

**AN ANALYSIS OF THE DEVELOPMENT AND REGULATORY FRAMEWORK OF
CRYPTOCURRENCY IN UGANDA**

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DECLARATION

I....., hereby declare that this dissertation is my original presentation of my research work and it has not been submitted in any other institution of learning for academic credit.

I have endeavoured to acknowledge other individuals and their work wherever a need for their contributions is involved. Every effort is made to indicate this clearly with due reference to the literature and appropriate citations.

Signature;

Date;

APPROVAL

I hereby certify that I have diligently supervised and fully endorsed the completion of this dissertation, in my capacity as the supervisor appointed by the University. I have provided assistance and guidance through the candidate's journey.

After review and assessment of the content of this dissertation, I am pleased to confirm my approval of this dissertation.

Signature;

Date;

ABSTRACT.

This paper examines the development and regulatory framework of cryptocurrencies in Uganda, tracing the global and regional emergence of digital currencies and assessing Uganda's response within its unique socio-economic and institutional context. With growing crypto adoption driven by youth entrepreneurship, digital freelancing, and cross-border payments, Uganda stands at a critical juncture, weighing significant opportunities against inherent risks. The study explores non-legal aspects, analysing public awareness, societal impacts, and challenges such as consumer vulnerability, digital exclusion, and market volatility, while highlighting advancements in digital finance, blockchain innovation, and youth-led start-ups. The analysis also scrutinizes Uganda's legal and regulatory landscape, emphasizing the roles of institutions like the Bank of Uganda, the Financial Intelligence Authority, and the Uganda Revenue Authority. It finds that the lack of a comprehensive regulatory framework creates legal uncertainty, increasing fraud risks and hindering innovation. The paper advocates for a balanced regulatory approach, including enhanced public education, regulatory sandboxes, and regional collaboration, to foster responsible cryptocurrency adoption. This work contributes to the broader discourse on digital finance governance in emerging economies.

DEDICATION

For God and my country.

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I would like to express my sincere gratitude to, whose expertise has been a crucial resource throughout this research. His insights into the practical realities of coffee production helped bridge the gap between theory and practice. I deeply appreciate his support and encouragement throughout this project.

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LIST OF ACRONYMS

DLT- Distributed Ledger Technology.
P2P- Peer-2-Peer.
DeFi- Decentralized Finance.
NFT- Non-Fungible Tokens.
FATF- Financial Action Task Force.
VASPs- Virtual Asset Service Providers.
IMF- International Monetary Fund.
FSB- Financial Stability Board.
BOU- Bank of Uganda.
CBDCs- Central Bank Digital Currencies.
BCBS- Basel Committee on Banking Supervision.
BIS- Bank for International Settlements.
USA- United States of America.
SEC- Securities and Exchange Commission.
CFTC- Commodity Futures Trade Commission.
IRS- Internal Revenue Services.
XRP- Ripple.
CFTC- Commodity Futures Trading Commission.
IRS- Internal Revenue Service.
EMTs- Electronic Money Tokens.
FCA- Financial Conduct Authority.
UK- United Kingdom.
FSMA- Financial Services and Markets Act.
AML- Anti Money Laundering.
CFT- Countering the Financing of Terrorism.
AU- African Union.
Cap- Chapter.

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CHAPTER ONE

1.0 INTRODUCTION

Cryptocurrency is the more familiar term for a major subset of what most Governments and regulators prefer to call 'crypto assets.' As the UK Treasury noted in July 2020, there is no single, widely agreed-upon definition of a crypto asset. Broadly, a crypto asset is a cryptographically secure digital representation of value or contractual rights that uses some type of distributed ledger technology (DLT) and can be transferred, stored, or traded electronically¹.

Cryptocurrency is a digital or virtual form of currency that has emerged as a transformative force in the global financial landscape. Cryptocurrency uses cryptography for security, which has emerged as one of the most transformative innovations of the 21st century.

Cryptocurrency relies on public key cryptography, in which users have a public key that is visible to everyone and a private key known only to their computer. Public Key Cryptography is an asymmetric form of cryptography in which the transmitter of a message and its recipient use different keys (codes), thereby eliminating the need for the sender to transmit the code and risk its interception².

Over the past decade, cryptocurrencies like Bitcoin, Ethereum, and others have gained significant traction. They offer decentralized, borderless, and efficient alternatives to traditional financial systems. This decentralized nature eliminates the need for intermediaries, such as banks, and offers a level of transparency, security, and efficiency that traditional financial systems often lack.

At the heart of cryptocurrency is blockchain technology, a decentralized and immutable ledger that records all transactions in a transparent and secure manner. A blockchain

¹ HM Treasury, Crypto Asset Promotions: Consultation, July 2020, p3

² public-key cryptography 'Gustavus J Simmons' (12th April 2025) <https://www.britannica.com/topic/public-key-cryptography> accessed 21st April 2025

consists of a series of blocks, each containing a list of transactions. Once a block is added to the chain, it cannot be altered, ensuring the integrity of the data. Therefore, Blockchain is a database technology that relies on a ledger distributed throughout a computer network, whose records are known as blocks³.

In Uganda, the adoption and development of cryptocurrencies have been moderate but are increasingly gaining attention as a potential tool for financial inclusion, innovation, and economic growth. Uganda is ranked among the top countries in Africa for cryptocurrency adoption⁴, reflecting the increasing popularity of digital assets among its population. The youth, in particular, have been at the forefront of this movement, leveraging cryptocurrencies for peer-to-peer transactions and online trading. The rise of mobile money platforms, such as MTN Mobile Money and Airtel Money, has laid the groundwork for digital financial services in Uganda, creating a conducive environment for cryptocurrency adoption as they are used in peer-to-peer (P2P) transactions on platforms like Binance.

Additionally, the proliferation of internet access and smartphones has enabled more Ugandans to participate in the global cryptocurrency market. Local cryptocurrency exchanges and trading platforms, such as Binance and Exness, have also gained popularity, providing users with access to digital assets and facilitating cross-border transactions.

In Uganda, currency means the currency of Uganda or foreign currency including banknotes and coins issued by the Bank of Uganda⁵. Foreign Exchange under the Foreign Exchange Act is defined to include bank notes, coins or electronic units of payment in any currency other than the currency of Uganda which are or have been legal tender outside Uganda⁶.

³ 'The Editors of Encyclopaedia. 'Blockchain database technology' (23rd March 2025) <https://www.britannica.com/money/blockchain> accessed on 21st April 2025.

⁴ The 2021 Geography of Cryptocurrency Report. Analysis of Geographic Trends in Cryptocurrency Adoption and Usage, Page 119.Chainalysis Report.

⁵ The Foreign Exchange Act of Uganda Chapter 167

⁶ The Foreign Exchange Act of Uganda Chapter 167

By virtue of this definition, cryptocurrencies can also be interpreted as a form of foreign currency. Currently, there is no recognized cryptocurrency as a legal tender in Uganda, and neither are there any licensed organizations in Uganda to sell or facilitate the trade in cryptocurrencies.

Back in 2011, Cyber-related legislation was passed to cater for the emerging digital landscape in Uganda. These include the Computer Misuse Act No. 2 of 2011, the Electronic Signatures Act No. 7 of 2011, and the Electronic Transactions Act No. 8 of 2011. As such, the regulatory landscape, and utilization of currencies demonstrates an appreciation for electronic transactions and the use of currencies but shies away from directly mentioning cryptocurrencies. As is stipulated, the current legal framework in Uganda does not directly address cryptocurrencies. Nonetheless, the public statements issued by the Ministry of Finance and the Bank of Uganda expressly paint the picture of non-adherence to cryptocurrencies in Uganda⁷

Uganda has witnessed a slow but steady embracement of cryptocurrencies, driven by factors such as limited access to traditional banking services, high remittance costs, and the growing penetration of digital technologies. However, the lack of a comprehensive regulatory framework has posed challenges to its widespread adoption and integration into the formal economy. The lack of clear regulations has created uncertainty for users, businesses, and investors, hindering mainstream adoption.

Additionally, cryptocurrencies have been embraced as a hedge against inflation and currency depreciation, particularly in a country where the local currency, the Ugandan shilling, has faced significant volatility in recent years. Despite these developments, the use of cryptocurrency in Uganda remains largely informal and unregulated, raising concerns about its long-term sustainability and economic impact.

⁷ The 2021 Geography of Cryptocurrency Report. Analysis of Geographic Trends in Cryptocurrency Adoption and Usage

The development of cryptocurrency in Uganda represents a significant shift in the country's financial landscape, offering both opportunities and challenges. While digital currencies have the potential to drive financial inclusion, innovation, and economic growth, their unregulated nature poses risks to consumers and the broader financial system.

1.1 BACKGROUND

The development of cryptocurrency is traced back to 2009 when a group of programmers called Satoshi Nakamoto introduced Bitcoin. Satoshi Nakamoto was concerned that traditional currencies were too reliant on the trustworthiness of banks or governments to work properly⁸ since the inception of Bitcoin, the first and most well-known cryptocurrency, in 2009, the world has witnessed an explosion of digital assets, each with unique features and use cases.

Cryptocurrency is a decentralized digital currency that facilitates direct peer-to-peer transactions without relying on intermediaries such as banks. It operates through a transparent system where transaction details, including the amount transferred, are recorded on a public ledger. However, the identities of the individuals involved remain concealed, represented only by unique wallet addresses. The network relies on a distributed chain of computers that collectively validate and approve each transaction, ensuring its authenticity and preventing issues like double-spending. This level of transparency and security makes cryptocurrency a promising tool for minimizing fraudulent activities in financial exchanges. "Cryptocurrency exchange is somewhat similar to the global online payment system, PayPal, except that the currency being exchanged is not traditional money. The cryptocurrency procedure uses digital safeguards to ensure the security of transactions. Additionally, each transaction must be confirmed in a digital public ledger, known as a blockchain, through a process called mining⁹. Mining uses specialised hardware and software to add transactions to

⁸ The Editors of Encyclopaedia Britannica 'cryptocurrency digital asset' 31st March 2025. <https://www.britannica.com/money/cryptocurrency> accessed on 21st April 2025.

⁹ J. Murrey Atkins Library Research guides 'Cryptocurrency' <https://guides.library.charlotte.edu/cryptocurrency> accessed on 21st April 2025.

the blockchain¹⁰. The process of cryptocurrency mining is the “work” in a proof-of-work blockchain¹¹. Crypto miners use vast amounts of computing power as they compete to solve a complex math puzzle. The fastest miner to solve the puzzle is awarded the privilege of adding the newest block to a blockchain. They also collect transaction fees and the newly minted cryptocurrency associated with that block¹².

One of cryptocurrency's defining characteristics is its decentralized nature, meaning the system operates without central control by any individual, bank, institution, or government. Transactions are conducted directly between account holders on a peer-to-peer basis, eliminating the need for intermediaries. While the transactions are transparent and visible on the public ledger, the accounts remain anonymous, ensuring that users cannot identify the parties with whom they are transacting.

Numerous cryptocurrencies are currently in circulation, including Bitcoin, Ethereum, XRP, XLM, Dogecoin, and Stellar Lumens, among others. This growing variety has led many major companies and investment platforms to adopt cryptocurrencies as a key payment method. For instance, prominent organizations such as Rakuten, Twitch, AMC, Tesla, Microsoft, and PayPal have integrated cryptocurrency payment options, enabling users to pay for services using digital currencies.

