities helps inform the design of regional corporate strategy. Harmonized regulation and the consequent consistent standards provide operational clarity to businesses as they align compliance processes and scale compliance tools and operations across the region.

## Implementation and Supporting Structures

The AACB has institutional expertise and experience at both financial regulation and cross-border collaboration. This expertise and the legitimacy and authority of its members position the AACB as the ideal to coordinate these efforts. Additionally, an already existent structure implies reduced financial cost and administrative effort that would otherwise be required to establish and operate a new structure

Structures and systems already exist to support this. A history of regional collaboration across other thematic areas and structures like the AfCFTA and the Africa Union (AU) lower barriers to dialogue and provide common agenda around which to converge. While this must not be mistaken for a homogeneity of priorities, there are similarities in vulnerabilities, threats ad risks that support the framing of common agenda and priorities. In this context, RECs and subregional collaborations like the Inter-Governmental Action Group against Money Laundering in West Africa and initiatives such as the Committee of African Banking Supervisors and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) not only evidence appetite for cross-jurisdictional collaboration, but can also be leveraged, and their successes scaled.

The PAPSS and subregional payments systems provide structure for scaffolding and designing standards for interoperable digital public infrastructure, and regionally integrated payment systems (Ricci et al. 2025). Within the proposed licensing passport initiative, a common platform for licensing application can support businesses to demonstrate compliance with multijurisdictional requirements by meeting articulated common standards (AFN 2024). Additionally, international benchmarks like the FATF recommendations and the Basel Committee Framework provide baselines from which to springboard the development of common standards.

Residual resistance might benefit from strategic engagement to build trust and create political willingness from decision makers through:

- Dialoging with key stakeholders like national financial intelligence units and other national regulators, industry and consumer representatives.
- Leveraging regional and other cooperation mechanisms like the AfCFTA, Egmont Group, FATF-Style Regional Bodies, the AU, and the Regional Economic Communities (RECs)
- Sharing evidence-based analysis of gaps and successes from other collaborative efforts
- Proactively addressing potential issues like privacy and cybersecurity as well as other issues as identified by stakeholders
- Documenting and sharing lessons learned, and on-going capacity building, awareness creation and education

To operationalize the network, the following phased activities are recommended to guide its establishment and operation[3]:

[3] These would be strategically adapted on an ongoing basis to respond to identified needs and gaps

**Phase 1 (Consultations):** Set up Working Group to consult stakeholders, study national regulatory architectures and gaps and opportunities for collaboration

**Phase 2 (Agreement and Documentation):** Draft and adopt MOU, documenting terms for reciprocity of benefits, obligations, and concessions, and financial and technical rules based on global benchmarks, like the FATF guidelines.

**Phase 3 (System Design and Deployment):** Design, create and manage regional system to register businesses, technologies and licenses with permissions, conditions and limitations of the license

**Phase 4 (Establishing Coordinating Bodies):** Establish bodies for collaborative learning, monitoring and enforcement.

**Phase 5 (Building Shared Structures):** Build and manage shared structures, data standards, and reporting policies and processes.

**Phase 6 (Full Operation and Continuous Iteration):** Fully operational network with changes to policies, procedures and processes as required.

# Conclusion

Regulators are grappling with the implications of digital in finance and how they might best be regulated to meet both safety and innovation aims. Differently framed priorities and agenda, differentiated regulatory maturity levels, and difference in available resource levels result in inconsistent and fragmented regulation across the continent. This fragmentation provides gaps for risks and threats, hinder regulator capabilities to protect users and the broader financial system against vulnerabilities, and results in exposure to sanctions from global financial regulators. A harmonized regional approach, supported by a regional network of digital asset regulators increases regulatory effectiveness by providing a holistic frame from which to spot, analyze and respond to threats, risks and vulnerabilities, and increases regulators' capacity to close gaps and protect consumers and the broader financial system. This supports growth and innovation within safe and secure guardrails.

## Author Biography

UnyimeAbasi Odong is a PhD candidate at the Faculty of Law, University of Ottawa where she conducts research on the governance of technologies. She is a member of the Center for Law, Technology and Society of the University of Ottawa, and a Fellow of the African Fintech Network. Her research interest is in the governance of financial technologies, cybercrime, national security, and children's rights.

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