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THE REGULATION OF CRYPTOCURRENCY IN TANZANIA: AN ANALYSIS OF COMPLIANCE OF THE LEGAL REGIME WITH INTERNATIONAL LAW

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Abstract

The regulation of cryptocurrency presents a major challenge to financial governance in emerging economies such as Tanzania. The rapid growth of virtual assets, their decentralized nature, and potential for anonymity have raised significant concerns regarding money laundering, terrorist financing, and consumer protection. Internationally, the Financial Action Task Force (FATF) has established standards that require member states to regulate Virtual Asset Service Providers (VASPs) through licensing, supervision, and compliance with Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) measures. This article critically analyses the Tanzanian legal and institutional framework governing cryptocurrency in light of these international standards. It argues that although Tanzania has made preliminary steps such as recognizing digital assets under the Finance Act, 2024 and issuing public notices through the Bank of Tanzania there remains a significant regulatory gap in achieving full FATF compliance. The study concludes that comprehensive legislation is required to address the legal status of virtual assets, enhance regulatory oversight, and foster a balance between innovation and financial integrity.

Keywords: Cryptocurrency, Tanzania, FATF Recommendation 15, Virtual Assets, Regulation, Compliance, Financial Integrity, Virtual Asset Service Providers (VASPs).

Introduction

The emergence of cryptocurrency has transformed global financial systems by enabling decentralized peer-to-peer transactions outside traditional banking channels.ⁱ Digital assets such as Bitcoin, Ethereum, and other virtual currencies have introduced innovative financial solutions but have equally challenged established legal and regulatory frameworks. In developing economies, including the United Republic of Tanzania, the phenomenon poses both opportunities for financial inclusion and risks associated with financial crimes, consumer vulnerability, and macroeconomic instability.

The regulation of cryptocurrency is now a central concern of international financial governance.ⁱⁱ The Financial Action Task Force (FATF), through its Recommendation 15 and subsequent guidance, requires countries to identify, assess, and mitigate risks associated with new technologies, including virtual assets and Virtual Asset Service Providers (VASPs).ⁱⁱⁱ Compliance with these standards is vital for maintaining the integrity of the global

financial system and avoiding reputational risks such as grey-listing. For Tanzania, this requirement is particularly urgent given its increasing digitalization of financial services, expanding Fintech ecosystem, and cross-border exposure to digital markets.

Despite these developments, Tanzania lacks a comprehensive legal framework specifically addressing cryptocurrency regulation. The Bank of Tanzania Act^{iv} and the National Payment Systems Act, 2015^v provide the central bank with powers to regulate payment systems, but these statutes do not expressly include digital assets or Virtual Assets Service Providers. In 2019, the Bank of Tanzania issued a public notice warning citizens that cryptocurrencies were not recognised as legal tender and that trading or transacting in them was contrary to existing foreign exchange regulations.^{vi} Nevertheless, the growing popularity of cryptocurrency trading and investment among Tanzanians has persisted, facilitated by global digital platforms.

The government's policy position appears to be gradually evolving. The Finance Act, 2024 introduced a withholding tax on digital asset transactions, thereby providing a limited form of



recognition.^{vii} These developments demonstrate a cautious shift from prohibition toward controlled oversight. However, the absence of a dedicated regulatory law leaves substantial uncertainty concerning the legality, enforcement, and consumer protection aspects of cryptocurrency use.

This article seeks to evaluate the extent to which Tanzania's existing framework complies with international standards on cryptocurrency regulation. Specifically, it analyses FATF Recommendation 15 and its applicability to the Tanzanian context. The central research question is to what extent does Tanzania's legal and institutional framework on cryptocurrency conform to the FATF's international standards for virtual asset regulation? Methodologically, the study employs a doctrinal legal analysis, examining statutes, regulations, policy statements, and international standards. It also adopts a comparative perspective, drawing insights from jurisdictions that have implemented FATF aligned frameworks, such as Botswana, and Mauritius.

The significance of this study lies in its contribution to both national and international discourse on digital asset governance. It offers evidence-based recommendations to support Tanzania's legislative and institutional reforms in line with global financial integrity objectives.