As a result, the current cryptocurrency landscape and ecosystem should be viewed as more than just an advancement in electronic payment systems. It has emerged as a significant economic force with the potential to revolutionize global transactions. Beyond its original purpose of facilitating peer-to-peer coin transfers, cryptocurrency and blockchain technology

¹⁰ Coursera Staff ‘How Does Cryptocurrency Work? A Beginner's Guide’ (9th April 2025)
<https://www.coursera.org/articles/how-does-cryptocurrency-work> accessed on 21st April 2025.

¹¹ Alice Grace Garnett ‘What is crypto mining and how does it work?’ (16th April 2025)
<https://www.britannica.com/money/what-is-crypto-mining> accessed on 21st April 2025.

¹² Alice Grace Garnett ‘What is crypto mining and how does it work?’ (16th April 2025)
<https://www.britannica.com/money/what-is-crypto-mining> accessed on 21st April 2025.

are now disrupting traditional economic and societal structures. They offer a glimpse into the future, showcasing how transactions and systems might evolve in the years to come.

In Uganda, under Objective IX of the 1995 Constitution, the Government of Uganda is mandated to encourage private initiatives and self-reliance in order to achieve development across all sectors¹³. The Government is also mandated, under clause (ii) of Objective XI of the 1995 Constitution, to stimulate agricultural, industrial, technological, and scientific development by adopting appropriate policies and enacting enabling legislation¹⁴.

Therefore, putting in place the right legal framework for regulating cryptocurrencies is a government obligation that should be followed through on as the demands in tech development prompt us to think of new ways to adapt to such technology. This process requires a cautious approach in consideration of the impact that such regulation may have on different stakeholders.

As much as this innovation has not only revolutionized the way value is transferred but has also introduced new paradigms in finance, such as decentralized finance (DeFi) and non-fungible tokens (NFTs). The benefits of cryptocurrency are manifold: it provides financial inclusion by enabling access to banking services for the unbanked, reduces transaction costs by eliminating intermediaries, and offers faster cross-border payments compared to traditional systems. Additionally, its decentralized nature ensures resistance to censorship and government control, while blockchain technology enhances security and trust through cryptographic verification. As a result, cryptocurrency has become a powerful tool for economic empowerment, technological advancement, and the reimagining of global financial systems.

¹³ Constitution of the Republic of Uganda (National Objectives and Directive Principles Of State Policy)

¹⁴ Constitution of the Republic of Uganda (National Objectives and Directive Principles Of State Policy)

However, in a public statement on cryptocurrencies issued by the Ministry of Finance, Planning and Economic Development. The government of Uganda noted the emergence of the practice of using, holding and trading crypto-currencies in Uganda and that cryptocurrencies are digital assets that are designed to effect electronic payments without the participation of a central authority or intermediary such as a Central Bank or licensed financial institution¹⁵. Crypto-currencies may therefore be used to effect anonymous electronic payments or bought and held for speculative purposes in the expectation that their value will rise at a future time, whereupon they could be sold for a profit. This public statement was to inform the general public that the government of Uganda does not recognize any cryptocurrency as legal tender in Uganda and that the government of Uganda has not licensed any organization in Uganda to sell crypto-currencies or to facilitate the trade in crypto-currencies so these organizations are not regulated by the Government or any of its agencies¹⁶.

The development of cryptocurrency in the world and in Uganda seems to be only the beginning with the manifold of benefits it offers to users, and its high profitability is one that can't be ignored and therefore, the distancing of the Ministry of Finance from the use and recognition of cryptocurrency in Uganda and its profound lack of legislation or a regulatory framework would be more detrimental to the government to delay regulation, as cryptocurrency continues to grow rapidly, and implementing oversight now is more effective than waiting until the ecosystem becomes even larger and more complex.

1.2 STATEMENT OF THE PROBLEM.

The emergence of cryptocurrency has transformed the global financial landscape, offering new opportunities for innovation, investment, and financial inclusion. Cryptocurrencies, such as Bitcoin, Ethereum, and other digital assets, have rapidly gained traction due to their decentralized nature, potential for high returns, and the promise of democratizing finance. In

¹⁵ <https://archive.finance.go.ug/sites/default/files/press/statement%20on%20crypto%20currency.pdf>

¹⁶ PUBLIC STATEMENT ON CRYPTO-CURRENCIES. 'Ministry of Finance Planning and Economic development' <https://archive.finance.go.ug/sites/default/files/press/statement%20on%20crypto%20currency.pdf> accessed on 21st April 2025.

Uganda, the rise of cryptocurrency presents both opportunities and challenges, particularly in terms of its development and regulation.

Despite cryptocurrency's growing popularity in Uganda, its unregulated nature poses significant risks to consumers, businesses, and the broader financial system. The absence of clear guidelines has raised concerns about fraud, money laundering, and market manipulation, while the lack of consumer protection mechanisms leaves users vulnerable to financial losses.

While countries such as the United States, Japan, and members of the European Union have established comprehensive regulatory frameworks to govern the use of cryptocurrencies, Uganda has yet to implement a clear and cohesive legal structure to address the unique challenges and opportunities posed by this digital asset class.

The absence of a robust regulatory framework in Uganda has led to significant challenges, including a lack of consumer protection, vulnerability to financial crimes such as money laundering and fraud, and limited public and financial institution awareness about the risks and benefits of cryptocurrency.

Furthermore, the rapid growth of cryptocurrency adoption in Uganda, driven by factors such as high mobile penetration and a large unbanked population, has outpaced the government's ability to regulate the sector effectively. This regulatory gap has created an environment of uncertainty for investors, businesses, and users, potentially stifling innovation and economic growth.

This study seeks to address the critical gap in understanding the development and regulatory framework of cryptocurrency in Uganda. It aims to explore the current state of cryptocurrency adoption, the challenges posed by the lack of regulation, and the potential implications for

Uganda's financial system and economy. By analysing the existing legal and institutional frameworks and drawing lessons from other jurisdictions, this research will provide insights into how Uganda can develop a balanced regulatory approach that fosters innovation whilst mitigating risks.

Ultimately, this study will contribute to the broader discourse on cryptocurrency regulation in developing economies and provide actionable recommendations for policymakers, regulators, and stakeholders in Uganda.

1.3 OBJECTIVES OF THE STUDY

1.3.1 GENERAL OBJECTIVE

The general objective of the study is to analyse the development, adoption, and regulatory framework of cryptocurrency in Uganda, assessing its expansion, the effectiveness of current legal structures, and the challenges faced. The study will then provide recommendations for enhancing the regulatory environment to support the sustainable growth and economic integration of cryptocurrency in the country.

1.3.2 SPECIFIC OBJECTIVES

The specific objectives of the study are: -

- 1) To examine the current legal and regulatory framework governing cryptocurrency in Uganda.
- 2) To examine the development, adoption and utilisation of cryptocurrency in Uganda.
- 3) To pinpoint the obstacles and deficiencies present in the existing legal and regulatory framework governing cryptocurrency in Uganda.
- 4) To provide actionable recommendations for improving the legal and regulatory landscape to foster sustainable growth and advancement of cryptocurrency in Uganda.

1.4 RESEARCH QUESTIONS

- 1) What is the current legal and regulatory framework governing cryptocurrency in Uganda?
- 2) What factors have influenced the development, adoption and utilisation of cryptocurrency in Uganda?
- 3) What obstacles and deficiencies are present in the existing legal and regulatory framework governing cryptocurrency in Uganda?
- 4) What can be done to improve the legal and regulatory landscape in Uganda to foster the sustainable growth and advancement of cryptocurrency?

1.5 SIGNIFICANCE OF THE STUDY

This study is significant because it contributes to the growing body of literature on cryptocurrency adoption and regulation in developing countries. It provides insights into Uganda's unique challenges and opportunities and offers practical recommendations for policymakers, regulators, and stakeholders. By doing so, it aims to inform the development of policies that promote and address financial inclusion, promote innovation, and mitigate risks associated with digital assets, while also ensuring the stability of the financial system and protecting investors.

Some of these significances include;

- Cryptocurrencies can provide a secure and cost-effective means of conducting financial transactions, particularly for the unbanked and underbanked populations, who are the majority in Uganda.
- Cryptocurrencies can promote international trade by providing a global, decentralized, and transparent payment system, attracting foreign investors and making it easier to do business.
- By removing barriers like intermediary banks and high costs, cryptocurrencies can enable Ugandan businesses to access global markets, thus promoting financial inclusion and business growth.

- A well-structured regulatory framework is crucial for mitigating risks associated with cryptocurrencies, such as money laundering, tax evasion, and cybercrime.
- Regulations can boost investor protections, deter illegal activity, and encourage mass adoption of digital assets.
- Clear and consistent regulations can foster innovation in the financial technology sector, encouraging the development of new financial products and services.

1.6 JUSTIFICATION OF THE STUDY

This study justifies itself by addressing the critical need to address the growing influence of cryptocurrencies in Uganda's financial landscape, the lack of comprehensive regulatory frameworks, and the potential socio-economic implications of this emerging technology.

The reasons for the justification of this study include:

- ✓ While cryptocurrencies have garnered global attention, there is a notable lack of scholarly research focusing on their development and regulation in Uganda. This study will fill this gap by providing a detailed analysis of how cryptocurrencies are evolving in the Ugandan context.
- ✓ Most existing studies on cryptocurrency regulation focus on developed economies. Uganda, as a developing country with unique socio-economic challenges, requires context-specific research to understand how cryptocurrencies can be integrated into its financial system.
- ✓ Cryptocurrencies are gaining popularity in Uganda, with many individuals and businesses using them for remittances, investments, and transactions. This rapid adoption necessitates a deeper understanding of their development and the risks associated with their use.
- ✓ Uganda has a large unbanked population, and cryptocurrencies could provide an alternative means of accessing financial services. This study investigates how cryptocurrencies can facilitate financial inclusion and identifies the necessary regulatory measures to support this goal.

- ✓ Cryptocurrencies have the potential to attract investment, facilitate cross-border trade, and drive economic growth. However, without proper regulation, they could also pose risks to the economy. Your study will assess these opportunities and challenges.
- ✓ Cryptocurrencies are associated with risks such as volatility, fraud, and cybercrime. This study will highlight the need for regulatory measures to protect consumers and ensure the safe use of cryptocurrencies.

This study positions Uganda to harness the benefits of cryptocurrencies while mitigating associated risks, ensuring a balanced and sustainable approach to this transformative technology.

1.7 SCOPE OF THE STUDY

1.7.1 GEOGRAPHICAL SCOPE

The study focuses specifically on Uganda, analysing the development and regulatory framework of cryptocurrency within the country. It will examine the adoption, challenges, and regulations related to cryptocurrency at a national level, considering factors such as government policies, regulatory bodies, and the local cryptocurrency market

1.7.2 THEMATIC/SUBJECT SCOPE

This study focuses on the development of cryptocurrency in Uganda, with an emphasis on its regulatory framework. To maintain a clear focus on cryptocurrency, it excludes other digital financial technologies, such as mobile money.

1.7.3 TEMPORAL SCOPE/ (TIME-BASED).

The study covers the development and regulatory framework of cryptocurrency from its introduction in Uganda in late 2015/2016 to the present. It will assess the evolution of cryptocurrency in the country, the growth of user adoption, and the regulatory measures adopted by the Ugandan government and financial authorities during this period.

