

BOZ VIRTUAL ASSETS DIRECTIVES 2026

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Zambia Introduces a Licensing Regime for Virtual Asset Service Providers

The Bank of Zambia Directives on Virtual Assets, 2026 bring crypto and stablecoin businesses within a full licensing and supervisory framework for the first time.

01. INTRODUCTION

- On 18 September 2026, the Bank of Zambia published the Bank of Zambia Directives on Virtual Assets, 2026, Gazette Notice No. 1439 of 2026 (the "Directives"). Made under Section 43 of the National Payment Systems Act, 2007, the Directives came into force on publication and mark a significant step in the development of Zambia's regulatory approach to digital assets.

- Under the new framework, any person providing virtual asset services in or from Zambia must hold a licence issued by the Bank of Zambia (the "Bank"). The Directives set out the licensing process, the standards licensees must meet on an ongoing basis, and the Bank's supervisory and enforcement powers. This article summarises the principal features of the regime and its implications for market participants.

02. BACKGROUND

- The Directives follow the Bank's CB Circular No. 05/2026, issued on 10 March 2026 (the "Circular"). The Circular noted that the Bank, together with other regulators and stakeholders, was developing a detailed regulatory framework for virtual asset and stablecoin service providers, with the aims of maintaining financial stability, promoting innovation and protecting consumers.

- In a public notice dated 16 March 2026 (the "Notice"), the Bank requested all entities and individuals providing virtual asset services within Zambia to register with it by 27 March 2026. Registration applied to resident and non-resident providers alike, regardless of physical presence. The Notice made clear that registration was a preliminary step that did not constitute a licence or official approval to operate, nor an endorsement of any provider, and that registered providers would be required to comply with the forthcoming regulatory framework in order to continue their operations. It also stated that, with effect from 30 March 2026, entities regulated by the Bank would not be allowed to facilitate transactions to or from providers that were not registered. The Circular also directed commercial banks, non-bank financial institutions and payment service providers to carry out due diligence on virtual asset partnerships and to verify that their counterparties were registered. The Directives build on that interim registration approach by introducing a formal licensing regime.

03. SCOPE

- The Directives apply to virtual asset service providers, defined as persons who, as a business and on behalf of others, carry on one or more of the following activities: exchange between virtual assets and fiat currency; exchange between different virtual assets; transfer of virtual assets; safekeeping or administration of virtual assets or of instruments enabling control over them; and participation in, or provision of financial services related to, an issuer's offer or sale of a virtual asset.
- A virtual asset is defined as a digital representation of value that can be digitally traded or transferred and used for payment or investment purposes. The definition draws expressly on the Financial Action Task Force Recommendations, and the activities listed closely mirror the FATF model. Stablecoins, defined as virtual currencies pegged to a fiat currency held with a regulated financial service provider, fall within scope and are subject to additional application requirements.

- Several categories are excluded, including affinity and rewards programmes, in-game currencies, non-fungible tokens ("NFTs"), and electronic representations of fiat currency, securities and other financial assets regulated under existing legislation. The NFT exclusion is notably narrow: it applies to tokens that cannot be divided, are not interchangeable and cannot be sold in a secondary market. Tokens that are marketed as NFTs but are freely traded may therefore fall within the regime.

- Where a virtual asset constitutes a security or investment instrument, regulatory oversight rests with the Securities and Exchange Commission under the Securities Act No. 41 of 2016 rather than with the Bank. The classification of individual tokens is likely to be an important threshold question for issuers and trading platforms.

- Territorially, the Directives apply to services provided in or from Zambia. Read alongside the position taken in the Circular and the Notice, this territorial scope suggests that offshore providers serving Zambian customers will be within scope.

04. THE LICENSING PROCESS

- Applications are made to the Bank in a form it will determine. Directive 5 lists the information required, which includes constitutional documents, details of shareholders, beneficial owners, directors and senior officers, a business plan with at least three years of financial and operational projections, evidence of capital, a tax clearance certificate and confirmation of the appointment of external auditors. Applicants must also provide:

a. a detailed product description, including end-to-end process flows and system architecture;
b. a risk management framework covering operational, cyber, liquidity, credit, data privacy and consumer protection risk;
c. internal controls and governance arrangements for wallets holding customer assets in trust;
d. evidence of insurance or other arrangements commensurate with operational and fraud risk; and
e. for stablecoin businesses, details of the account holding the fiat reserve and the mechanism by which the peg is maintained.

- The Bank is required to determine a complete application within 90 calendar days. In assessing an application, it will

consider whether the applicant, its beneficial owners, their associates and its officers are fit and proper, applying the Bank's fit and proper guidelines, and may take into account international standards and information from foreign regulators. A licence may be refused where the Bank considers that the applicant's products or services could introduce systemic risk.

- Licensed providers may not begin operations until the Bank has carried out a pre-launch inspection. Licences are not time-limited but may be suspended or revoked on a range of grounds, including where a licensee has not commenced business within twelve months of grant.

- Financial service providers and payment service providers may offer virtual asset services, but only through a separately incorporated entity and with the Bank's approval.