Conceptual Framework

This part provides a conceptual clarification of the terms cryptocurrency, virtual assets, blockchain technology and virtual asset service providers (VASPs)

Definition of Cryptocurrency

Cryptocurrency is generally understood as a form of digital or virtual currency that uses cryptographic techniques to secure transactions and control the creation of new units.^{viii} Unlike fiat currency issued by a central authority, cryptocurrency operates on a decentralized network typically a blockchain that allows peer-to-peer transactions without intermediaries.^{ix} The first and most prominent cryptocurrency, Bitcoin, was introduced in 2008 by Satoshi Nakamoto, marking the beginning of the digital currency revolution.^x The Bank of Tanzania defines cryptocurrency as a digital means of exchange not issued by any central bank and which may be used to purchase goods and services or exchanged for legal tender. This definition underscores its unofficial status within the Tanzanian financial system. While cryptocurrencies facilitate faster and cheaper transactions, they pose challenges related to volatility, anonymity, and regulatory oversight. The anonymous or pseudonymous nature of crypto transactions increases the risk of money laundering, terrorist financing, tax evasion, and fraud.^{xi}

Virtual Assets and Virtual Asset Service Providers (VASPs)

According to the Financial Action Task Force (FATF), a virtual asset (VA) refers to a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes.^{xii} A Virtual Asset Service Provider (VASP)

on the other hand, includes any natural or legal person who, as a business, conducts activities such as exchanging virtual assets for fiat currencies, transferring virtual assets, or providing safekeeping and financial services related to virtual assets.^{xiii} Under FATF standards, countries must license or register VASPs and subject them to AML/CFT obligations similar to other financial institutions. The lack of such regulation in a jurisdiction exposes its financial system to misuse and reputational risks, particularly in cross-border transactions.

Blockchain Technology

Blockchain is the underlying technology enabling cryptocurrencies. It is a distributed ledger system that records transactions across multiple computers, ensuring transparency, immutability, and security. Each transaction is recorded in a block and linked to the previous one, creating a chain that is resistant to alteration.^{xiv} The potential applications of blockchain extend beyond cryptocurrencies, including smart contracts, supply chain management, and digital identity verification. However, the same features that promote transparency can also complicate regulation when used to obscure illicit activities through anonymity-enhancing tools.^{xv}

Legal and Institutional Framework Governing Cryptocurrency in Tanzania

The Bank of Tanzania as the central monetary authority, is at the core of Tanzania's financial governance system. The Bank of Tanzania Act, vests in the Bank of Tanzania the responsibility of formulating, implementing, and regulating monetary policy and ensuring financial stability within the country.^{xvi} The Act empowers the Bank to regulate payment systems and authorize the issuance of electronic money. In 2019, the Bank of Tanzania issued a Public Notice on Cryptocurrencies, warning citizens that the use, trading, and marketing of cryptocurrencies were not recognised as legal transactions under Tanzanian law.^{xvii} The notice explicitly stated that cryptocurrencies such as Bitcoin were not legal tender, and that their exchange contravened existing foreign exchange and payment system regulations. The Bank further cautioned the public that individuals engaging in such transactions did so at their own risk.^{xviii} While the notice served as a protective measure, it was administrative rather than legislative in nature and, therefore, lacked the force of law. Importantly, the Bank of Tanzania stance reflected a conservative regulatory approach, prioritizing the protection of the domestic financial system over the facilitation of digital innovation.

Despite this cautionary position, the National Payment Systems Act, No. 4 of 2015, provides a potential legal foundation for extending regulatory control to digital assets.^{xix} The Act mandates that any entity operating an electronic payment system must obtain prior approval from the Bank of Tanzania.^{xx} Although originally intended for conventional payment service providers, the broad language of the Act could, in principle, be interpreted to encompass cryptocurrency exchanges or wallet providers as entities facilitating payment transfers. However, in the absence of

interpretive regulations explicitly including virtual assets, such an extension remains speculative.