1.8 LITERATURE REVIEW.

1.8.1 Introduction

The emergence of cryptocurrency has significantly transformed the global financial landscape. As a decentralized and digital form of currency, cryptocurrencies operate outside traditional financial institutions, presenting both opportunities and regulatory challenges. Uganda, like many other developing economies, has witnessed a growing interest in cryptocurrency, prompting discussions on its regulation, potential benefits, and associated risks. This literature review explores the evolution of cryptocurrency, the global regulatory landscape, and the specific regulatory responses within Uganda.

1.8.2 The Development of Cryptocurrencies in Uganda

Cryptocurrency adoption in Uganda has been influenced by various factors, including financial inclusion, remittances, and digital innovation. Several studies highlight the role of blockchain technology in enhancing financial services, particularly for the unbanked population¹⁷.

Cryptocurrency adoption in Uganda has been on the rise despite the lack of clear regulatory frameworks governing digital assets¹⁸. Bitcoin and Ethereum remain the most popular cryptocurrencies traded in the country, reflecting global trends in decentralized finance. The growing interest is driven by factors such as financial inclusion, peer-to-peer transactions, and the potential for high returns. However, the Bank of Uganda has repeatedly warned users about the risks associated with crypto volatility, fraud, and lack of investor protection. Despite these concerns, Ugandans, especially the youth and tech-savvy population, continue embracing cryptocurrencies as an alternative to traditional banking. This trend highlights the need for policymakers to establish balanced regulations to safeguard consumers while fostering innovation in the digital finance space.

¹⁷ Nabimanya, T., & Tumusiime, A. (2020). "Blockchain and Financial Inclusion in Uganda." *Journal of African Economics*.

¹⁸ Bank of Uganda (2022). Annual Financial Report.

Uganda's cryptocurrency market saw significant growth as the country ranked 10th in Africa on the 2018 Global Innovation Index, reflecting its growing technological capabilities¹⁹. With the introduction of platforms like Binance in Uganda, which launched in 2018 to facilitate local crypto trading. However, the exchange ceased operations in 2021 due to regulatory hurdles and the lack of a clear legal framework for digital assets in the country²⁰. Its shutdown highlighted the challenges faced by crypto businesses operating in an uncertain regulatory environment, despite strong public demand. The closure also underscored the Bank of Uganda's cautious approach, as the central bank has yet to formally recognize or license cryptocurrency exchanges. Nevertheless, the brief presence of Binance Uganda demonstrated the potential for crypto adoption, pushing discussions on the need for structured regulations.

With the shutdown of formal exchanges like Binance Uganda, peer-to-peer (P2P) trading platforms have surged in popularity, offering Ugandans a decentralized way to buy and sell cryptocurrencies. These platforms allow users to trade directly with one another, bypassing regulatory restrictions and banking limitations. Scholars, such as Kyeyune (2021), argue that Uganda's tech-savvy youth, who make up a large portion of the population, have been key drivers of this trend, leveraging mobile technology to engage in crypto transactions²¹. The country's high mobile penetration rate, with over 70% of adults owning smartphones, has further facilitated access to digital currencies, even in rural areas. Additionally, P2P trading provides financial flexibility, enabling users to convert crypto into mobile money or cash with relative ease. This shift highlights how Ugandans are adapting to regulatory gaps by embracing alternative fintech solutions.

¹⁹ Uganda Quietly Fortifies Position as Blockchain Hub < <https://cryptobriefing.com/uganda-blockchain-hub/>> accessed 2nd April 2025.

²⁰ Kakembo, J. (2021). "The Rise and fall of Binance Uganda." East African Business Journal.

²¹ Kyeyune, H. (2021). "Cryptocurrency Adoption in Uganda: Challenges and Opportunities." Uganda Journal of Financial Studies.

While cryptocurrencies remain a contentious issue in Uganda, the government has demonstrated growing interest in blockchain technology for its broader applications. Officials have explored its potential to enhance transparency in land registries, reduce fraud in supply chains, and streamline public service delivery through decentralized record-keeping. However, despite this openness to blockchain innovation, traditional financial institutions remain wary of dealing with cryptocurrency-related businesses due to persistent regulatory uncertainty²².

1.8.3 The Legal Position of Cryptocurrencies in Uganda and its deficiencies.

Uganda does not currently have a specific law that governs cryptocurrencies, making its legal status ambiguous. The Bank of Uganda has repeatedly issued warnings against cryptocurrency transactions, stating that digital assets are not legal tender and that financial institutions should not facilitate cryptocurrency-related transactions²³. However, cryptocurrency trading is not explicitly prohibited, leading to a regulatory grey area.

Although Uganda does not officially recognize Bitcoin as a form of currency, Section 3 of the Foreign Exchange Act 2004 (the Act) defines “foreign currency” to mean a currency other than Uganda's legal tender. It further defines “foreign exchange” to include banknotes, coins, or electronic units of payment in any currency other than Uganda's legal tender that are or have been legal tender outside Uganda.

The Foreign Exchange Act further defines a “foreign exchange bureau” as a person holding a license issued by the Bank of Uganda to engage in foreign exchange business. The same Act defines “foreign exchange business” as the business of buying, selling, borrowing, or lending foreign currency. Consequently, any business that intends to buy, sell, borrow, or lend Bitcoin may do so under a forex bureau license issued by the Bank of Uganda.

²² Katumba, P. (2021). "Understanding Cryptocurrency Risks in Uganda." Makerere University Press.

²³ Bank of Uganda (2019). Press Release on Cryptocurrency Risks

The Electronic Transactions Act 2011, the Computer Misuse Act & the Electronic Signatures Act of 2011 also provide a seemingly comprehensive legal framework for e-commerce. In Particular, the Electronic Transactions Act, 2011, essentially provides for the use, security, facilitation and regulation of electronic communications and online transactions.

The Financial Intelligence Authority attempted to regulate cryptocurrency firms under the Anti-Money Laundering Act by requiring them to register for compliance purposes²⁴. Despite this effort, the lack of a clear legal framework has created uncertainty, with many crypto businesses operating without formal recognition.

Currently, there is no recognized cryptocurrency as legal tender in Uganda, and neither are there any licensed organizations in Uganda to sell or facilitate the trade in cryptocurrencies. To the extent that practices in crypto assets relate to various fields of financial transactions and investment, there are existing regulations in Uganda that are or can be perceived as applicable to them.

The Anti-Money Laundering Act (as amended by the Anti-Money Laundering (Amendment of Second Schedule) Instrument, No. 136 of 2020): The Second Schedule to the Anti-Money Laundering Act, 2013, was amended to include virtual assets service providers (VASPS) among the list of “accountable persons” subject to supervision and monitoring by the Financial Intelligence Authority (FIA). The amendment introduces paragraph 16 to the Schedule, which, in defining VASPS, states as follows: *“16. Virtual asset service providers, that is to say, a natural or legal person who conducts one or more of the following activities for or on behalf of another natural or legal person –*

- (a) The exchange between virtual assets and fiat currencies;*
- (b) The transfer of virtual assets;*

²⁴ Financial Intelligence Authority (2021). Anti-Money Laundering Compliance Report.

(c) The safekeeping or administration of virtual assets or instruments enabling control over virtual assets or instruments enabling control over virtual assets; and
(d) The participation in or provision of financial services related to an insurer's offer or sale of a virtual asset."

This provision, thus, means that anyone or any company that conducts one or more of the above-listed activities, for or on behalf of another person or entity, is required to register with the Financial Intelligence Authority. The purpose of this provision is to hold crypto service providers accountable for addressing scams and criminal liabilities related to the use of cryptocurrencies. Effectively, therefore, the Financial Intelligence Authority can rely on this regulation to supervise or monitor the activities of crypto service providers.

Despite the effort to amend the Anti-Money Laundering Act to include virtual asset service providers (VASPs) among the list of "accountable persons" subject to supervision and monitoring by the FIA. The former Executive Director of the FIA, Sydney Asubo, however, expressed her concerns with the substantial noncompliance of market participants to the agency's licensing requirements, exposing market participants to even greater risks of money laundering, terrorism financing, investment scams, and more and in a recent report by the FIA, it was announced that "only a few (VASPs) had registered²⁵.

The regulating of cryptocurrency in Uganda has been difficult especially due to the absence of a clear legal framework. Existing laws, such as the Anti-Money Laundering Act and the Electronic Transactions Act, do not adequately address the specific characteristics of cryptocurrencies, leaving gaps that could be exploited by malicious actors²⁶.

²⁵ Osato Avan-Nomayo, Uganda's finance watchdog, calls for crypto regulations in the country, Cointelegraph (May 24, 2021).

²⁶ Otali, R. (2022). Legal Perspectives on Cryptocurrency Regulation in Uganda. International Journal of Law

Uganda's approach to cryptocurrency regulation remains cautious compared to other African nations. Nigeria, for instance, initially banned cryptocurrency transactions in banks but later introduced licensing requirements for digital asset service providers and a central bank digital currency (CBDC). Similarly, South Africa implemented a risk-based approach, allowing cryptocurrency exchanges to operate under regulatory oversight²⁷. Kenya, while crypto remains unregulated, financial authorities are exploring regulatory frameworks to balance innovation with consumer protection²⁸. The United Kingdom and Singapore these countries have adopted a regulatory sandbox approach, allowing businesses to test cryptocurrency solutions under controlled environments before full regulation is introduced²⁹

1.9 Methodology

This chapter details the research methodology, data gathering techniques, and analysis methods employed to investigate the regulatory and legal framework surrounding cryptocurrency in Uganda. Utilizing a qualitative lens, the study seeks to thoroughly explore pertinent laws, policies, and practices within the industry. By adopting a doctrinal legal research approach, it systematically reviews legal documents, legislation, case law, and scholarly literature to assess the current legal landscape governing cryptocurrencies in Uganda. The methodology integrates both primary and secondary legal sources, as well as case studies, to deliver a well-rounded understanding of the topic.

1.10 Chapter Synopsis

This study examines the growth and regulation of cryptocurrency in Uganda across four chapters:

Chapter 1 introduces the research problem as well as the research objectives and methodology.

²⁷ Ochieng, B. (2022). "Comparative Cryptocurrency Regulation in Africa." *African Journal of Law & Technology*.

²⁸ East African Financial Review (2023). *Digital Financial Solutions in East Africa*

²⁹ IMF (2022). *Global Financial Stability Report*.

Chapter 2 analyses the non-legal aspect of cryptocurrency, including the socio-economic and technological adaptation drivers,

Chapter 3 looks at the legal aspects while assessing Uganda's regulatory gaps and comparative framework, and lastly;

Chapter 4 proposes tailored regulatory solutions that balance innovation with consumer protection.

The study highlights Uganda's urgent need for clear cryptocurrency policies to harness financial inclusion benefits and mitigate associated risks such as fraud and market volatility. Thus, it ultimately recommends a phased regulatory approach informed by global best practices and the local context.

CHAPTER TWO

2.0 Introduction

This chapter will delve into the non-legal robust factors that influence and shape the rise, operation, development and the regulatory framework of cryptocurrency in Uganda. Cryptocurrency has reflected a transformative innovation under the global financial ecosystem, leveraging blockchain technology to encourage decentralised and secure transactions. This chapter examines the technological underpinnings of digital currencies, the socio-economic environment facilitating their adoption, as well as the key challenges faced by users and the broader financial ecosystem. These factors are crucial for understanding the broader context in which legal frameworks operate, providing a foundation for assessing the urgency and direction of regulatory developments examined in later chapters.

