

Stablecoins and Tokenised Deposits in Four African Jurisdictions: Regulatory Readiness, Holder Protection and Cross-Border Settlement

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Abstract: This study examined regulatory readiness and holder protection for stablecoins and tokenised deposits in Nigeria, Kenya, South Africa and Ghana, focusing on cross-border investment settlement. It adopted a comparative documentary regulatory design supported by directed content analysis and an instrument-sensitive assessment framework comprising twelve criteria. The analysis covered regulatory developments from January 2020 to September 2026, including earlier legislation that remained applicable. It distinguished operative provisions from proposals and separated legal recognition, provider authorisation and substantive protection. The qualitative findings identified different regulatory pathways but showed that general virtual-asset recognition did not independently establish comprehensive reserve, redemption, custody or insolvency safeguards. Stablecoins required assessment of issuer obligations and backing arrangements, whereas tokenised deposits required separate examination of banking protections, transfer validity and resolution treatment. Cross-border use additionally raised questions about foreign-exchange compliance, settlement finality and supervisory coordination. The study proposed a responsible-use framework connecting functional classification, financial backing, enforceable claims, secure intermediation and cross-border accountability. Its contribution lay in distinguishing documented regulatory coverage from enforcement effectiveness and provider licensing from protection of underlying financial claims. The study concluded that settlement benefits depended on legally reliable arrangements and instrument-specific safeguards. It did not establish increased investment flows or definitive country rankings. Future research should combine provision-level scoring with supervisory evidence, transaction data and holder outcomes to assess regulatory effectiveness in practice.

Keywords: *Stablecoins; Tokenised Deposits; Regulatory Readiness; Holder Protection; Cross-Border Investment; Africa.*

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I. INTRODUCTION

➤ Background to the Study

Stablecoins and tokenised deposits are reshaping discussions about digital payments and cross-border settlement. Stablecoins seek to maintain value against a reference asset, while tokenised deposits represent commercial-bank deposit claims recorded on programmable infrastructure. Their legal and financial characteristics differ: stablecoin protection depends on issuer obligations, reserve arrangements and redemption rights, whereas tokenised deposits remain connected to banking regulation and settlement arrangements (Garratt & Shin, 2023).

Both instruments could support faster settlement and programmable transactions. However, technological efficiency does not guarantee financial safety. Stablecoins

can expose holders to reserve impairment, redemption restrictions and issuer failure, while foreign-currency tokens raise concerns about currency substitution and financial integrity (Bank for International Settlements [BIS], 2025). Consequently, international standards emphasise governance, disclosure, enforceable redemption and coordinated supervision (Financial Stability Board [FSB], 2023).

These issues are relevant to African jurisdictions pursuing digital-finance development within different banking, securities and foreign-exchange frameworks. Nigeria, Kenya, South Africa and Ghana provide comparative cases for examining whether regulatory recognition translates into substantive protection for token holders and legally reliable cross-border transactions.

➤ *Research Problem and Gap*

Despite the central problem is the potential separation between authorising virtual-asset activities and protecting the underlying financial claims. Provider licensing does not, by itself, establish reserve quality, redemption at par, asset segregation or recovery rights during insolvency. The FSB's implementation review found progress in crypto-asset regulation alongside significant gaps and inconsistencies, with less progress in regulating global stablecoin arrangements (FSB, 2025).

Existing monetary analysis explains why stablecoins and tokenised deposits require differentiated treatment, while international standards prescribe safeguards for stablecoin arrangements (Garratt & Shin, 2023; FSB, 2023). The unresolved question addressed here is how these distinctions and safeguards are reflected in four African regulatory frameworks, particularly where issuance, custody, transfer and redemption involve different jurisdictions. The study therefore examines regulatory coverage and holder protection rather than assuming that legal recognition establishes readiness.

➤ *Research Questions*

The study addresses four questions:

- How do the selected jurisdictions classify and regulate stablecoins and tokenised deposits?
- How extensively do their frameworks address the study's 12 regulatory-readiness criteria?
- What gaps remain in holder protection and cross-border regulatory coordination?
- What safeguards could support responsible cross-border use of these instruments?

➤ *Research Objectives*

The main objective is to assess regulatory readiness and holder protection for stablecoins and tokenised deposits in Nigeria, Kenya, South Africa and Ghana, with implications for cross-border investment settlement.

The specific objectives are to:

- Compare legal classification and supervisory responsibilities;
- Assess documented regulatory coverage using a 12-criterion index;
- Identify gaps in holder protection, foreign-exchange treatment and cross-border coordination; and
- Develop a framework for responsible cross-border use.

➤ *Scope Significance of the Study*

The study examines regulatory developments from January 2020 to 30 September 2026, including earlier legislation where it remains operative. It focuses on stablecoins and tokenised commercial-bank deposits; other crypto-assets and central bank digital currencies provide contextual comparisons. Cross-border investment refers principally to funding transfers and settlement associated

with investment transactions, rather than measured changes in investment inflows.

The analysis covers legal recognition, classification, licensing, reserves, redemption, custody, disclosure, AML/CFT, operational resilience, foreign exchange, supervisory cooperation and insolvency protection. It assesses documentary regulatory coverage rather than enforcement effectiveness, token returns or investment volumes.

➤ *Significance of the Study*

The study provides a structured comparison of regulatory provisions that broad permissive-versus-restrictive classifications can overlook. It distinguishes provider authorisation from protection of holders' financial claims and separates stablecoin safeguards from the banking treatment of tokenised deposits. Its findings can inform regulatory priorities, provider compliance and investor due diligence, while its proposed framework connects cross-border innovation with enforceable rights and coordinated supervision.