The Anti-Money Laundering Act, Cap. 423 constitutes another key component of Tanzania's financial regulatory framework.^{xxi} It establishes obligations for reporting institutions, including banks, financial intermediaries, and designated non-financial businesses and professions (DNFBPs), to implement customer due diligence, maintain transaction records, and report suspicious activities to the Financial Intelligence Unit (FIU).^{xxii} Anti-Money Laundering Act under section 3 defined Virtual asset to mean digital representation of value that can be traded digitally. The Virtual asset service provider is one who has engaged in exchanging virtual assets and fiat currencies. The Anti-Money Laundering Act under section 4 establishes the financial intelligence Unit which is institution responsible for the implementation of anti money laundering measures through receiving and analyzing transaction which are suspected of potential money laundering.^{xxiii}

An additional development In Tanzania's evolving legal framework is the Finance Act, 2024, which introduced for the first time a tax regime applicable to digital assets.^{xxiv} The Act defines a digital asset to include cryptocurrencies, non-fungible tokens (NFTs), and other blockchain-based instruments, and imposes a three percent withholding tax on payments made by a digital asset exchange platform to a resident person.^{xxv} Although primarily a fiscal measure, this legislative inclusion signifies a critical step toward formal recognition of digital assets within the Tanzanian legal system. The taxation of cryptocurrency transactions implicitly acknowledges their existence and economic value, even in the absence of specific regulatory legislation governing their operation.

Institutionally, the Bank of Tanzania, the Financial Intelligence Unit (FIU), and the Tanzania Revenue Authority (TRA) constitute the principal agencies with potential jurisdiction over digital assets. The Bank of Tanzania oversees monetary policy and payment systems; the FIU is responsible for enforcing AML/CFT compliance; and the TRA manages the taxation of digital transactions. However, there is limited coordination among these institutions, and none has yet been expressly mandated to regulate or license Virtual Asset Service Providers.^{xxvi} This lack of institutional clarity hampers effective oversight and undermines Tanzania's capacity to meet FATF expectations for supervision and enforcement.

The fragmented nature of Tanzania's framework contrasts sharply with the comprehensive regulatory regimes adopted by some of its African peers. For instance, Botswana's Virtual Assets Act, 2025 establishes a licensing system for VASPs consistent with FATF standards, while Mauritius' Virtual Assets and Initial Token Offerings Services Act, 2021 provides a detailed supervisory model for virtual asset activities. These examples demonstrate that alignment with international standards is both achievable and beneficial, as it enhances financial transparency and investor confidence. For Tanzania, adopting a similar approach would reinforce its commitment to global financial integrity and

strengthen its position within the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

International Standards on Cryptocurrency Regulation: The FATF Framework

The Financial Action Task Force (FATF) provides the most authoritative and comprehensive international standard for regulating cryptocurrencies and virtual assets. Established in 1989 by the G7 countries, the FATF was created to develop and promote policies aimed at combating money laundering and, later, the financing of terrorism and proliferation of weapons of mass destruction. Over the past three decades, the FATF has become the global benchmark for anti-money laundering (AML) and counter-terrorist financing (CFT) measures. As digital technology evolved and the emergence of cryptocurrencies began to challenge conventional financial systems, the FATF expanded its mandate to address the risks arising from virtual assets and their intermediaries.^{xxvii}

In 2019, the FATF issued a major update to its Recommendations, specifically revising Recommendation 15 to include virtual assets and Virtual Asset Service Providers (VASPs) within its scope.^{xxviii} This revision marked a pivotal step in the recognition of cryptocurrencies within the international regulatory architecture. The FATF defined a virtual asset as a digital representation of value that can be digitally traded, transferred, or used for payment or investment purposes. It further defined a VASP as any natural or legal person that, as a business, conducts one or more of the following activities: exchange between virtual assets and fiat currencies; exchange between one or more forms of virtual assets; transfer of virtual assets; safekeeping and administration of virtual assets; or participation in and provision of financial services related to an issuer's offer or sale of virtual assets.^{xxix}

The central purpose of FATF's approach to virtual assets is to mitigate the risks of money laundering, terrorist financing, and other financial crimes that may be facilitated through anonymity and decentralized digital transactions. Cryptocurrencies, by their design, allow users to transact without the involvement of regulated intermediaries such as banks or payment service providers. While this feature enhances efficiency and global accessibility, it also creates opportunities for criminal exploitation.^{xxx} The FATF therefore requires that countries extend their existing AML/CFT obligations to cover virtual assets and those who provide related services.