2.1 The Development, Adaptation and Utilization of Cryptocurrency.

2.1.1 Understanding Cryptocurrency and Blockchain Technology.

Cryptocurrency refers to a form of digital or virtual currency that uses cryptographic techniques to secure financial transactions, verify asset ownership and control the creation of new units. Un-Identical to fiat currencies issued and regulated by the central bank of a particular country, cryptocurrencies operate on decentralised networks based on blockchain technologies, which is a technological innovation that boosts the entire cryptocurrency ecosystem³⁰.

A blockchain refers to a distributed digital ledger that records all transactions across a network of computers in such a way that the data is secure, immutable and transparent. Every transaction is grouped into a block, which is then verified. Once verified, the block is added to the chain in chronological order, forming an ever-growing ledger that cannot be altered

³⁰ Satoshi Nakamoto 'A Peer-to-Peer Electronic Cash System' [2008] <https://bitcoin.org/bitcoin.pdf>.
<<accessed on Tuesday 15th April 2025>>

retroactively without altering all the subsequent blocks in the chain, thus making the transaction very secure.

Bitcoin, a revolutionary cryptocurrency, was introduced in 2009 by an anonymous individual or group using the pseudonym Satoshi Nakamoto. It was envisaged as a peer-to-peer electronic cash system that eliminated the need for intermediaries and regulators such as central banks, banks, and governments, thereby reducing transaction costs and enhancing privacy and security.

From the introduction and launch of Bitcoin, the cryptocurrency space has expanded rapidly. Thousands of alternative cryptocurrency coins have been developed, each with its own uniqueness and applications. Notable among these are:

- 🚩 **Ethereum (ETH):** Introduced in 2015, it goes beyond digital currency by enabling smart contracts, that self-executing contracts coded directly onto the blockchain. It was first conceived in 2013, and development works started in 2014, and was released in July 2015 by a programmer known as Vitalik Buterin³¹.
- 🚩 **Binance Coin (BNB):** A utility token used within the Binance ecosystem for trading fee discounts, payments, and staking.
- 🚩 **Tether (USDT):** This is a stablecoin that is pegged to the value of the US Dollar, offering a relatively stable store of value in the often-volatile crypto market.

In Uganda cryptocurrency is primarily accessed through international exchanges platforms such as Binance and Exness many of which do support and offer peer to peer (P2P) trading and the integration with mobile money services such as MTN mobile money and AIRTEL mobile money has promoted its use, development and adaptation especially with the country's population largely being unbanked.

³¹ Ethereum White Paper, 'A NEXT GENERATION SMART CONTRACT & DECENTRALIZED APPLICATION PLATFORM' By Vitalik Buterin [2015] https://blockchainlab.com/pdf/Ethereum_white_paper-a_next_generation_smart_contract_and_decentralized_application_platform-vitalik-buterin.pdf. <<accessed on Tuesday 15th April 2025>>

2.1.2 The Penetration and Evolution of Cryptocurrency in Uganda [development and adaptation].

The development and adaptation of cryptocurrency in Uganda have been influenced by both international tech trends and local socio-economic factors. However, Uganda does not currently have a fully formalized cryptocurrency economy, and thus, increasing participation in cryptocurrency activities reflects a growing adaptation to the emerging financial technology.

In Uganda, cryptocurrency started to gain momentum and attention around 2016, primarily through informal peer-to-peer facilitated trading platforms and social media channels. The growth has been largely driven by a young tech-savvy population and diaspora communities seeking more efficient and affordable means of remitting money and investing in digital markets. A significant number of Uganda's population remains unbanked or underbanked, which has created a fertile ground for alternative financial tools such as digital currencies like cryptocurrency³².

In Uganda the cryptocurrency or digital currency sector arrived at a key and pivotal turning point in 2018 when the world's largest cryptocurrency exchange Binance launched a localized version of its crypto exchange platform called Binance Uganda that would now allow and make it easy for Ugandans to trade different types of cryptocurrency using the Ugandan Shilling (Ugshs)³³.

³² FSD Annual Report 2022 State of Financial Inclusion in Uganda (Financial Sector deepening Uganda) https://fsdorguganda-my.sharepoint.com/personal/helpdesk_fsduganda_or_ug/_layouts/15/onedrive.aspx?id=%2Fpersonal%2Fhelpdesk%5Ffsduganda%5Ffor%5Fug%2Fdocuments%2FFSD%20Box%2F000%2FFSD%20Annual%20Report%202020%20%2D%202022%2Epdf&parent=%2Fpersonal%2Fhelpdesk%5Ffsduganda%5Ffor%5Fug%2Fdocuments%2FFSD%20Box%2F000&ga=1. <<<accessed on 15/04/2025>>>

³³ Official Launch of Binance Uganda Fiat-Cryptocurrency Exchange [2018-06-28] <https://www.binance.com/en/support/announcement/detail/360006584151>. <<<accessed on 15/04/2025>>>

However, Binance Uganda was shut down in 2020 following the low trading volumes and operational constraints.³⁴ Despite its limited presence, it created and raised awareness and offered proof of concept of localized crypto exchange services, hence influencing its rapid development and adaptation within Uganda.

Other platforms like Binance P2P, as well as the introduction of platforms like Chipper Cash, have remained active and even thriving, allowing Ugandans to engage in peer-to-peer crypto trading transactions and investment of digital assets. Additionally, the integration of mobile money platforms like MTN Mobile Money and AIRTEL mobile money with crypto services has been a pivotal enabler of adaptation to cryptocurrency. As of 2022, Uganda had over 30 million registered mobile money users³⁵ Thus, a natural bridge will be created between the gap in traditional finance and digital assets, promoting the adaptation and investment in digital currencies in Uganda.

Nonetheless, the adoption of cryptocurrency has not been without risks. Because many Ugandans lack digital skills, a substantial number of people are at risk of falling victim to fraudulent schemes such as DunamisCoin Resources Limited and Global Cryptocurrencies Ltd lured investors with impossibly high returns before collapsing, leaving thousands of Ugandans cheated and thus prompting increased scrutiny from financial authorities³⁶.

In response, the central bank, Bank of Uganda, through the Ministry of Finance, Planning and Economic Development, has issued several public warnings cautioning Ugandans against dealing in unregulated digital assets, noting that cryptocurrencies are not legal tender and are not protected under Ugandan financial laws³⁷. However, even under such strict regulation

³⁴ Jeff Benson 'Binance Uganda Is Shutting Down' [2020] <https://decrypt.co/47262/binance-uganda-shutting-down>. <<<accessed on 15/04/2025>>>

³⁵ Uganda Communications Commission [2022]. *Market Performance Report*.

³⁶ 'Dozens count losses in sham cryptocurrency scheme'. Daily Monitor [Kampala] Thursday, 05th December, 2019.

³⁷'PUBLIC STATEMENT ON CRYPTO-CURRENCIES' [2019] Ministry of Finance, Planning and Economic Development.

measures, cryptocurrency adoption is rising, especially among young people and informal online businesses. Moreover, cryptocurrency is now also used not only as an investment or payment method but also as a medium for freelance payments, e-commerce and remittances, especially by diaspora groups and communities, and cryptocurrency-based remittance solutions offer lower costs and faster processing times compared to traditional channels.

While Uganda's embrace of cryptocurrency stems directly from its tech-savvy youth population, pressing economic needs, and widening digital access, challenges such as scams, wild price swings, and unclear regulations continue to pose threats. The industry could, therefore, flourish with the right safeguards, balanced policies, financial literacy programs, and stronger digital foundations.

2.2 Economic Context and Implications.

Uganda's economic landscape plays a central role in influencing the adoption of cryptocurrency. With a large part of the population being youth-dominated, increased informal financial activity, the increased use of smartphones, and the deep penetration of the internet in rural areas, digital financial tools, particularly cryptocurrencies, are becoming more relevant.

2.2.1 Financial Inclusion and the Unbanked

The major factor behind the growing adoption of cryptocurrency in Uganda is the persistent challenge of financial inclusion. Nevertheless, access alone does not ensure active participation as many people in rural areas remain underserved due to distant banking facilities, costly fees and scepticism towards traditional financial institutions. Cryptocurrencies present a promising alternative to overcome these obstacles, with just a smartphone and access to the internet, individuals can conduct peer-to-peer transactions, manage digital wallets and engage with decentralised financial systems without having to rely

on conventional bank accounts. All this aligns with Uganda's existing success with mobile money platforms like MTN and AIRTEL mobile money, which have shown that digital financial tools can thrive in underserved areas (rural areas).

Leveraging the decentralised framework of blockchain technology, cryptocurrencies are able to sidestep most or all limitations of traditional banking. Platforms such as Binance became popular in Uganda due to their user-friendly interfaces and low or no barriers to entry. These tools have empowered people in remote areas to send, receive, and store value securely, advancing financial inclusion.

2.2.2 Remittances and Cost-Effective Transfers

Remittances play a vital role in Uganda's economy, and much of the inflow of remittances comes from Ugandans in the diaspora sending funds to support their families back home. While traditional remittance channels like Western Union and MoneyGram are dependable, they often impose high fees and can take days to process transfers, thereby delaying access to funds.

Cryptocurrency-based remittance solutions provide an alternative, by using digital currencies such as Dogecoin, Stellar Lumens, Bitcoin, or stable coins such as Tether USD (USDT), transfers can be completed in minutes with significantly lower fees and security and without the dependence on conventional financial intermediaries. Platforms like Binance P2P, Chipper Cash have gained popularity among Ugandans for enabling cost-effective cross-border transactions.

Furthermore, cryptocurrencies eliminate the need for currency conversion to make transactions and associated losses due to exchange rate discrepancies. For example, a person in the USA can send Bitcoin directly to another in Uganda, who can then convert it into Ugandan Shillings through a local P2P platform. This system evades conventional banking bottlenecks and can operate even during banking system downtimes or holidays.

2.2.3 Speculative Investment and Market Risks

Whilst cryptocurrencies provide pathways to economic upswing and broader access to financial tools, they also carry significant risks, particularly in the terrain of speculative investment. In Uganda, an increasing number of individuals, mostly young people and urban or city residents, are drawn to cryptocurrencies not only for practical use but also for the potential for substantial profits.

Fuelled by international media hype and social media influencers, many are enticed by the prospect of high returns from volatile assets like Bitcoin, Ethereum, and Binancecoin. For example, Bitcoin's value surged from \$53,962 in September 2024 to an all-time peak of \$106,143 in December. Such dramatic price swings can yield significant gains but also result in severe financial loss, as the market for such assets is constantly volatile.

Uganda currently lacks a robust investor education program to help individuals traverse this high-risk market. Commonly, investments are influenced by the following trends, even social media trends or misinformation, with a limited understanding of the complex market dynamics at play. This has left investors vulnerable to substantial losses and fraudulent schemes, such as Ponzi schemes posing as legitimate crypto opportunities. The Government of Uganda, through the Ministry of Finance and the Bank of Uganda, have repeatedly cautioned the public about unregulated currencies, especially cryptocurrencies, as well as their platforms exploiting the growing enthusiasm for cryptocurrencies among the Ugandan population³⁸.