II. LITERATURE REVIEW

➤ *Conceptual Review*

• *Stablecoin Structures and Legal Claims*

Stablecoins are digital tokens designed to maintain a relatively stable value against a reference asset. Fiat-backed structures rely on reserve assets, crypto-collateralised structures use digital-asset collateral, and algorithmic arrangements depend principally on supply adjustments or related tokens. These mechanisms create different exposures and should not receive identical regulatory treatment.

A stablecoin's reference value does not automatically establish an enforceable claim against its issuer or reserves. Protection depends on the legal arrangement governing ownership, backing and redemption. The Financial Stability Board (FSB, 2023) therefore recommends robust legal claims and timely redemption, including redemption at par into fiat currency for single-currency stablecoins. This distinction separates the promise of price stability from the rights available when an arrangement fails.

• *Tokenised Deposits and Banking Protections*

Tokenised deposits represent commercial-bank deposit claims recorded on programmable infrastructure. Unlike reserve-backed stablecoins, their financial backing remains connected to the issuing bank's balance sheet and prudential framework. Garratt and Shin (2023) explain that tokenised deposits settled in central-bank money can preserve monetary singleness, meaning that different forms of money remain exchangeable at par.

Tokenisation nevertheless requires legal clarity about ownership, transfer and settlement. Deposit-insurance eligibility and treatment during bank resolution must be established under applicable law rather than assumed from the token's label. Accordingly, this study distinguishes stablecoin reserve and redemption safeguards from the banking protections relevant to tokenised deposits.

Table 1 Stablecoin, Tokenised Deposit and CBDC Comparison

Feature	Stablecoin	Tokenised deposit	CBDC
Primary issuer	Private issuer or financial institution	Regulated commercial bank	Central bank
Holder's claim	Depends on token terms and law	Claim against issuing bank	Claim against central bank
Financial backing	Segregated or issuer-held reserves	Bank balance sheet	Central-bank balance sheet
Redemption	Contractual and reserve-dependent	Deposit withdrawal or transfer	Conversion into other sovereign money
Main regulation	Payment, securities or virtual-asset law	Banking and payment law	Central-bank legislation
Principal risk	Reserve, redemption and issuer risk	Bank credit and settlement risk	Operational and privacy risk

Source: Author's Synthesis Based on Garratt and Shin (2023), Bank for International Settlements (2021, 2025), and Financial Stability Board (2023).

- *Cross-Border Payment, Settlement and Investment Functions*

Cross-border payments transfer monetary value between jurisdictions, while settlement discharges the associated financial obligations. Investment involves acquiring assets or financing economic activity; a token transfer alone does not establish an investment flow.

Stablecoins and tokenised deposits may facilitate investment-related funding transfers and settlement. Programmable platforms can coordinate payment instructions, compliance checks and asset delivery, potentially reducing reconciliation delays and settlement risk (Bank for International Settlements [BIS], 2025). These benefits remain conditional on reliable conversion, legal finality and compatible regulatory arrangements.

The study therefore treats cross-border investment principally through its funding and settlement functions. It examines the regulatory conditions supporting those functions without equating cryptocurrency transfers or remittances with productive investment.

- *Holder Protection and Monetary Risks*

Holder protection concerns enforceable claims, transparent information, secure custody, redemption and remedies following failure. Investor protection applies particularly to investment activities, while consumer protection also covers payment users and other financial customers. "Holder protection" provides the broader concept where a token's securities status remains uncertain.

Issuer and intermediary risks require separate assessment. Reserve safeguards address stablecoin backing, whereas custodial segregation protects assets held by exchanges or wallet providers. Neither substitutes for the other. Disclosure, operational resilience and recovery arrangements complement these protections (FSB, 2023).

Risks also extend beyond individual holders. Foreign-currency stablecoins may encourage currency substitution, while redemption pressures and financial-sector connections can transmit liquidity stress (BIS, 2025). Financial-integrity concerns include offshore providers, stablecoin misuse and transactions through unhosted wallets, as documented by the Financial Action Task Force (FATF, 2026).

- *Regulatory Readiness and Supervisory Coordination*

Regulatory readiness concerns whether a jurisdiction possesses appropriate legal provisions, supervisory responsibilities and tools for governing an activity. It differs from regulatory effectiveness, which requires evidence that those arrangements operate successfully.

This study operationalises documentary readiness through 12 criteria covering recognition, classification, licensing, reserves, redemption, custody, disclosure, AML/CFT, operational resilience, foreign exchange, cooperation and insolvency protection. The index assesses documented coverage rather than proven enforcement.

Cross-border readiness additionally requires coordination among authorities responsible for issuers, intermediaries and users. The FSB (2023) recommends cooperation and information sharing across jurisdictions and sectors. FATF (2026) similarly identifies continuing gaps between formal licensing frameworks and effective supervision. These distinctions support separate assessment of legal recognition, substantive safeguards and implementation evidence.

➤ *Theoretical Review*

The study is anchored in institutional theory, supported by information-asymmetry theory and transaction-cost economics. Together, these perspectives explain how legal arrangements, access to information and transaction governance shape regulatory readiness and holder protection.

North's (1990) institutional approach explains how formal rules, informal constraints and enforcement arrangements structure economic exchange. Applied to tokenised finance, it directs attention to the authority governing issuance, supervision, ownership and failure resolution. Regulatory recognition may reduce legal uncertainty, but its protective value depends on the rights and responsibilities accompanying that recognition. Cengiz's (2025) peer-reviewed analysis of stablecoin regulation examines the relationship between private currency competition and emerging regulatory arrangements, reinforcing the importance of institutional design. For this study, the institutional perspective informs comparison of legal classification, supervisory allocation, licensing and cross-border cooperation. Documentary provisions indicate formal coverage; they do not establish effective enforcement.