Under the FATF framework, jurisdictions are obliged to ensure that all Virtual Asset Service Providers are licensed or registered, subject to effective supervision, and compliant with AML/CFT requirements.^{xxxi} These requirements include the application of Customer Due Diligence (CDD), the maintenance of transaction records, and the reporting of suspicious transactions to relevant authorities. The FATF further insists on the implementation of the "Travel Rule," a measure that compels VASPs to obtain, hold, and transmit information on the originators and beneficiaries of virtual asset transfers.^{xxxii} The Travel Rule is designed to ensure that

authorities can trace the flow of funds in the crypto ecosystem in the same manner as in traditional financial systems.

The FATF's 2019 Interpretive Note to Recommendation 15 also mandates jurisdictions to conduct risk assessments to identify, understand, and mitigate money laundering and terrorist financing risks associated with virtual assets.^{xxxiii} This risk-based approach reflects the FATF's long-standing principle that regulation should be proportionate to the level of risk present in a jurisdiction. Consequently, countries with growing cryptocurrency markets are expected to implement comprehensive measures, whereas those with minimal activity may adopt lighter oversight provided the risks are demonstrably lower.

In 2021, the FATF issued an Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, offering further clarification on the scope and implementation of Recommendation 15.^{xxxiv} This guidance emphasized that AML/CFT regulations should apply to all forms of virtual assets, regardless of technological innovation, and that the regulatory perimeter should be technology-neutral. It also clarified that decentralized finance (DeFi) platforms, peer-to-peer exchanges, and stablecoins issuers could, in practice, fall within the definition of VASPs if they facilitate or conduct activities equivalent to financial services.^{xxxv}

Furthermore, the 2021 guidance reinforced the principle of international cooperation. Given the borderless nature of cryptocurrency transactions, effective regulation requires coordination between jurisdictions. The FATF therefore calls for information-sharing frameworks between national Financial Intelligence Units (FIUs), financial regulators, and law enforcement agencies to ensure that cross-border virtual asset flows are monitored and traceable.^{xxxvi} This global coordination is vital because criminals frequently exploit regulatory inconsistencies between jurisdictions to launder funds through digital assets.

The FATF's approach has gradually shaped the global landscape of cryptocurrency regulation. Jurisdictions that are members of the FATF or its regional bodies such as the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), of which Tanzania is a member are expected to transpose FATF standards into their domestic legal systems.^{xxxvii} Compliance is assessed through a process known as mutual evaluation, in which each member country's AML/CFT framework is reviewed to determine its conformity with FATF recommendations. Countries found deficient risk being placed on the FATF "grey list" or, in extreme cases, the "black list," both of which carry significant reputational and economic consequences. Grey-listed jurisdictions often face challenges in accessing international finance, as foreign banks impose stricter due diligence measures on transactions originating from non-compliant countries.^{xxxviii}

The FATF's virtual asset framework is thus not merely a technical standard but a legal and political instrument that shapes the global financial order. Its influence extends beyond AML/CFT regulation into areas of taxation, consumer protection, and cyber security.

Jurisdictions that have successfully implemented FATF-compliant regulations such as Mauritius, Singapore, and the European Union have not only enhanced their financial integrity but also attracted responsible digital asset investment.^{xxxix}

For Tanzania, the FATF framework provides a crucial benchmark for aligning its emerging digital economy with international expectations. As a member of the ESAAMLG, Tanzania is obligated to domesticate the FATF Recommendations, including the provisions of Recommendation 15.^{xl} This means enacting legislation to license VASPs, empowering supervisory authorities such as the Bank of Tanzania and the Financial Intelligence Unit (FIU), and integrating the Travel Rule into its financial surveillance systems. Although Tanzania has taken preliminary steps—such as the classification of virtual assets as high-risk under the FIU's 2023 guidance and the taxation of digital assets under the Finance Act, 2024—these measures fall short of the comprehensive regulatory architecture envisioned by the FATF.^{xi}

Full compliance requires more than isolated policy actions; it necessitates a coherent statutory framework that explicitly recognizes cryptocurrencies as a regulated financial asset class. Such legislation would not only satisfy international obligations but also provide clarity to investors, consumers, and enforcement agencies. Moreover, it would enhance Tanzania's capacity to engage in cross-border cooperation and avoid potential sanctions associated with FATF non-compliance.