The absence of regulatory frameworks further heightens these risks, leaving investors with few options for redress in cases of fraud or loss. Therefore, without government-backed protections like deposit insurance or anti-fraud measures in the crypto industry, the

³⁸ Public Statement on Crypto-Currencies. Ministry of Finance Planning and Economic Development. <https://archive.finance.go.ug/sites/default/files/press/statement%20on%20crypto%20currency.pdf>. <<accessed on Saturday 19th April 2025>>

speculative lure of cryptocurrencies can empower some and pose a significant danger for those not ready for market volatility.

2.3 Technological Landscape and Preparedness.

The technological environment in Uganda plays a key role in determining the scope and potential of cryptocurrency adaptation. Whereas factors such as widespread mobile money usage and increasing internet accessibility create a conducive setting for digital innovation, the ongoing infrastructural and socio-technical barriers present significant challenges. This part examines the primary enablers and limitations shaping Uganda's technological readiness for cryptocurrency integration.

2.3.1 Internet and Smartphone Access.

One of the prerequisites for engaging with cryptocurrency systems is the ability to access and connect to the internet and use smartphones. Aminah Zawedde, Permanent Secretary, Ministry of ICT, on addressing participants during a stakeholders' validation workshop for policy and regulatory framework for fibre infrastructure, highlighted that Uganda's internet users increased by 1.2 million [10%] between January 2023 and January 2024 and thus pushed the total number of internet users to 13.30 million³⁹ thereby also achieving an increased penetration rate of the population, which reflects notable progress in digital connectivity over recent years.

Smartphone ownership is also growing, and this is driven by more affordable devices, the influx of cheap Chinese products in the Ugandan local market, the expanded 3G and 4G coverage, and the constantly rising demand for digital services. Smartphones are essential for accessing crypto wallets, peer-to-peer transactions, trading platforms like Binance and Exness, and other blockchain-based financial tools.

³⁹ Aminah Zawedde 'Uganda Registers 1.2million New Internet Users in One Year' New Vision [Kampala, 26th March 2024.] https://www.newvision.co.ug/category/news/uganda-registers-12-million-new-internet-user-NV_184369. <<<accessed on 20th April 2025>>>

According to the preliminary results, Uganda remains a youthful nation, with over half its population (50.5 per cent) children aged 17 and under, and the youth demographic (18 - 30 years) constitutes 22.7 per cent of the total population.⁴⁰ This demonstrates a strong inclination to the adoption of digital technologies, including cryptocurrency-related tools. Therefore, this savvy demographic is more likely to explore crypto trading, education, and innovation, accelerating the technology's assimilation.

Nonetheless, discrepancies between urban and rural areas persist. For example, in cities such as Kampala, Wakiso, and Mbarara, better connectivity and digital engagement are enjoyed, whereas in rural areas, there is limited access to smartphones and reliable high-speed internet. This digital divide hinders equitable access to cryptocurrency technologies across the country.

2.3.2 Mobile Money Framework

Uganda's highly developed mobile money ecosystem is a pillar of its digital financial landscape and a key facilitator of cryptocurrency adoption. This mobile money system enables users to conduct various transactions such as transfers, savings, and payments using basic mobile phones and bypassing the need for traditional banking services. The widespread use of mobile money and familiarity with digital wallets create a natural pathway for cryptocurrency integration. Platforms like Binance and Exness have incorporated mobile money as a payment method, thus allowing users to easily purchase or sell digital assets. These fiat-to-crypto and crypto-to-fiat bridges enhance accessibility for a broader population.

Recent developments in Interoperability among mobile money networks mandated by the Uganda Communications Commission have further streamlined cross-platform transactions. This increased convenience supports cryptocurrency trading, particularly in peer-2-peer, and

⁴⁰Emmanet Nabwire 'Census 2024: Preliminary results released as Uganda remains a young population' 28th June 2024. <https://uganda.unfpa.org/en/news/census-2024-preliminary-results-released-uganda-remains-young-population>. <<<Accessed on 20th April 2025. >>>

leverages the public's trust in mobile money to promote the adoption of crypto-based financial services in Uganda.

2.3.3 Technological and Capacity Constraints

Despite the significant progress, Uganda faces numerous infrastructural and skill-related obstacles that limit the widespread adoption of cryptocurrency technologies. One of the major consistent challenges is internet connectivity, most especially in rural and remote areas. Whereas urban centres benefit from reliable broadband and mobile data as well as Ethernet (cable internet) that are much faster and consistent, rural areas often face weak signal, slower speeds and higher data costs, hence restricting their ability to perform real-time crypto transactions or access critical market information and education resources.

The unreliable electricity supply is also another significant barrier. With the national electrification, low access rates in rural areas, frequent power outages, and limited charging infrastructure in rural areas all disrupt consistent smartphone usage, which is vital for engaging with crypto platforms and carrying out mining, which is energy-intensive to run the strong and massive computers. This constraint reduces the practicality of cryptocurrency usage for everyday financial activities for many Ugandans.

Digital literacy remains a pivotal issue. Although smartphones and mobile money usage are widespread, many users lack the basic and fundamental knowledge to navigate complex cryptocurrency concepts like private keys, blockchain security, or even the management of digital wallets used to keep assets safely. This gap heightens the risk of falling victim to scams and Ponzi schemes. Therefore, without tailored digital literacy initiatives, the advantages of cryptocurrency may remain confined to urban and more educated groups, undermining the goal of inclusive financial access.

2.4 Public Perception and Societal Impact

The adaptation of cryptocurrency in Uganda is shaped not only by technological and infrastructural factors but also by socio-cultural influences, public awareness levels, and economic realities. The way people in society perceive and understand digital currencies plays a critical role in determining their uptake, most especially in the context of or with limited regulatory clarity.

2.4.1 Knowledge Gaps and Misinformation

The awareness of cryptocurrencies in Uganda is growing, though it remains superficial for many. While many Ugandans are familiar with terms like bitcoin, a lesser number have grasped the operation of digital assets, including blockchain technology, private keys, and digital wallets.

This limited understanding thereby leaves many susceptible to misinformation and scams. Widespread myths portraying cryptocurrencies as quick paths to wealth are often perpetuated by deceptive marketing and untrustworthy platforms. Fraudulent schemes such as Ponzi schemes and sham Initial coin offerings have capitalized on this lack of knowledge. For example, in 2019, DunamisCoin Resources Limited swindled investors out of over UGX 1 billion before its leaders were apprehended⁴¹ such occurrences have fuelled distrust and scepticism towards cryptocurrencies, overshadowing legitimate opportunities and complicating public perceptions. Uganda's low financial literacy rate further aggravates the problem as many individuals lack the skills to study and evaluate crypto platforms and markets critically.

⁴¹ 'Clients lose Shs10b in cryptocurrency scam' Daily Monitor, Kampala, Monday, December 09, 2019. <https://www.monitor.co.ug/uganda/news/national/clients-lose-shs10b-in-cryptocurrency-scam-1863836>. <<<accessed on 20th April 2025.

2.4.2 Youth Engagement and Digital Opportunities

Uganda's youthful population, which covers over 50% of the total population, shows significant enthusiasm for cryptocurrencies. This demographic is harnessing digital tools to overcome traditional barriers to economic participation, with cryptocurrencies emerging as a viable source of income for tech-savvy persons engaged in freelancing, online commerce, and digital services. Platforms such as Binance and Exness allow Ugandan freelancers to receive crypto payments, sidestepping constraints of international banking and currency exchange.

Nonetheless, this tendency has its downsides, as the informal nature of such work offers little job security, stability, or benefits, and many Ugandans dive into high-risk activities like margin trading, day trading, or crypto gambling (buying, holding, and selling crypto assets short term and long term, relying on a prediction for them to gain or lose value) without sufficient knowledge.

2.4.3 Cryptocurrency and Criminal Concern

The general impression of cryptocurrencies in Uganda is also shaped by their association with felonious activities. The anonymous nature of crypto transactions and the absence of centralized oversight have sparked concerns among authorities regarding risks like money laundering, terrorism financing, sex and drug trafficking, and tax evasion, which are harder to trace without advanced tools and the necessary skills.

Although the Bank of Uganda and the Financial Intelligence Authority have not yet released detailed data on crypto-related crimes, they have issued repeated warnings about the downfalls and shortcomings of unregulated digital assets. A 2019 Bank of Uganda notice clarified that cryptocurrencies are not legal tender and that users have no recourse in case of losses incurred on crypto platforms⁴².

⁴² Public Statement on Crypto-Currencies. Ministry of Finance Planning and Economic Development <https://archive.finance.go.ug/sites/default/files/press/statement%20on%20crypto%20currency.pdf>. <<<accessed on 21st April 2025>>>

Though these measures are aimed at safeguarding the public, they tend to reinforce a negative and biased view of cryptocurrencies, facilitate a restrictive regulatory climate, and limit the operations of certain crypto businesses. The paucity of a clear distinction between legitimate crypto use and criminal activity in public discussions further slows adoption and investment in blockchain and crypto innovations.

2.5 Opportunities and Risks

The emergence of cryptocurrency in Uganda symbolises a transformative shift in the financial and digital technological landscape. This part explores the potential benefits and challenges that cryptocurrency adoption poses to Uganda's economy and society.

2.5.1 Opportunities

Financial Innovation and Inclusion

Cryptocurrencies provide an opportunity for Uganda to bypass some limitations and barriers of the conventional traditional financial and banking infrastructure, most especially in remote areas. Many rural communities still rely on local informal saving groups and mobile money systems for some. By enabling peer-to-peer transactions without the need for centralised banks, cryptocurrencies like Bitcoin and stablecoins like USDT can bridge financial gaps. For example, platforms such as Binance, Exness and Chipper Cash have enabled Ugandans to access decentralised finance services, facilitating savings and micro lending. These innovations can enhance financial inclusion for populations marginalized by conventional banking systems.

Acceleration of the Digital Economy

Cryptocurrencies are built on blockchain technology, which promotes and drives transparency, traceability, and efficiency in sectors critical to Uganda's development, such as

agriculture, supply chain logistics, and e-commerce. For example, blockchain can be used to authenticate trade documents and fight and reduce corruption in procurement processes.

Additionally, smart contracts with cryptocurrencies like Ethereum can automate transactions, reducing bureaucracy and increasing efficiency in digital trade.

Youth Employment and Digital Entrepreneurship

The youthful group covers the larger portion of Uganda's general population, which faces high unemployment levels. Cryptocurrency and blockchain-based start-ups offer new entrepreneurial pathways. The youthful population is increasingly engaging in roles such as crypto trading, blockchain development, non-fungible token creation, and freelance work paid for in crypto.

Diaspora Remittances and Cross-Border Payments

Cryptocurrencies provide a low-cost and fast alternative to traditional remittance channels. Platforms such as Binance enable cross-border transactions at a fraction of the cost charged by traditional banks or services like Western Union. This can significantly reduce transaction costs and increase the disposable income of recipient households.

Decentralized Finance (DeFi) and Access to Capital

Decentralized finance platforms provide Ugandans the chance to access credit, earn interest through trading and invest in tokenized digital assets like crypto coins without intermediaries. This provides access to capital for small businesses and individuals who may be excluded from traditional financial systems due to a lack of collateral or formal credit history.

Innovation in Governance and Transparency

Blockchain technology can strengthen governance by fostering transparency and curbing corruption. For example, the Ministry of Lands, Planning, and Urban Development has

recently started digitising land registry systems, leveraging blockchain technology to strengthen accountability and public confidence in government services.