Information-asymmetry theory explains why token holders may struggle to assess an issuer's financial condition. Akerlof (1970) demonstrated how unequal knowledge about quality can undermine market exchange. In stablecoin arrangements, issuers and intermediaries possess information about reserves, liquidity and custody that holders cannot readily verify. Applying this perspective suggests that disclosure and independent verification can improve assessment, while enforceable redemption provides a means of acting on that information. Lyons and Viswanath-Natraj's (2023) peer-reviewed evidence shows that arbitrage arrangements influence stablecoin stability, supporting

attention to how holders access conversion mechanisms. The theory therefore informs the study's reserve, disclosure, redemption and custody criteria without assuming that transparency alone prevents failure.

Transaction-cost economics extends the analysis to cross-border settlement. Williamson (1981) treated transactions as the basic unit of analysis and examined how governance arrangements economise on transaction costs. Applied here, programmable transfers may reduce reconciliation and processing requirements, while uncertain ownership, fragmented supervision and conflicting foreign-exchange obligations may introduce additional costs. This perspective guides examination of settlement arrangements and regulatory coordination. It also explains why stablecoins and tokenised deposits require distinct treatment: their issuer liabilities, redemption structures and governing institutions differ. These are analytical expectations rather than demonstrated reductions in investment costs.

The combined framework proposes that responsible cross-border use depends on clear institutional responsibilities, verifiable financial claims and legally reliable transaction arrangements. It supports the study's distinction between provider authorisation and substantive holder protection. The theories guide interpretation of the regulatory evidence; the readiness index summarises documented provisions rather than testing causal effects on investment.

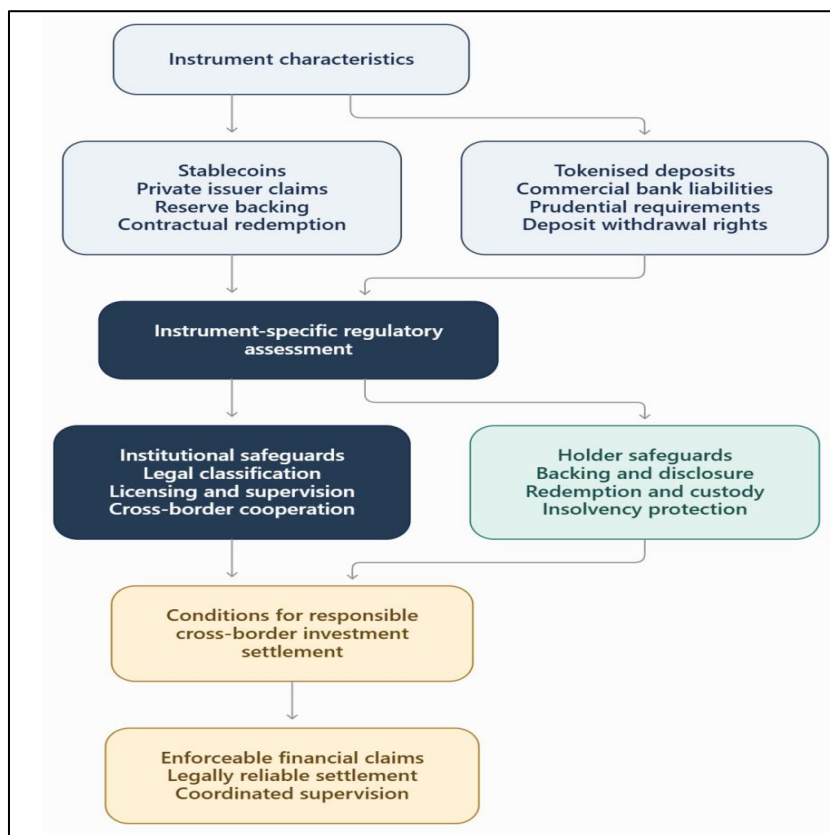


Fig 1 Conceptual Framework Linking Instrument Characteristics, Regulatory Safeguards and Conditions for Responsible Cross-Border Investment Settlement.

Source: Author's Synthesis Informed by North (1990), Akerlof (1970), Williamson (1981), Garratt and Shin (2023), and FSB (2023).

➤ *Empirical Review*

Empirical stablecoin research demonstrates that price stability depends partly on market design and access to arbitrage. Using transactions between Tether's treasury and private investors, Lyons and Viswanath-Natraj (2023) examined two issuance and infrastructure reforms introduced in 2019. Improved arbitrage access reduced the absolute size of peg deviations by approximately half. Their findings support attention to conversion mechanisms rather than reserve backing alone. However, evidence of improved market-price stability does not establish enforceable redemption rights or protection during issuer insolvency.

Dionysopoulos and Urquhart (2024) synthesised a decade of stablecoin research, documenting their expanding role within cryptocurrency markets and the wider financial system. Their review provides a useful account of market development and unresolved research questions, but does not assess whether particular African legal frameworks protect holders. Complementary legal scholarship examines institutional design: Cengiz (2025) analysed stablecoins and emerging regulation through Hayek's currency-competition framework. This work informs interpretation of regulatory choices, although it does not empirically test their effects on investment or investor losses.