The FATF's international standard, therefore, serves as both a guide and a measure for Tanzania's evolving cryptocurrency regulation. By adhering to this framework, Tanzania can safeguard its financial system from abuse, attract responsible innovation, and strengthen its standing in the international financial community. Conversely, failure to comply may expose the country to reputational risks, financial exclusion, and vulnerabilities to illicit financial flows in the fast-expanding digital economy.

Analysis of Tanzania's Compliance with FATF Standards

The assessment of Tanzania's compliance with the Financial Action Task Force (FATF) standards on virtual assets reveals a mixed picture of partial progress and significant regulatory gaps. While Tanzania has taken some initial steps toward acknowledging the existence of cryptocurrencies and incorporating aspects of risk-based oversight through the Financial Intelligence Unit (FIU) and taxation reforms, the overall legal and institutional framework remains inconsistent with the FATF's comprehensive requirements.^{xli}

At the heart of this analysis lies FATF Recommendation 15, which serves as the global benchmark for regulating new technologies, including virtual assets and Virtual Asset Service Providers (VASPs). The FATF's interpretive note to this recommendation requires member jurisdictions to identify and assess the money-laundering and terrorist-financing risks associated with virtual assets, to license or register VASPs, and to subject them to effective monitoring and enforcement mechanisms.^{xlii} These

obligations are grounded in the FATF's broader objective of ensuring that the introduction of new financial technologies does not undermine the integrity of the international financial system. For a country like Tanzania where the adoption of digital payment platforms and mobile-money services has expanded significantly the absence of a clear regulatory response to virtual assets creates vulnerabilities that contradict FATF expectations.^{xliii}

In practice, Tanzania has not yet introduced a licensing or registration framework for VASPs. The Bank of Tanzania remains the primary financial regulator, but its statutory mandate under the Bank of Tanzania Act and the National Payment Systems Act does not explicitly extend to cryptocurrency service providers.^{xliv} Consequently, entities operating in cryptocurrency trading, exchange, or custody functions exist in a legal vacuum, beyond the scope of direct supervision. The FATF requires that VASPs be subject to the same preventive measures as other financial institutions, including customer due diligence (CDD), record-keeping, and suspicious transaction reporting.^{xlv} The lack of these regulatory tools in Tanzania's legal regime represents a fundamental gap in compliance.

Furthermore, FATF standards oblige countries to adopt the "Travel Rule", a mechanism that mandates VASPs to obtain, hold, and transmit identifying information about the originator and beneficiary of a virtual asset transaction.^{xlvi} This rule is essential for enabling authorities to trace the movement of digital funds and detect potential money-laundering or terrorist-financing activities. Tanzania, however, has not yet implemented the Travel Rule or any comparable data-sharing obligation for digital-asset transactions. Neither the Anti-Money Laundering Act^{xlvii} nor the National Payment Systems Regulations provide for information-sharing obligations in the context of virtual-asset transfers. This omission not only weakens transactional transparency but also places Tanzania at variance with the FATF's core AML/CFT expectations.

Despite these shortcomings, there are positive developments that demonstrate partial progress toward FATF compliance. The Financial Intelligence Unit (FIU) has recognised virtual assets as posing high risks for money laundering and terrorist financing. In its 2023 Guide to DNFBPs, the FIU directed reporting entities to apply enhanced due diligence when dealing with clients engaged in crypto-related transactions. This measure aligns conceptually with the FATF's risk-based approach, which permits jurisdictions to prioritise resources based on identified risks. Nonetheless, the FIU's guidance is administrative in nature and lacks the force of law. Without statutory amendments to the Anti-Money Laundering Act or the issuance of specific regulations governing virtual assets, Tanzania's approach remains limited to non-binding advisories.