2.5.2 Risks

Consumer Vulnerability and Scams

Due to the lack of regulatory safeguards and low digital financial literacy there is a serious and major worry of the exposure of Ugandan customers to fraud. Ponzi schemes and fake crypto investment platforms have exploited thousands of Ugandans⁴³The absence of consumer protection mechanisms in the crypto market automatically means that victims of fraud have little recourse or legal protection. With social media platforms going viral, such as WhatsApp, Twitter, currently X, and Telegram, they are frequently used to market scam projects under the guise of legitimate investment opportunities.

Technological Exclusion and Digital Divide

While crypto has the ability to promote financial inclusion, it can also deepen technological exclusion. Many Ugandans, particularly in rural areas, lack access to smartphones, stable electricity, and reliable internet connectivity. Moreover, the technical complexities of managing crypto wallets and platforms, private keys, and decentralized platforms can be a barrier even for urban users.

Market Volatility and Economic Instability

Cryptocurrencies are naturally volatile. Price swings of up to 20% a day are not rare, particularly for speculative tokens or coins. While some Ugandans have profited from crypto trading, many have suffered significant losses due to a lack of understanding of the complex market dynamics and poor risk management. In case adoption grows unchecked and

⁴³ Clients lose Shs10b in cryptocurrency scam Monday, December 09, 2019. Daily Monitor <https://www.monitor.co.ug/uganda/news/national/clients-lose-shs10b-in-cryptocurrency-scam-1863836>. <<<accessed on 21/04/2025.

becomes deeply integrated into informal financial systems, the crypto market volatility could pose systemic risks, especially for households that rely on digital assets for savings and income sources. Therefore, large-scale losses on speculative ventures could reduce public trust in emerging financial technologies altogether.

2.5.3 Conclusion.

This chapter emphasises that cryptocurrency adoption in Uganda is driven by technological progress, socio-economic demands, and a young, digitally adept population. However, it is tempered by challenges like regulatory ambiguity, fraud vulnerabilities and infrastructural limitations. The emergence of mobile money and peer-to-peer platforms has boosted crypto usage, especially for remittances and financial inclusion, though uneven digital access and literacy impede broad participation. Whereas cryptocurrencies offer hope for fostering economic engagement and innovation, risks such as inadequate consumer safeguards, market volatility and public scepticism fuelled by scams remain significant. Therefore, to ensure that cryptocurrencies contribute sustainably to Uganda's economy, deliberate policies, enhanced digital infrastructure, and robust financial literacy initiatives are vital to harmonise innovation with security and equality.

CHAPTER THREE

3.0 Introduction

The accelerated upswing of cryptocurrencies has prompted governments and regulatory bodies across the globe to grapple with their legal and regulatory implications. In Uganda, the lack of a comprehensive legal framework for cryptocurrencies creates a complex environment characterized by regulatory ambiguity, consumer risks and untapped economic potential. This chapter analyses the legal regime governing cryptocurrencies from three perspectives: International, regional and domestic. Through examining international standards, regional approaches and Uganda's current legal landscape, the chapter identifies deficiencies in the current and existing framework and draws lessons from comparative jurisdictions to inform recommendations for a balanced regulatory approach.

3.1 International Perspectives on Cryptocurrency Regulation

A hallmark of the international legal regime governing cryptocurrencies is the lack of a binding multilateral treaty or convention that regulates their insurance, trading or use. The international legal regime for cryptocurrencies is not a single cohesive framework but a patchwork of standards, guidelines and national regulations shaped by international organizations, bilateral agreements and unilateral state actions. This complicates efforts to govern cryptocurrencies, as jurisdictions adopt varied approaches based on their economic, technological and institutional contexts.

Key players include the Financial Action Task Force, the International Monetary Fund, the Bank for International Standards, and the United Nations.

The Financial Action Task Force

The Financial Action Task Force (FATF) is an international policy-making and standard-setting body dedicated to combating money laundering and terrorist financing. The Financial Action Task Force has put in place worldwide standards and guidelines to govern cryptocurrencies and virtual assets. These rules mandate that Virtual Asset Service Providers adhere to anti-

money laundering and counter-terrorism financing requirements akin to those for traditional financial institutions, such as conducting customer due diligence, maintaining records, and reporting suspicious activities⁴⁴.

The 2021 guidance recommendations by the Financial Action Task Force that updated the 2019 guidelines and recommendations included key areas such as guidance on the risks and the tools available to countries to address the money laundering and terrorist financing risks for peer-2-peer transactions, guidance on the licensing and registration of Virtual Asset Service Providers as well as principles of information sharing and co-operation amongst Virtual Asset Service Providers and advice for the public and private sectors on the implementation of the “travel rule”⁴⁵. This travel rule requires VASPs to collect and transmit information about the originators and beneficiaries of transactions.

The International Monetary Fund.

The IMF has played a pivotal role and has significantly influenced cryptocurrencies' regulatory framework by offering policy recommendations, promoting global collaboration, and assessing digital assets macroeconomic and financial stability impacts.

The IMF has also highlighted cryptocurrencies' potential to reduce transaction costs and enhance access to financial services in developing countries⁴⁶. The IMF also supports the development of Central Bank digital currencies as a regulated alternative to private cryptocurrencies, with several countries in sub-Saharan Africa including Nigeria⁴⁷.

⁴⁴ The financial Action Task Force 'Virtual Assets' [https://www.fatf-gafi.org/en/topics/virtual-assets.<html#:~:text=The%20FATF%20has%20been%20closely%20monitoring%20developments,assets%20for%20money%20laundering%20and%20terrorist%20financing.&text=At%20the%20same%20time%2C%20virtual%20asset%20providers,record%20keeping%20and%20suspicious%20transaction%20reporting%20\(STR\).>](https://www.fatf-gafi.org/en/topics/virtual-assets.<html#:~:text=The%20FATF%20has%20been%20closely%20monitoring%20developments,assets%20for%20money%20laundering%20and%20terrorist%20financing.&text=At%20the%20same%20time%2C%20virtual%20asset%20providers,record%20keeping%20and%20suspicious%20transaction%20reporting%20(STR).>) accessed on 25th April 2025.

⁴⁵ Financial Action Task Force 'Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers' (2021) <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-rba-virtual-assets-2021> accessed on 25th April 2025

⁴⁶ The International Monetary Fund: The Global Financial Stability Report 'COVID-19, Crypto, and Climate: Navigating Challenging Transitions' (October 2021)[Chapter 2, Pg. 41-43]

⁴⁷ The IMF (International Monetary Fund) 'Central Bank Digital Currency and Other Digital Payments in Sub-Saharan Africa: A Regional Survey' [Fintech Notes]. (27th March 2024).

Bank for International Settlements (BIS).

The BIS creates influential regulatory thinking and policy development by producing research, recommendations and frameworks that guide national and international regulatory efforts.

Under the Annual Economic report of 2018, the BIS noted down significant concerns about the scalability, reliability and trustworthiness of cryptocurrencies, cautioning that their volatility and lack of centralized oversight could erode public confidence in the broader financial ecosystem⁴⁸.

In the BIS's report of 2023 on Central Bank Digital Currencies and Financial Inclusion, the report outlined the potential of CBDCs to provide secure, low-cost digital payment systems, most especially in developing economies with high unbanked populations⁴⁹.

3.2 Regional Legal Regime and Perspectives Governing Cryptocurrencies.

Regional approaches governing cryptocurrency regulatory frameworks differ and are shaped by economic blocs such as the European Union, the African Union, and the East African Community. These are aimed at harmonising regulation, enhancing innovation and mitigating risks related to financial stability, money laundering and consumer protection.

1. The European Union [Harmonized regulation]

The European Union's legal regime governing crypto assets is principally governed by the Markets in Crypto Assets (MiCA) Regulations. The MiCA provides a comprehensive legal framework for crypto assets across all its member states and further classifies crypto assets into categories that include: asset referenced tokens, utility tokens as well as electronic money tokens (EMTs)⁵⁰.

⁴⁸ The Bank for International Settlement (BIS) Annual Economic Report 'Promoting Global Monetary and Financial Stability' (June 2018) www.bis.org/publ/arpdf/ar2018e.htm accessed on 27th April 2025.

⁴⁹ Anneke Kosse and Ilaria Mattei "Making headway – Results of the 2022 BIS survey on central bank digital currencies and crypto" BIS Papers No 136 (July 2023) < <https://www.bis.org/publ/bppdf/bispap136.htm> > accessed on 28th April 2025.

⁵⁰ European Union. [Council of the European Union] "Crypto-assets: how the EU is regulating markets" < <https://www.consilium.europa.eu/en/policies/crypto-assets-how-the-eu-is-regulating-markets/> > accessed on 30th April 2025.

The framework introduces requirements for crypto asset issuers and service providers in respect of the supervision and authorisation of transactions, transparency and the disclosure of the environmental impact of crypto-assets⁵¹.

This framework also requires and mandates Anti Money Laundering and Counter Terrorism Financing compliance for Virtual Asset Service Providers as a way to address their pseudonymous nature and potential for illicit use.

2. African Union (AU)

At the moment the African Union has not developed or have a regional cryptocurrency regulation. Whereas various individual African States are exploring and implementing crypto regulations, the Africa Union hasn't yet established a continent or region wide regulatory framework such as the MiCA for the European Union.

However, the African Union through the African Continental Free Trade Area has tried to promote digital trade that includes digital financial services as well as fintech innovations, thereby setting the pace and platform for harmonised regional digital asset policies in the future⁵². The Digital Transformation Strategy for Africa (2020–2030) also vitalizes member states to explore blockchain and fintech in the developing of regulatory standards and data protection measures⁵³.

3. The East African Community. (EAC).

⁵¹ European Union. [Council of the European Union] "Crypto-assets: how the EU is regulating markets" < <https://www.consilium.europa.eu/en/policies/crypto-assets-how-the-eu-is-regulating-markets/>> accessed on 30th April 2025.

⁵² African Union, Agreement Establishing the African Continental Free Trade Area, "Protocol to the Agreement Establishing the African Continental Free Trade Area on Digital Trade" Article 2- Objectives (18th February 2024) < https://africanlii.org/akn/aa-au/act/protocol/2024/free_trade_area_on_digital_trade/eng@2024-02-18#> accessed on 1st May 2025.

⁵³ AFRICAN UNION "THE DIGITAL TRANSFORMATION STRATEGY FOR AFRICA (2020-2030)" < <https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf>> accessed on 1st May 2025.

The East African Community is a regional intergovernmental organisation composed of seven partner states, and it plays a crucial role in fostering economic integration and regulatory harmonisation in East Africa.

The East African Community vision 2025 emphasizes ICT and financial innovation pivotal pillars for regional growth and although it does not explicitly mention cryptocurrency, its accent on a unified digital economy lays the groundwork for future crypto regulation⁵⁴.

The EAC Payments and Settlements Systems Integration Project a regional initiative launched in collaboration with partner state central banks and funded by the African Development Bank, focuses on the integration of financial market structures, harmonizing of supporting legal, regulatory, policy and oversight arrangements and capacity building⁵⁵.

Furthermore in 2023 the EAC held meetings whose discussions centred on digital transformation and crypto regulation and even though specific details of crypto regulation are not mentioned, the meetings did acknowledge the increasing financial innovations including digital assets with particular emphasis on regional integration and the establishment of the East African Monetary Union as well as capacity building in AML and CFT and risk management for States Central banks⁵⁶.