Evidence on tokenised deposits increasingly extends beyond conceptual proposals. Project Agorá delivered a prototype combining tokenised commercial-bank deposits and central-bank reserves for atomic, multi-currency wholesale settlement (BIS, 2026). Lloyds Banking Group (2026) subsequently reported three live test transactions, including a transaction linking foreign-exchange conversion, payment and settlement. These results demonstrate technical feasibility within participating arrangements. They do not establish commercial viability across all jurisdictions, and the bank's report constitutes participant evidence rather than independent evaluation. Their relevance to African investment settlement therefore depends on local legal, supervisory and infrastructure conditions.

Comparative regulatory assessments reveal a continuing separation between formal progress and operational protection. The FSB (2025) found significant inconsistencies in implementing its crypto-asset framework, with less progress for global stablecoin arrangements. FATF (2026) similarly identified gaps in operational licensing, risk-based supervision and enforcement despite advances in legislation and registration. These assessments support examining implementation evidence alongside legal provisions. However, their financial-stability and AML/CFT focus cannot substitute for detailed analysis of holders' reserve claims, redemption rights or insolvency remedies.

The reviewed evidence consequently offers different forms of support: market studies explain peg behaviour, legal research examines regulatory design, and pilots test settlement functionality. None alone resolves how stablecoins and tokenised deposits are governed across the four selected African jurisdictions. This study addresses that specific question through a common documentary framework,

distinguishing instrument classification, provider authorisation, substantive holder safeguards and cross-border coordination. Its contribution concerns comparative regulatory coverage rather than demonstrated effects on investment flows.

III. METHOD

➤ *Research Design and Analytical Approach*

The study adopted a comparative documentary regulatory design, combining qualitative legal interpretation, directed content analysis and a descriptive regulatory-readiness index. Nigeria, Kenya, South Africa and Ghana constituted the cases, while stablecoins and tokenised commercial-bank deposits formed separate embedded units of analysis. The analysis examined legal classification, supervisory responsibilities, holder protection and cross-border settlement arrangements.

Documentary interpretation considered source authenticity, authority and context (Morgan, 2022). Directed content analysis organised evidence through predetermined categories informed by theory and regulatory standards, while accommodating additional distinctions emerging from the documents (Hsieh & Shannon, 2005). The index summarised documented regulatory coverage; it did not measure enforcement effectiveness or causal effects on investment.

➤ *Case Selection and Scope*

The four jurisdictions were selected purposively for their identifiable digital-asset regulatory developments and contrasting institutional arrangements across West, East and Southern Africa. Selection supported analytical comparison rather than statistical representation of Africa. English-language documentation facilitated consistent interpretation but limited transferability to other linguistic and legal settings.

The observation period covered January 2020 to 30 September 2026. Earlier legislation was eligible where it remained applicable to banking, payments, foreign exchange, custody or insolvency. Publication, enactment, commencement and implementation dates were distinguished, and materials published after the cutoff were excluded from scoring.

Cross-border investment was examined through investment-related funding transfers and settlement. Investment volumes, transaction-cost savings and investor returns were outside the study's scope.

➤ *Documentary Evidence and Selection*

Primary evidence comprised legislation, subsidiary regulations, supervisory directions, official licensing materials and relevant judicial decisions. Consultation documents and policy statements informed interpretation of regulatory development but were not treated as operative obligations. International standards and peer-reviewed studies supported framework development and

interpretation rather than independently establishing national legal scores.

Selection prioritised substantive coverage over equal country quotas. Official central-bank, securities-regulator, legislative and financial-intelligence repositories provided the principal documentary sources. Scholarly searches combined instrument terms, including “stablecoin” and “tokenised deposit,” with “reserve,” “redemption,” “custody,” “insolvency,” “cross-border settlement” and jurisdiction names.

Documents were eligible where they addressed at least one analytical criterion, possessed identifiable authority and contained sufficient text for interpretation. Promotional materials, duplicate records and unrelated documents were excluded. Amendments were interpreted alongside the instruments they modified; superseded versions were relevant only where they explained regulatory change.

The evidence-register structure specified document identifiers, titles, issuers, jurisdictions, dates, legal status, source locations and relevant provisions. Corpus totals and search details require confirmation against the completed register.

Table 2 Composition of the Documentary Corpus

Source category	Nigeria	Kenya	South Africa	Ghana	Cross-country	Total
Central-bank documents	3	3	3	3	—	12
Securities-regulatory documents	2	2	2	2	—	8
Legislation and parliamentary materials	2	2	2	2	—	8
AML/CFT or financial-intelligence materials	1	1	1	1	—	4
BIS, FSB, FATF and IMF documents	—	—	—	—	8	8
Peer-reviewed studies	—	—	—	—	8	8
Total	8	8	8	8	16	48

Source: Author’s Compilation from the Study’s Documentary Evidence Register.

➤ *Extraction and Legal Interpretation*

The extraction framework covered the instrument and activity regulated, responsible authority, applicable provision, commencement status, holder rights and cross-border implications. Provision-level references and explanatory justifications formed the basis of scoring.

Legal status was considered separately for issuance, exchange, custody, transfer and redemption. Recognition of one activity was not extended automatically to another. Registration, sandbox admission and statutory licensing powers were distinguished from operational licensing.

Assessment of apparent regulatory gaps extended to applicable general financial law. Insufficient documentary evidence was treated as uncertainty rather than conclusive proof that protection was absent.

➤ *Regulatory-Readiness Assessment*

The assessment framework comprised 12 criteria informed by the theoretical review and international stablecoin standards (FSB, 2023). Table 1 presents their analytical scope.