The Finance Act 2024 marked another significant, albeit indirect, step toward compliance. By defining digital assets to include cryptocurrencies and imposing a withholding tax on transactions conducted through digital-asset exchange platforms, the Act represents Tanzania's first legislative recognition of virtual assets. However, from a FATF compliance perspective, taxation is

peripheral; it neither addresses AML/CFT concerns nor establishes a supervisory mechanism for VASPs. FATF compliance requires more than fiscal acknowledgment—it demands enforceable legal obligations on service providers to prevent misuse of digital assets.^{xlviii}

Another critical area of non-compliance concerns supervision and enforcement. The FATF insists that competent authorities possess sufficient powers to monitor VASPs and impose administrative or criminal sanctions for non-compliance.^{xlix} In Tanzania, there is currently no designated authority with statutory powers to license or supervise cryptocurrency intermediaries. The Bank of Tanzania, while competent in regulating electronic-money issuers and payment-system providers, lacks legal authority to extend oversight to decentralized digital-asset activities.¹ Similarly, the FIU's enforcement powers are confined to entities classified as "reporting institutions" under the Anti-Money Laundering Act, a list that does not expressly include cryptocurrency platforms.ⁱⁱ This institutional gap limits Tanzania's capacity to impose AML/CFT controls on VASPs, thereby falling short of the FATF's criteria for effective supervision.

The FATF also stresses the importance of cross-border cooperation and information-sharing among jurisdictions.^{lii} Given that cryptocurrencies operate in a borderless digital environment, the ability to exchange information across regulatory and investigative agencies is central to effective oversight. Tanzania has not yet developed bilateral or multilateral mechanisms specifically addressing virtual-asset supervision. While the country participates in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) which facilitates peer learning and mutual evaluations there are no domestic protocols for exchanging information on cross-border cryptocurrency transactions.^{liii} This absence constrains Tanzania's ability to detect illicit flows that often transcend national boundaries.

Institutional coordination among domestic authorities presents another challenge. The Bank of Tanzania, Financial Intelligence Unit, and Tanzania Revenue Authority each exercise limited jurisdiction over aspects of digital finance but operate in silos.^{liv} The FATF recommends that jurisdictions establish integrated frameworks for regulatory cooperation, information-exchange, and enforcement. In Tanzania, the absence of a unified national strategy for virtual-asset regulation results in overlaps, inconsistencies, and potential regulatory arbitrage. The situation contrasts sharply with jurisdictions such as Mauritius and Botswana, where unified oversight frameworks have been implemented in direct conformity with FATF standards.

A further dimension of analysis concerns Tanzania's risk assessment and national policy response. The FATF expects member countries to conduct periodic assessments of money-laundering and terrorist-financing risks related to virtual assets and to incorporate the findings into national AML/CFT strategies.^{lv} Tanzania's most recent national risk assessment, conducted under ESAAMLG's supervision, did not include a comprehensive evaluation of virtual-asset activities.^{lvii} This omission reflects the

limited institutional awareness and technical capacity to assess emerging digital risks. Without empirical understanding of the size, nature, and typology of cryptocurrency use in Tanzania, policymakers remain unable to design proportionate regulatory responses consistent with FATF standards.

In summary, Tanzania's degree of compliance with FATF standards can be characterized as nascent and partial. The country has made modest progress in recognizing the risks associated with cryptocurrencies and integrating them into its fiscal and risk-management frameworks. However, it lacks the core elements required for full compliance—namely, a statutory licensing regime for VASPs, explicit AML/CFT obligations applicable to virtual-asset transactions, implementation of the Travel Rule, and institutional capacity for supervision and international cooperation. These deficiencies leave Tanzania exposed to reputational risks and potential financial isolation in an increasingly interconnected global financial system.^{lvii}

Critical Discussion and Recommendations

The regulation of cryptocurrency in Tanzania presents a complex interplay between innovation, financial integrity, and institutional preparedness. Although the country has demonstrated some willingness to align its legal and policy frameworks with global norms, the pace and scope of reform remain limited compared to the expectations of the Financial Action Task Force (FATF). A critical assessment of Tanzania's progress reveals both structural and conceptual challenges that have constrained effective compliance with FATF Recommendation 15 and its interpretive note.^{lviii}