3.3. The Domestic and National legal Regime and Perspectives on the Regulation of Cryptocurrency in Uganda.

Uganda has over the past few years has witnessed a growing interest in cryptocurrencies and blockchain technologies propelled by increased internet penetration, mobile money innovation and a youthful tech-savvy population. However despite, the rising popularity of digital assets, the nation still lacks a particular comprehensive legal framework governing the issuance trade and use of cryptocurrencies as the current existing legal regime is fragmented

⁵⁴ EAST AFRICAN COMMUNITY. VISION 2050. "Regional Vision for Socio-Economic Transformation and Development" (February 2016) [EAC Secretariat Arusha, Tanzania.] <https://www.foreign.go.tz/uploads/eac_vision_2050_web.pdf> accessed on 3rd May 2025.

⁵⁵ East African Community Secretariat. EAC- PAYMENT AND SETTLEMENT SYSTEMS INTEGRATION PROJECT (EAC-PSSIP).

⁵⁶ The EAC "26th ORDINARY MEETING OF THE EAST AFRICAN COMMUNITY MONETARY AFFAIRS COMMITTEE" [17TH MARCH 2023] < <https://www.eac.int/communiqué/2749-26th-ordinary-meeting-of-the-east-african-community-monetary-affairs-committee,-17th-march-2023#>> accessed on 4th May 2025.

with different regulators issuing cautionary statements, while no substantive legislation has been enacted to legalise or explicitly ban the use of cryptocurrencies.

Whereas the government acknowledges cryptocurrencies as digital assets, they are not regulated, and no entities are licensed to facilitate trading in cryptocurrency. The Bank of Uganda does not recognise cryptocurrency as a legal tender for exchange and trade purposes in Uganda⁵⁷.

The Position of the Bank of Uganda.

As the Central Bank of Uganda and the primary financial regulator, the Bank of Uganda has adopted a cautious and conservative stance towards cryptocurrencies. In 2019, the Bank of Uganda issued a public notice communicated by the Ministry of Finance, Planning and Economic Development that warned the public against the usage and investment in cryptocurrencies such as Bitcoin, Ethereum and Doge coin⁵⁸ amongst others highlighting that these are not recognised as legal tender in Uganda under the Bank of Uganda Act⁵⁹ In the 2019 notice, the Ministry of Finance, Planning and Economic Development stated that: “The Bank of Uganda has not licensed any institution to sell cryptocurrencies or to facilitate cryptocurrency transactions. The public is strongly warned against investing in cryptocurrencies.”⁶⁰

This position was later on reinforced in 2022 when the Bank of Uganda blacklisted cryptocurrency as it had warned the public against the use of cryptocurrency in business transactions saying that the Central Bank has not licensed any company to offer the services⁶¹. This successfully prohibited the incorporation of crypto services into Uganda’s formal

⁵⁷ Ministry of Finance, Planning and Economic Development. The Bank of Uganda. “Public Statement on Cryptocurrencies.” <<https://archive.finance.go.ug/sites/default/files/press/statement%20on%20crypto%20currency.pdf>> accessed on 4th May 2025.

⁵⁸ Ministry of Finance, Planning and Economic Development. The Bank of Uganda. “Public Statement on Cryptocurrencies.” <<https://archive.finance.go.ug/sites/default/files/press/statement%20on%20crypto%20currency.pdf>> accessed on 5th May 2025.

⁵⁹ The Bank of Uganda Act Cap 54. (Section. 23[1&2]).

⁶⁰ Ministry of Finance, Planning and Economic Development. The Bank of Uganda. “Public Statement on Cryptocurrencies.” <<https://archive.finance.go.ug/sites/default/files/press/statement%20on%20crypto%20currency.pdf>> accessed on 5th May 2025.

⁶¹ Franklin Draku “Bank of Uganda Blacklists Cryptocurrency in Uganda” Daily Monitor. [Kampala, Monday, May 02, 2022]

financial system. However this did not stop or criminalise the private ownership or peer-2-peer use of cryptocurrencies as MTN and AIRTEL money services still offer the bridge for P2P crypto transactions on platforms such as Binance.

The Legal Framework.

The Financial Institutions Act, Cap. 57.

Although Uganda does not officially recognise Cryptocurrencies such as Bitcoin, Ethereum as a form of currency, section 2 of the Financial Institutions Act defines foreign exchange business as “any facility offered, business undertaken or transaction executed with any person involving a foreign currency inclusive of any account facility, credit extension, lending, issue of guarantee, counter-guarantee, purchase or sale of any money...⁶²” This would mean that if Bitcoin or Ethereum became officially recognized as legal tender in Japan, it may then be classified as foreign exchange in Uganda, as contemplated under the Act.

The National Payment Systems Act, Cap. 59.

Further still, the National Payment Systems Act plays a crucial role in regulating and managing the country's payment systems, promoting their safety and efficiency and heightening financial stability. It aims to regulate various aspects of payment systems, including operators, payment service providers, and issuers of payment instruments, thereby contributing to a more robust and modern financial infrastructure.

The National Payment Systems Act regulates electronic money issuance and payment systems in Uganda. However, the Act does not explicitly mention cryptocurrencies, its broad definition of electronic money, which means a monetary value represented by a claim on the issuer, which is stored on an electronic device⁶³, could encompass digital assets. However the Bank of Uganda has clarified that cryptocurrencies are not recognised as payment instruments under the National Payment Systems Act as in 2022 the Central Bank blacklisted

⁶² The Financial Institutions Act. Cap 57 (Section 2).

⁶³ The National Payment Systems Act Cap 59 (Section. 3)

cryptocurrencies⁶⁴ and directed all licensed entities to refrain from facilitating cryptocurrency transactions.

The Anti Money Laundering Act.

The Anti money laundering Act of 2013 was amended by the 2017 Amendment and the Anti-Money Laundering (Amendment) Regulations 2020, to include Virtual Asset Service Providers as “accountable persons.” This subjects the Virtual Asset Service Providers to regulatory oversight including registration, customer due diligence and reporting obligations as they are required to comply with Anti Money Laundering/Countering the Financing of Terrorism⁶⁵ but on the contrary, compliance has been low with few VASPs registering, thereby raising concerns about money laundering and terrorism financing risks.

The Electronic Transactions Act.

The Electronic Transactions Act provides a legal framework for electronic transactions in Uganda. This law recognises electronic records and signatures facilitating e-commerce⁶⁶, however it does not specifically talk about or cover cryptocurrencies. In spite of that the Act underpins the legal environment for digital transactions.

The Capital Markets Authority Act, Cap. 84

The Capital Markets Authority supervises and oversees securities in Uganda. Under this Act the Capital Markets Authority has the power and mandate to regulate cryptocurrencies as securities based on the broad definition of securities under section 1 of the Act⁶⁷. However this Act has not explicitly mentioned or classified cryptocurrencies as securities. Legal scholars have argued that certain cryptocurrencies, specifically those issued through Initial Coin Offerings or operating as investment tokens, may qualify as securities under the Howey Test

⁶⁴ Franklin Draku “Bank of Uganda Blacklists Cryptocurrency in Uganda” Daily Monitor. [Kampala, Monday, May 02, 2022]

⁶⁵ Anti-Money Laundering (Amendment) Regulations, 2023.

⁶⁶ Electronic Transactions Act, Cap 99 (Section 5, 6).

⁶⁷ Capital Markets Authority Act, Chapter 64 (Section 51).

as standard practice from the USA case of SEC v W.J. Howey Co. (1946) which states that a security is defined as an investment of money in a common enterprise with the expectation of profits derived from the efforts of others⁶⁸. The Capital Markets Authority within the meaning of securities under the Act can be interpreted to include cryptocurrencies as securities as per the U.S Howey test, however the authority does not regulate cryptocurrencies as they are not recognised within its jurisdiction though its framework is robust and flexible to cater and regulate cryptocurrencies.

The Foreign Exchange Act, Cap. 167.

Section 3 of the Foreign Exchange Act defines “foreign currency” as any currency other than Uganda’s legal tender⁶⁹. The same act also defines “foreign exchange” as including the banknotes, coins or electronic units of payment in any currency other than the currency of Uganda which are or have been legal tender outside Uganda⁷⁰. This could result into cryptocurrencies being classified as foreign exchange under this act in a situation where different jurisdictions such as Japan, United States recognised cryptocurrencies as legal tender. However Uganda does not recognize cryptocurrencies as legal tender though the Act’s broad definitions provide a probable legal basis for regulating cross-border cryptocurrency transactions.

Judicial Perspectives in Uganda.

The Judiciary has played a vital and crucial role in shaping Uganda’s cryptocurrency landscape. This was seen in the famous case of Silver Kyadondo v Bank of Uganda⁷¹. This case involved a difficulty concerning the legality, rationality and procedural impropriety of a circular furnished by the Bank of Uganda on 29th April 2022 for which effectively banned the liquidation of

⁶⁸ SEC v. W.J. Howey Co., 328 U.S.293 (1946) U.S Supreme Court. <
<https://supreme.justia.com/cases/federal/us/328/293/>> accessed on 9th May 2025.

⁶⁹ The Foreign Exchange Act, Chapter 167 (Section 3).

⁷⁰ The Foreign Exchange Act, Chapter 167 (Section 4).

⁷¹ Kayondo v. Bank of Uganda (Miscellaneous Cause No. 109 of 2022) [2023] UGHCCD 113 (24 April 2023).
<https://ulii.org/akn/ug/judgment/ughccd/2023/113/eng%402023-04-24> accessed on 10th May 2025.

crypto assets in Uganda⁷²The applicant in this case, Mr. Silver Kayondo, argued that the circular issued by the BOU exceeded the regulatory authority's powers, lacked rationality, and was issued with inadequate stakeholder engagement. The Court analysed these arguments and provided crucial insights into the regulatory framework of cryptocurrencies in the country.

The court ruled that the circular was not tainted with illegality and irrationality and gave the reasoning that, the fact that cryptocurrencies are unregulated under Uganda's legal regime does not mean that Ugandans can operate without sanction or contrary to the present and existing currency system⁷³ as the BOU is mandated Under Article 162 of the Constitution of Uganda 1995 and sections 4, 19 and 20 of the National Payment Systems Act to ensure economic stability within the country through regulation of the currency systems and payment systems⁷⁴.

Though cryptocurrencies are digital assets, they are not legal under the current National Payment System due to their not being recognised as a legal tender or currency by the Bank of Uganda and they are by that generally not accepted as payment under the National Payment System of Uganda.

Furthermore as regards to the procedural impropriety the Court ruled that the Bank of Uganda was under no mandate to conduct stakeholder consultations prior to publishing the circular that prohibited cryptocurrencies⁷⁵ and crypto assets in Uganda, being that section 4(4) of the National Payments Systems Act entrusts the BOU with the discretion on when to conduct stakeholder consultations in the exercise of its functions⁷⁶. That since the legal regime of Uganda does not recognise cryptocurrency, there wasn't any need for the BOU to hold consultations with any stakeholders for they are not recognised by the legal system and

⁷² News Letter "Legal and Regulatory Update" Pg.3, 4.0. AF Mpanga. [May-July, 2023] <https://afmpanga.com/wp-content/uploads/2023/07/AF-Mpanga-Newsletter-Vol.102.pdf> accessed on 9th May 2025.

⁷³ Kayondo v. Bank of Uganda (Miscellaneous Cause No. 109 of 2022) [2023] UGHCCD 113 (24 April 2023). <https://ulii.org/akn/ug/judgment/ughccd/2023/113/eng%402023-04-24> accessed on 10th May 2025.