Table 3 Operationalisation of the Regulatory-Readiness Index

Regulatory criterion	Score 0	Score 1	Score 2
1. Legal recognition	No applicable operative legal basis identified.	Instrument or activity covered indirectly; legal scope remains uncertain.	Operative law expressly recognises the instrument or clearly establishes its legal treatment.
2. Instrument classification	No applicable classification identified.	General financial or virtual-asset classification applies without clear instrument differentiation.	Classification clearly distinguishes stablecoins, bank-deposit claims and other relevant instruments.
3. Licensing and supervision	No applicable authorisation or supervisory framework identified.	Supervisory powers exist, but applicable authorisation procedures or responsibilities are incomplete.	Applicable authorisation procedures operate, with clear supervisory responsibilities and enforcement powers.
4. Financial backing	No applicable backing or prudential requirements identified.	Stablecoin reserve safeguards or bank prudential requirements apply, but their scope is incomplete or uncertain.	Stablecoins: enforceable reserve adequacy, quality, liquidity and segregation requirements. Tokenised deposits: clearly applicable bank capital and liquidity requirements.
5. Redemption rights	No enforceable conversion or withdrawal right identified.	A right exists, but eligibility, timing, fees or settlement conditions remain materially unclear.	Enforceable rights specify eligible holders, timing, charges and settlement terms, including par redemption or withdrawal where applicable.
6. Custody and segregation	No applicable custody or safeguarding obligations identified.	General obligations apply, but ownership, segregation or asset-return arrangements are incomplete.	Applicable rules establish ownership, segregation, access controls and asset-return obligations for custodial holdings.
7. Disclosure and conduct	No applicable disclosure or conduct requirements identified.	Limited disclosures or general conduct rules apply.	Applicable rules require material risk and claim disclosures, transparent charges, fair marketing and complaint-handling arrangements.
8. AML/CFT	No applicable AML/CFT obligations identified.	Obligations apply, but entity coverage or transfer-information requirements are incomplete.	Applicable rules comprehensively address customer identification, beneficial ownership, monitoring, reporting, recordkeeping and transfer

Source: Author-Developed Scoring Rubric Informed by Financial Stability Board (2023), Garratt and Shin (2023), and Financial Action Task Force (2026).

Note. Apply the rubric separately to stablecoins and tokenised deposits. Scores concern operative documentary coverage, not demonstrated compliance or enforcement effectiveness. A score of 2 requires evidence addressing all material elements specified for that criterion; general provider licensing does not establish instrument-specific protection. Draft instruments receive no credit solely because they propose future requirements. Record insufficient evidence as U (unassessable) rather than zero. Score 0 means that no applicable provision was identified through the documented search, not that legal absence was conclusively established.

For a complete instrument-specific profile:

The scoring framework assigned 0 where no applicable operative provision was identified through the documented

search, 1 where operative coverage was indirect or materially incomplete, and 2 where operative provisions comprehensively addressed the criterion-specific requirements. Draft proposals were recorded separately and did not receive credit solely as evidence of regulatory intention.

Stablecoins and tokenised deposits were treated separately. Stablecoin backing concerned reserve quality, liquidity and segregation; tokenised-deposit backing concerned applicable banking capital and liquidity requirements. Full-reserve expectations for stablecoins were not imposed on commercial-bank deposits.

For profiles with all 12 criteria assessable, the index was specified as:

$$RRI_i = \frac{\sum_{j=1}^{12} S_{ij}}{24} \times 100$$

Where RRI_i represented the regulatory-readiness percentage of country i , and S_{ij} represented its score on criterion j .

Equal weighting provided a transparent descriptive baseline without assuming that all criteria carried equal economic significance. Unresolved items were designated unassessable rather than scored zero. Incomplete profiles did not support definitive country rankings, and maturity labels were omitted because their thresholds lacked independent validation.

➤ Content Analysis and Cross-Case Comparison

Directed analysis used the 12 criteria as initial coding categories. The framework also accommodated institutional overlap, offshore issuer exposure, settlement finality, legal uncertainty and implementation constraints. Interpretation prioritised the authority and applicability of provisions rather than document frequency.

The comparative sequence comprised within-country interpretation followed by cross-country assessment. Legal coverage, instrument-specific safeguards and implementation evidence were considered separately. Licensing activity and supervisory action provided contextual evidence but did not establish comprehensive holder protection.

➤ Credibility and Sensitivity Assessment

The validation framework specified a codebook, provision-level justifications and an audit trail of contested interpretations. Triangulation concerned consistency among legislation, implementing instruments and official explanations. Single-researcher recoding was distinguished from independent intercoder agreement, consistent with O'Connor and Joffe (2020).

Two sensitivity assessments were specified: a stricter calculation assigning zero to partial coverage and a leave-one-criterion-out calculation examining dependence on individual dimensions. Draft exclusion formed part of the baseline scoring rule. Completed recoding and sensitivity results require documentation before claims of coding consistency or ranking stability can be reported.



Fig 2 Documentary Selection and Instrument-Specific Regulatory Assessment Process.

Source: Author's Methodological Framework Informed by Morgan (2022) and Hsieh and Shannon (2005).

➤ *Ethics and Limitations*

The study relied on publicly accessible documents and involved no participant data. Accurate attribution and faithful legal interpretation guided the analysis.

Limitations included uneven publication, rapid regulatory change, researcher judgement and the reduction of complex provisions to ordinal scores. Documentary coverage does not establish compliance, supervisory quality or actual recovery outcomes. The findings therefore concern regulatory arrangements at the stated cutoff and their implications for holder protection, rather than demonstrated investment or financial-stability effects.