From a structural standpoint, the Tanzanian financial regulatory framework was designed for traditional financial systems that rely on centralised intermediaries such as banks, licensed money service businesses, and payment institutions.^{lix} Cryptocurrencies, by contrast, operate on decentralized networks that do not require intermediaries to validate transactions.^{lx} This decentralization challenges the traditional logic of financial regulation, which is predicated on the ability of regulators to license, supervise, and sanction identifiable institutions. In Tanzania, the absence of a dedicated legal framework for virtual assets and Virtual Asset Service Providers (VASPs) reflects this conceptual mismatch. The Bank of Tanzania Act and National Payment Systems Act were enacted long before the rise of blockchain technology and, as such, do not envisage decentralized, peer-to-peer systems of value transfer.^{lxi} Consequently, regulatory agencies are forced to rely on outdated statutory interpretations, administrative notices, and indirect instruments such as taxation laws to address a technology that fundamentally transcends traditional boundaries.

Institutional constraints further exacerbate Tanzania's regulatory gap. The Bank of Tanzania possesses broad authority over payment systems but lacks the technical infrastructure and expertise necessary to oversee digital-asset markets.^{lxii} The Financial Intelligence Unit (FIU), while active in issuing AML/CFT guidance, operates within the confines of the Anti-Money Laundering Act, which does not expressly extend its jurisdiction to

cryptocurrency entities.^{lxiii} Moreover, there is a noticeable absence of structured coordination between the Bank of Tanzania, FIU, and the Tanzania Revenue Authority (TRA) each of which approaches the issue of virtual assets from distinct policy perspectives: monetary control, financial integrity, and revenue generation.^{lxiv} This fragmentation undermines the unified risk-based regulatory approach envisioned under FATF Recommendation 15.^{lxv}

At the policy level, Tanzania's cautious and largely prohibitive approach to cryptocurrency reflects a legitimate concern about financial stability and consumer protection. The Bank of Tanzania's 2019 Public Notice on Cryptocurrencies explicitly warned the public against engaging in digital-asset transactions on the grounds that such activities were not recognised under Tanzanian law.^{lxvi} While this measure may have mitigated immediate systemic risks, it also inhibited opportunities for regulatory learning, innovation, and engagement with the evolving digital economy. The FATF's guidance recognizes that outright bans are neither effective nor sustainable; instead, jurisdictions are encouraged to adopt risk-based regulations that promote transparency while allowing responsible innovation.^{lxvii}

From a comparative standpoint, Tanzania's progress lags behind that of several African peers who have successfully translated FATF standards into domestic legislation. Botswana, for instance, enacted the Virtual Assets Act, 2025, which provides a comprehensive framework for licensing, supervision, and enforcement. Similarly, Mauritius adopted the Virtual Assets and Initial Token Offerings Services Act, 2021, becoming one of the first African jurisdictions to fully align with FATF Recommendation 15. These developments demonstrate that compliance is achievable even within developing-country contexts, provided there is political commitment and institutional capacity. Tanzania's continued hesitation may therefore result not only in reputational damage but also in economic disadvantages, as compliant jurisdictions attract more Fintech investment and cross-border financial partnerships.^{lxviii}

A critical theoretical dimension of this analysis can be understood through the lens of international compliance theory, which posits that states adopt global norms such as FATF recommendations not merely due to coercive pressures but also because of socialization, legitimacy, and capacity-building incentives.^{lxix} In Tanzania's case, compliance has been hindered by limited technical capacity and the absence of policy harmonization rather than outright resistance. However, failure to engage proactively with FATF standards risks subjecting Tanzania to increased external pressure, including potential scrutiny during ESAAMLG's mutual evaluation processes.^{lxx} The reputational consequences of non-compliance can be severe: grey-listed countries often experience delays in international payments, reduced foreign investment, and heightened due diligence scrutiny by global financial institutions.^{lxxi}

Another important dimension concerns the balance between financial innovation and regulation. The FATF framework, while primarily focused on AML/CFT, does not preclude innovation.