05. OWNERSHIP AND CONTROL

- Directive 20 requires the Bank's prior written approval for acquisitions of beneficial interests in, and voting arrangements relating to, a virtual asset service provider. Directive 20(3) frames the requirement by reference to control of more than 25 per cent of the votes, while Directive 20(1)(a) refers to the acquisition of any beneficial interest in voting shares. Directive 29 separately requires the Bank's approval before a licensee adds or reduces its shareholders or appoints a new director. The interaction between these provisions may require clarification from the Bank.

- The Bank must decide on an approval request within 60 days and, in doing so, will consider the suitability of the proposed owner, the financial soundness of the acquisition and evidence of approval by the authority responsible for mergers and acquisitions in Zambia. Companies with more than 51 per cent of their shares traded on an acceptable exchange are exempt, subject to an obligation to notify the Bank of new significant shareholders. These requirements are likely to be relevant to the structuring and timetabling of investments in the sector.

06. ONGOING OBLIGATIONS

- Licensees must comply with the Banking and Financial Services Corporate Governance Directives and appoint, at a minimum, officers equivalent to a chief executive, chief financial officer, chief operating or information technology officer, chief risk officer and compliance officer. Fit and proper requirements apply on a continuing basis.

- Customer virtual assets must be segregated from the provider's own assets, held for the customer and protected from the claims of the provider's creditors, with multi-user access controls in place. Customer funds must be held in a holding account with a bank, financial institution or e-money institution, in an amount equal to the electronic value outstanding, and no more than 50 per cent may be held with any single institution. Assets held on third-party platforms on behalf of customers are likewise protected from creditor claims.

- All charges, and any adjustment to them, require the Bank's prior approval.

- Licensees must comply with the Prohibition and Prevention of Money Laundering Act and the Financial Intelligence Centre Act, designate a senior officer responsible for suspicious transaction reporting and maintain a board-approved

customer onboarding policy. Transfers at or above a threshold to be prescribed by the Bank must be accompanied by originator and beneficiary information.

- Business continuity plans must provide for the resumption of critical services within two hours and be tested quarterly, including by routing transactions through the disaster recovery site. Customer data must be encrypted at rest, in transit and in use, consistent with the Data Protection Act, 2021. Annual penetration testing and security audits are required, cyber incidents must be reported to the Bank within 48 hours, and important functions may only be outsourced with the Bank's prior approval.

- Licensees must submit monthly returns covering, among other matters, transaction volumes, customer balances, reconciliations of stablecoins and holding accounts, cyber incidents, complaints and system availability, together with audited financial statements within three months of the financial year end. They must also maintain a complaints process with a right of appeal to the Bank, conduct customer awareness campaigns at least twice a year and retain records for ten years. Agents may be used for marketing purposes only.

07. SUPERVISION AND ENFORCEMENT

- The Bank will supervise licensees on a risk-based approach and has powers to conduct examinations and investigations, appoint auditors to carry out special audits at the licensee's expense, impose administrative penalties, and suspend or revoke licences. Contraventions of the Directives are generally offences punishable by a fine of up to 2,500 penalty units (equivalent to ZMW1,000.00, or approximately US$49.28 at an exchange rate of ZMW20.2924 to US$1.00) , imprisonment for up to two years, or both. Where an offence is committed with the consent, connivance or gross negligence of a director or senior officer, that individual is also liable. Decisions of the Bank may be appealed to the Tribunal established under the National Payment Systems Act.

08. IMPLICATIONS FOR FINANCIAL INSTITUTIONS

- Banks, non-bank financial institutions and payment service providers remain subject to the due diligence, verification and reporting requirements of the Circular. Since 30 March 2026, they have also been barred, under the Notice, from facilitating transactions to or from unregistered virtual asset service providers. The Directives do not refer to, or revoke, the Circular or the Notice, and impose no counterparty verification obligations on financial institutions. Both instruments therefore appear to remain in effect. Their test, however, is registration rather than licensing, and the Directives do not say whether a provider entered on the Bank's register of licensees under Directive 18 is to be treated as "registered" for these purposes, or how institutions should treat providers that were operating on 18 September 2026 and are relying on the transitional period in Directive 52.

- Institutions holding customer funds for virtual asset service providers will also be affected by the segregation, reconciliation and concentration requirements in Directive 24. In addition, the Bank may require information from any intermediary involved in a virtual asset service under Directive 42.

09. MATTERS AWAITING FURTHER GUIDANCE

- A number of aspects of the regime depend on further action by the Bank, including the form of the licence application, the applicable fees, the threshold for transfer information requirements, the format of regulatory returns and the manner in which existing providers are to apply under the transitional provisions. The Bank also has a general power to exempt, waive or vary the application of any of the Directives. Further circulars and guidance are anticipated.

10. LOOKING AHEAD

- The Directives give the Zambian virtual asset market a clear legal basis on which to operate and invest. The standards are demanding, however, and closely resemble those applied to payment institutions. For many existing operators, building the required governance, customer asset protection, AML and operational resilience arrangements within the twelve-month transitional period is likely to be a significant undertaking. The approach the Bank takes to the outstanding guidance, and to the ownership provisions in particular, will be closely watched.

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