IV. RESULTS AND DISCUSSION

➤ *Legal Recognition and Regulatory Architecture*

The examined instruments established identifiable regulatory pathways for digital-asset activities, but differed in their legal scope. Nigeria's Investments and Securities Act 2025 expressly included virtual and digital assets within its securities definition. Its earlier digital-asset rules addressed issuance, offering platforms and custody, providing an institutional basis for supervising these activities (Nigeria,

2025; Securities and Exchange Commission Nigeria [SEC], 2022). These provisions established regulatory coverage without, by themselves, resolving every payment-stablecoin or tokenised-deposit question.

Kenya's framework allocated supervisory responsibilities to the Central Bank of Kenya and Capital Markets Authority. However, the subsequent consultation on implementing regulations illustrated the distinction between statutory authority and operational arrangements (Central Bank of Kenya [CBK], 2025, 2026). Ghana likewise established a statutory foundation through its Virtual Asset Service Providers Act, 2025, while official guidance described continuing implementation (Bank of Ghana [BoG], 2026). South Africa's declaration of crypto assets as financial products provided a different route through existing financial-services legislation (Financial Sector Conduct Authority [FSCA], 2022).

These differences supported an activity-specific comparison. Legal recognition, licensing powers and implemented safeguards represented distinct dimensions of readiness.

Table 4 Legal and Institutional Classification of Stablecoins and Tokenised Deposits in the Selected Jurisdictions

Jurisdiction	Stablecoin issuance and classification	Exchange and custody	Tokenised deposits	Institutional allocation and unresolved questions
Nigeria	The Investments and Securities Act 2025 recognises virtual and digital assets within the securities framework. This recognition does not independently determine the treatment of every payment stablecoin.	SEC's 2022 rules cover digital-asset issuance, offering platforms, exchanges and custody. Applicability depends on the asset and activity concerned.	The digital-asset rules alone do not establish the treatment of tokenised bank deposits. Deposit status, transfer validity and prudential coverage require separate banking-law assessment.	SEC: investment and securities activities. Banking, payment and foreign-exchange responsibilities must be assessed separately. The principal classification question concerns the boundary between payment tokens, investment claims and bank deposits (Nigeria, 2025; SEC, 2022). (sec.gov.ng)
Kenya	The Virtual Asset Service Providers Act 2025 establishes an activity-based regulatory framework, with responsibilities allocated between CBK and CMA.	The statutory framework provides for licensing and supervision. Official notices distinguished these powers from operational licensing and documented consultation on implementing regulations in 2026.	Tokenised deposits require assessment under applicable banking and payment provisions; their treatment cannot be inferred solely from VASP authorisation.	CBK and CMA: responsibilities allocated according to service category. The commencement and implementation status of relevant requirements must be verified at the study cutoff (CBK, 2025, 2026). (www.centralbank.go.ke)

Source: Author's Synthesis of the Investments and Securities Act (2025); Securities and Exchange Commission Nigeria (2022); Central Bank of Kenya (2025, 2026); Financial Sector Conduct Authority (2022); Bank of Ghana (2026); and Securities and Exchange Commission Ghana (2026).

Note. This table summarises verified regulatory foundations and identifies questions requiring further provision-level assessment. It does not establish comprehensive legal coverage at 30 September 2026. Authorisation of issuance, exchange or custody does not automatically establish permission for cross-border transfer, foreign-exchange conversion or enforceable redemption. Statements identifying further assessment are analytical limitations, not findings that protection is legally absent.

Source: Author's synthesis of the cited legislation and official regulatory materials.

➤ *Holder Protection and Instrument Differentiation*

The principal analytical finding was that provider authorisation and protection of the underlying financial claim required separate assessment. Rules governing exchanges or custodians could address intermediary conduct without establishing a stablecoin holder's claim against

issuer reserves. Accordingly, licensing evidence could not substitute for provisions governing reserve quality, redemption, segregation and insolvency.

This interpretation corresponded with the FSB's (2023) requirements for robust legal claims and timely redemption. It also complemented Lyons and Viswanath-Natraj's (2023) finding that improved arbitrage access strengthened peg stability: market conversion mechanisms matter, but price stability does not establish legal recovery rights.

Tokenised deposits required a separate banking analysis. Their deposit character directs attention to prudential requirements, transfer validity, settlement and resolution rather than stablecoin reserve rules (Garratt & Shin, 2023). The reviewed evidence did not justify assuming uniform deposit-insurance eligibility or cross-border protection.

Table 5 Regulatory-Readiness Scoring Matrix

Regulatory criterion	Nigeria	Kenya	South Africa	Ghana
Legal recognition of virtual assets	2	2	2	1
Stablecoin/token classification	1	2	1	1
Licensing and supervision	2	2	2	1
Reserve-backing requirements	1	1	1	1
Redemption rights	1	1	1	1
Custody and asset segregation	2	1	2	1
Disclosure and conduct rules	2	1	2	1
AML/CFT compliance	2	2	2	2
Operational resilience	1	1	2	1
Foreign-exchange treatment	1	1	1	1
Cross-border regulatory cooperation	1	1	1	1
Insolvency and customer-asset protection	1	1	1	1
Total score	17/24	16/24	18/24	13/24
Readiness index (%)	70.8	66.7	75	54.2
Readiness category	Transitional	Transitional	Advanced	Transitional

Source: Author's Calculations from Provision-Level Coding of the National Regulatory Instruments Listed in the Supplementary Evidence Register.

Note. The scores assessed the existence and specificity of rules, not the effectiveness of enforcement. Draft instruments received partial rather than full scores.

South Africa recorded the highest score, 75.0%, placing it at the lower boundary of the advanced category.