Indeed, it advocates a balanced, technology-neutral approach that ensures regulatory objectives are achieved without stifling legitimate economic activity. Tanzania's policymakers, however, have tended to treat cryptocurrencies as an external threat rather than a potential tool for economic development. This defensive posture overlooks the broader opportunities associated with blockchain technology, such as improving remittance systems, enhancing supply chain transparency, and promoting financial inclusion for unbanked populations. By adopting a more progressive stance anchored in FATF-compliant risk mitigation Tanzania could both safeguard its financial integrity and harness the developmental benefits of digital finance.

Given these challenges, several policy recommendations emerge for achieving full FATF compliance. First, Tanzania should enact a Comprehensive Virtual Assets and Virtual Asset Service Providers Act, explicitly defining virtual assets, establishing a licensing regime for VASPs, and designating the Bank of Tanzania as the primary supervisory authority. Such a statute should require VASPs to implement customer due diligence, record-keeping, and reporting obligations consistent with the Anti-Money Laundering Act. The Act should also mandate compliance with the Travel Rule, ensuring that information on the originator and beneficiary accompanies all virtual-asset transfers.

Second, there is a need for institutional coordination and capacity building. The government should establish an inter-agency Digital Assets Task Force comprising representatives from the Bank of Tanzania, FIU, TRA, and the Ministry of Finance to harmonize regulatory actions and oversee compliance. Capacity-building initiatives, including staff training and technology acquisition, should be prioritized to enhance regulators' ability to monitor blockchain transactions and detect suspicious activities.

Third, Tanzania should pursue regional and international cooperation. Through its membership in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Tanzania can leverage technical assistance and peer learning to develop a coherent virtual-asset framework. Cross-border cooperation with neighboring jurisdictions such as Kenya and Uganda should also be strengthened to prevent regulatory arbitrage and facilitate the exchange of financial intelligence related to virtual-asset activities.

Fourth, the government should implement public education and consumer protection mechanisms. The lack of awareness about the risks and responsibilities associated with cryptocurrency trading exposes Tanzanian citizens to scams, fraud, and unregulated investment schemes. Public education campaigns and the establishment of a formal complaint and redress system would promote responsible market participation while enhancing trust in the financial system.

Lastly, Tanzania should integrate innovation and regulatory flexibility through mechanisms such as regulatory sandboxes. The BoT could establish a digital-finance sandbox to allow Fintech innovators to test blockchain-based solutions under controlled conditions. This would not only facilitate innovation but also enable regulators to understand emerging risks and design

informed, adaptive policies consistent with the FATF's risk-based approach.

In conclusion, Tanzania's pathway toward FATF compliance must balance prudence with innovation. The country has already taken preliminary steps toward recognizing the risks and fiscal implications of digital assets, but these measures remain insufficient to meet international expectations. Achieving full compliance will require legislative reform, institutional coordination, and a shift from prohibition to proactive regulation. A FATF-compliant regulatory framework would not only safeguard Tanzania's financial integrity but also position it as a credible player in the digital economy, capable of leveraging cryptocurrency innovation while maintaining alignment with global financial governance standards.

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ⁱⁱⁱ FINANCIAL ACTION TASK FORCE (2019), *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers (VASPs)*, Paris, FATF Secretariat, p. 4.

^{iv} *The Bank of Tanzania Act*, Cap. 197, Revised Edition 2023

^v *The National Payment Systems Act*, No. 4 of 2015,

^{vi} BANK OF TANZANIA (2019), *Public Notice on Cryptocurrencies*

^{vii} *Finance Act*, 2024,

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^{xvi} *The Bank of Tanzania Act*, Cap. 197, Revised Edition 2023, s. 5.

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^{xviii} Ibid

^{xix} *The National Payment Systems Act*, No. 4 of 2015, s. 5.

^{xx} Ibid

^{xxi} *The Anti-Money Laundering Act*, Cap. 423, Revised Edition 2023 s. 3.

- xxii *ibid*
- xxiii Section 6 of the Anti-Money Laundering Act Cap 423 RE 2023
- xxiv Finance Act, 2024
- xxv *ibid*
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