Nigeria followed with 70.8%, while Kenya and Ghana recorded 66.7% and 54.2%, respectively. The limited dispersion showed regulatory convergence around provider licensing and financial-integrity controls. It did not demonstrate equivalent convergence around the private-law characteristics of stablecoins or tokenised deposits.

South Africa's lead resulted from its operational licensing system, conduct supervision, custody provisions and comparatively developed financial-intelligence framework. The Financial Sector Conduct Authority had classified crypto assets as financial products in 2022 and had begun licensing providers under the existing financial-advisory framework. By March 2024, 59 licences had been approved from 355 applications, demonstrating movement from policy statements to operational supervision (Reuters, 2024). Nevertheless, the regime remained asset-neutral: it did not provide a complete stablecoin-specific structure for reserve quality, redemption at par or issuer resolution. The 2026 draft rules on offshore crypto transfers clarified reporting and authorised-provider channels, but their draft status limited the foreign-exchange and cross-border scores (Reuters, 2026a).

Nigeria's 70.8% score reflected major statutory progress under the Investments and Securities Act 2025. The Act recognised virtual assets and brought digital-asset operators and exchanges within the Securities and Exchange Commission's jurisdiction. This reduced the legal uncertainty that had previously separated banking restrictions from securities-market supervision. However, the framework still divided authority among the Central Bank of Nigeria, the Securities and Exchange Commission and financial-intelligence institutions. It also lacked a complete statutory distinction between payment stablecoins, investment tokens, tokenised bank deposits and other crypto-assets. Consequently, Nigeria scored strongly on recognition, licensing, custody, disclosure and AML/CFT, but only partially on reserve backing, redemption and insolvency protection.

Kenya's score reflected the clearer institutional allocation contained in its virtual-asset legislation. The framework assigned stablecoin and virtual-asset issuance to the Central Bank of Kenya while allocating exchanges and trading platforms to the Capital Markets Authority (Reuters, 2025). This functional division produced the strongest stablecoin-classification score among the four cases. Yet statutory allocation did not by itself supply detailed prudential standards. The reviewed framework was less explicit about reserve composition, independent attestations, redemption deadlines, custodial segregation and the treatment of holders during insolvency. Kenya was therefore institutionally well positioned but remained in the transitional category.

Ghana obtained the lowest score because much of its regulatory development occurred through consultation, registration and staged legislative reform. The Bank of Ghana had identified increased use of stablecoins and informal crypto channels, particularly in remittances, and had pursued a licensing framework for virtual-asset activities (Reuters, 2025). This represented material progress from non-recognition. Nevertheless, detailed rules on token classification, reserve governance, redemption, custody and failure resolution were less mature than the provider-licensing architecture observed in South Africa and Nigeria.

➤ *Cross-Border Settlement Implications*

The comparison identified legal classification, supervisory allocation and implementation status as relevant conditions for cross-border use. Domestic authorisation alone could not establish compliance throughout a transaction involving foreign issuers, custodians or redemption channels.

Project Agorá demonstrated the technical feasibility of combining tokenised deposits and central-bank reserves for multi-currency settlement (BIS, 2026). However, those results did not establish equivalent legal or infrastructure readiness in the four African cases. The implications for investment settlement therefore remained conditional rather than evidence of increased investment flows.

➤ *Integrated Discussion*

Institutional theory explained the importance of clearly allocated authority and enforceable claims; information-asymmetry theory directed attention to backing and disclosure; transaction-cost economics explained the relevance of legally reliable settlement arrangements (Akerlof, 1970; North, 1990; Williamson, 1981).

The findings supported differentiated regulation and provision-level assessment rather than inference from general virtual-asset recognition. They were consistent with international evidence of gaps between regulatory adoption and implementation (FSB, 2025; FATF, 2026). The defensible conclusion was that responsible cross-border use requires both identifiable regulatory authority and instrument-specific protection. Country rankings and claims of comparative completeness require the revised scoring evidence.

V. SUMMARY, RECOMMENDATIONS AND CONCLUSION

➤ *Summary of Findings*

The study examined regulatory arrangements for stablecoins and tokenised deposits in Nigeria, Kenya, South Africa and Ghana, focusing on holder protection and cross-border investment settlement. The qualitative comparison identified different pathways to digital-asset recognition and supervision. It also demonstrated the need to distinguish legal recognition, provider authorisation and protection of the underlying financial claim.

General virtual-asset regulation did not, by itself, establish comprehensive stablecoin reserve, redemption or insolvency protection. Tokenised deposits required separate assessment under banking, payment and resolution frameworks. Cross-border use introduced additional questions concerning foreign-exchange compliance, settlement finality and supervisory coordination. These findings concerned documented regulatory arrangements rather than enforcement effectiveness or measured investment outcomes.

➤ *Policy Recommendations*• *Clarify Instrument Classification*

Banking and securities authorities should distinguish stablecoins, tokenised deposits and investment tokens according to issuer liability, economic function and holder rights. Joint guidance should identify the authority responsible for each activity and address regulatory overlap.

• *Specify Stablecoin Backing and Redemption Obligations*

Authorities should establish enforceable requirements for reserve adequacy, quality, liquidity, segregation and independent verification. Redemption provisions should identify eligible holders, settlement currency, charges and deadlines, including redemption at par for single-currency fiat-backed stablecoins.

• *Strengthen Custody and Failure Protection*

Applicable rules should establish customer ownership, segregation of custodial assets, private-key controls and asset-return procedures. Issuer insolvency and intermediary insolvency should be addressed separately, with clear treatment of reserve assets and holder claims.

• *Clarify the Banking Treatment of Tokenised Deposits*

Banking authorities should determine how tokenisation affects deposit status, transfer validity, insurance eligibility and resolution treatment. Applicable capital and liquidity requirements should remain tied to the bank-deposit claim.

• *Coordinate Cross-Border Supervision*

Relevant authorities should establish information-sharing and enforcement arrangements covering offshore issuers, intermediaries, foreign-exchange reporting and customer redress. Technical transferability should not be treated as evidence of legal permission across jurisdictions.

• *Link Regulatory Testing to Measurable Safeguards*

Supervisors should require controlled trials to document transaction failures, redemption performance, complaints, operational incidents and compliance outcomes. Testing should inform permanent rules without implying a public guarantee of token safety.

Together, these measures form a responsible-use framework connecting classification, financial backing, enforceable claims, secure intermediation and cross-border accountability.

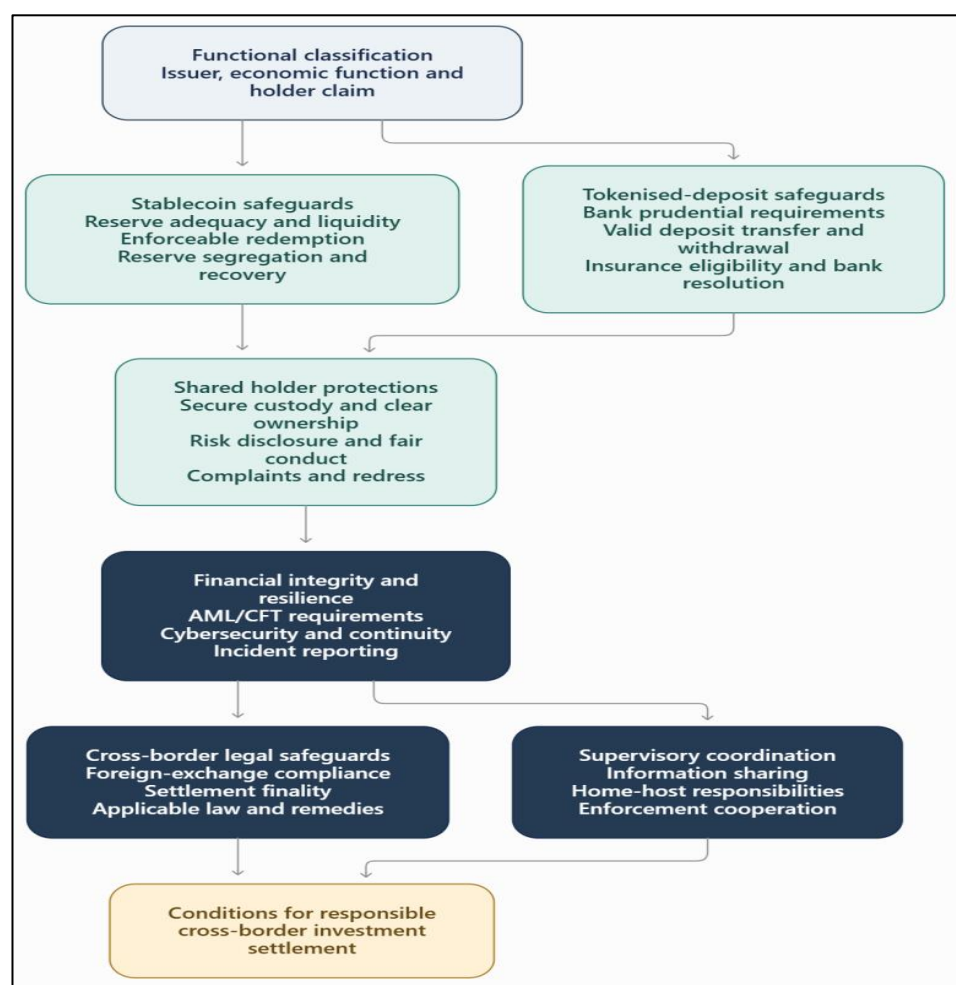


Fig 3 Proposed Framework for Responsible Cross-Border Use of Stablecoins and Tokenised Deposits.

Source: Author's Synthesis of the Qualitative Discussion and Policy Recommendations, Informed by Garratt and Shin (2023), FSB (2023), and FATF (2026)

➤ Conclusion

The study concluded that regulatory recognition was an incomplete basis for assessing the suitability of stablecoins and tokenised deposits for cross-border investment settlement. A stronger assessment required examination of the holder's claim, applicable safeguards and responsibilities across the transaction chain.

Stablecoins required scrutiny of reserve and redemption arrangements, while tokenised deposits required clarity about banking protection and legal continuity. Their potential settlement benefits remained conditional on reliable institutions and enforceable rights. The evidence did not establish increased investment flows or comprehensive regulatory effectiveness.

➤ Contribution to Knowledge

The study provided an instrument-sensitive framework for comparing African regulatory arrangements. It distinguished provider authorisation from substantive holder protection and connected domestic legal treatment with cross-border settlement requirements. Its proposed 12-criterion rubric offered a transparent basis for further provision-level assessment without equating documentary coverage with effective supervision.

➤ Limitations and Future Research

The analysis was limited by uneven documentary availability, rapid regulatory change and researcher interpretation. The four-country sample also restricted generalisation beyond the selected jurisdictions. Complete instrument-specific scoring and sensitivity results remained necessary before definitive country rankings could be established.

Future research should combine legal analysis with supervisory records, regulator and provider interviews, and evidence on redemption, complaints and recovery outcomes. Transaction-level studies could then assess whether stronger safeguards correspond with lower settlement costs, fewer losses or greater participation in cross-border investment.

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