⁷⁴ The Constitution of the Republic of Uganda 1995 (Article 162) and The Uganda National Payment Systems Act Chapter 59 (Section. 4, 19, 20)

⁷⁵ Kayondo v. Bank of Uganda (Miscellaneous Cause No. 109 of 2022) [2023] UGHCCD 113 (24 April 2023) <https://ulii.org/akn/ug/judgment/ughccd/2023/113/eng%402023-04-24> accessed on 10th May 2025.

⁷⁶ The Uganda National Payment Systems Act Chapter 59 Section. 4(4)

therefore stakeholders are not in the position to be heard before any directive or guideline is published by the Bank of Uganda⁷⁷.

In a nutshell, Uganda's regulatory landscape and framework for cryptocurrency is fragmented as the current laws such as the Financial Institutions Act, National Payments Systems Act, Anti money laundering Act and the Capital Markets Authority Act have been applied despite lacking explicit mention and provisions for cryptocurrencies and crypto assets. The Bank of Uganda has also further maintained and re-echoed a conservative approach or stance as from the 2019 and 2022 circular and directive banning cryptocurrency transactions within the formal financial systems to safe guard financial stability. None the less, peer-2-peer crypto trading continues informally via platforms like MTN and AIRTEL mobile money bridging with Binance and Exness. Additionally, the case of Kayondo v. Bank of Uganda ([2023] UGHCCD 113) affirmed Bank of Uganda authority under the National Payment Systems Act and the Constitution, putting emphasis on the fact that cryptocurrencies are not legal tender. Overall, the judiciary has supported regulatory caution over innovation, reflecting a preference for risk mitigation over fintech advancement.

3.4 Conclusion.

The regulation of cryptocurrencies in Uganda, as explored in this chapter, operates within a complex and fragmented legal framework that is shaped by international, regional and domestic legal perspectives. Internationally, organs such as the Financial Action Task Force, International Monetary Fund and Bank for International Settlements provide a non-binding landscape characterised by guidelines that highlight risk based approaches to combat money laundering, ensuring financial stability and promote innovation influencing Uganda's regulatory considerations. Regionally, the East African Community and its given focus on digital finance and harmonized payment systems lay the groundwork for potential cryptocurrency regulation, however a cohesive framework remains absent. And lastly but not least, domestically or nationally, Uganda lacks a comprehensive cryptocurrency law resulting into a patchwork application of current statutes such as the National Payment Systems Act

⁷⁷ Kayondo v. Bank of Uganda (Miscellaneous Cause No. 109 of 2022) [2023] UGHCCD 113 (24 April 2023). <https://ulii.org/akn/ug/judgment/ughccd/2023/113/eng%402023-04-24> accessed on 10th May 2025.

and Capital Markets Authority Act. With the Bank of Uganda conservative stance reinforced by the Kayondo v Bank of Uganda ([2023] UGHCCD 113) ruling prioritizing stability over fintech advancement. Whereas peer-2-peer crypto trading persists informally, the absence of clear regulations smothers innovation and exposes users to risks.

CHAPTER FOUR

4.0 Introduction

This chapter consolidates the key and pivotal findings from the analysis of the developments and regulatory framework of cryptocurrencies in Uganda, stemming from international, regional and domestic perspectives. It consolidates the socio-economic drivers, technological enablers, and legal gaps identified in previous chapters to provide a comprehensive understanding of Uganda's cryptocurrency legal landscape. The conclusions emphasize the urgent need for a balanced regulatory approach that fosters innovation and at the same time mitigating risks and the recommendations put forward actionable strategies to enhance Uganda's legal and institutional framework. For, through addressing regulatory ambiguity, promoting financial inclusion, and leveraging regional and international best practices, Uganda can position itself as a leader in digital finance within the East African Community and beyond.

4.1 Summary of Findings.

The study unveils that Uganda's cryptocurrency ecosystem is swiftly evolving, influenced by a youthful, tech-savvy population, high mobile penetration, and extensive use of mobile money platforms like MTN and AIRTEL mobile money. These factors facilitated and smoothed peer-2-peer cryptocurrency trading platforms such as Binance and Exness despite the absence of formal regulatory recognition.

The Study further reveals, in chapter two, the socio-economic and technological drivers behind the growing use and adoption of cryptocurrency in Uganda. These include financial inclusion for the unbanked, cost-effective transaction costs for cross-border remittances, and speculative investment opportunities, thereby providing a more affordable option compared to traditional channels.

However, despite the benefits, the chapter also notes down significant challenges such as extreme market volatility, frequent fraud in addition to the wide spread lack of digital literacy. These challenges are further compounded by infrastructure barriers such as unreliable electricity supply and unstable internet connections across rural and urban areas. Together

these factors shape a complex environment for the safe and sustainable growth and development of cryptocurrency in Uganda.

The study further reveals under chapter three that examines the legal and regulatory framework from international, regional and domestic perspectives. That internationally, organisations such as the Financial Action Task Force, International Monetary Fund and the Bank for International Settlements provide non-binding guidelines emphasizing risk based approaches to combat money laundering issues, ensure financial stability and promote innovation. The Financial Action Task Force's "Travel Rule" influences national policies whereas the IMF advocates for Central Bank Digital Currencies as regulated alternatives.

On the regional basis the study was to the realisation that, the East African Community's focus on digital finance and cross border payment harmonisation, through initiatives such as the East African Community Payments and Settlements Systems Integration Project lays the groundwork for future crypto regulation, though at the moment it lacks a comprehensive legal framework. Comparative, jurisdictions such as the European Union with its Markets in Crypto Assets Regulations and licensing regime offer models for balancing innovation and risk mitigation.

The study also reveals that the legal and regulatory framework and landscape for cryptocurrency in Uganda is fragmented. This is so as Uganda has multiple laws that could govern cryptocurrencies such as the Financial Institutions Act, National Payment Systems Act, the Anti-Money Laundering Act as well as the Capital Markets Authority Act, however none of these laws explicitly address the unique nature of digital assets. This has thereby resulted into the existing laws being applied in an ad hoc manner without comprehensive or specialized provisions for the rapidly growing and emerging sector.

The study also discloses that the Bank of Uganda has taken a conservative approach, specifically through its 2019 and 2022 public notices that prohibited cryptocurrency transactions within the formal financial systems. These steps put emphasis on the Bank of Uganda's concern for financial stability over fostering innovation. However despite these restrictions, peer-2-peer cryptocurrency transactions continue to thrive through platforms like MTN and AIRTEL mobile money, which operate outside the traditional banking sector.

Additionally, the case of Silver Kayondo v Bank of Uganda, court upheld the BOU's regulatory authority under the National Payment Systems Act and the Constitution, affirming that cryptocurrencies are not recognised as a legal tender in Uganda. This Judicial decision reinforces the BOU's position on the non-acceptance of cryptocurrency within the formal financial system.

4.2 Conclusions.

The regulatory approach towards cryptocurrency in Uganda remains cautious and mostly reactive, as the legal framework is still evolving in response to this new and complex digital financial asset category. Key conclusions that emerge from this research include:

Internationally, the guidelines issued by the FATF, IMF and the BIS provide a robust foundation for risk based regulation that Uganda could adopt to its context.

Regionally, the East African Community's digital finance initiatives offer opportunities for harmonised regulation, however the lack of a unified framework hinders progressive development.

The inadequate and fragmented regulation, characterised by the absence of specific provisions for cryptocurrency in Ugandan law has led to regulatory gaps, which hamper effective governance of digital assets and risks stifling fintech growth, deterring investment and exposing users to unregulated markets. As the current and existing laws are often applied to cryptocurrency without fully addressing its unique characteristics

The Bank of Uganda conservative stance has prioritized financial stability over innovation as evidenced by its continued ban on cryptocurrency transactions within the formal banking sector through its circulars issued in 2019 and 2022. This approach reflects concerns about economic instability, money laundering and fraud.

Despite the regulatory restrictions, cryptocurrency continues to be increasingly used informally, particularly through peer-2-peer platforms such as MTN and AIRTEL mobile money. Thus reflecting the demand for cryptocurrencies and the challenges regulators face in controlling this technology.

Although the Capital Markets Authority may have jurisdiction over cryptocurrencies as securities, its role is at the moment underdeveloped and there is a need for clearer legal frameworks to address the various aspects of cryptocurrency such as taxation and investor protection.

The judicial support for regulatory caution was highlighted in the Kayondo Silver vs Bank of Uganda case that reinforced the BOU's regulatory authority and the stance that cryptocurrencies do not qualify as legal tender thereby cementing the cautious and conservative approach of Ugandan authorities. However, the persistence of informal peer-2-peer cryptocurrency trading via mobile money platforms like MTN and AIRTEL is an indicator of a strong market demand and the inadequacy of current restrictions to curb crypto activities.

4.3 Recommendations.

In order to address the identified gaps and foster sustainable cryptocurrency development in Uganda, the following recommendations are proposed:

- **Develop a Comprehensive Cryptocurrency Law;**

Enact a dedicated Cryptocurrency and Blockchain Technology Act to provide legal clarity on the issuance, trading and use of digital assets within the country. This law should define cryptocurrencies, classify them (such as commodities, securities or payment instruments) and establish licencing requirements for VASPs, drawing from the European Union's MiCA framework.

Incorporate FATF's risk based approach mandating AML/CFT compliance, including the "Travel rule" for transaction transparency so as to mitigate illicit activities while supporting innovation.

- **Establish a Regulatory sandbox;**

The Bank of Uganda together with the Capital Markets Authority should collaborate to create a regulatory sandbox, similar to the European Union's, allowing crypto businesses to test

innovations under controlled conditions. This would enhance and promote fintech start-ups, attract investment and provide regulators with insights to refine policies.

- **Enhance AML/CFT Enforcement;**

The Financial Intelligence Authority should intensify enforcement of the Anti-Money Laundering Act (2013 as amended) by increasing Virtual Asset Service Providers registration initiatives and imposing penalties for non-compliance.

Public awareness campaigns on AML/CFT obligations can boost compliance thereby combating money laundering and terrorism financing risks.

- **Promote Financial and Digital Literacy;**

The Ministry of ICT and National Guidance in partnership with the Bank of Uganda and private sector, should launch nationwide digital literacy programs to educate the public on cryptocurrency risks such as market volatility and scams as well as safe practices such as wallet security. Targeting youth and rural communities will bridge the knowledge gaps and foster responsible adoption.

- **Leverage Regional Collaboration;**

Uganda should engage with the East African Community's Payments and Settlements Systems integration Project to explore blockchain based payment systems and harmonized crypto regulations.

- **Explore Central Bank Digital Currency (CBDC);**

The Bank of Uganda should conduct feasibility studies for a retail CBDC, inspired by the BIS's 2023 report on CBDCs and financial inclusion.

A state backed digital currency could provide a secure alternative to private cryptocurrencies, enhancing financial inclusion and maintaining monetary control.

- **Foster Public-Private Partnerships;**

Encourage and promote collaboration between regulators, telecoms (e.g., MTN, AIRTEL) and crypto platforms to develop secure, interoperable payment systems.

Public-private dialogues can address stakeholder concerns, ensuring regulations are inclusive and practical.

- **Strengthen Technological Infrastructure;**

The government should invest in rural electrification and internet connectivity to bridge the digital divide, enabling swift and equitable access to crypto platforms.

Subsidizing affordable smartphones and reducing data costs will further enhance and promote the swift adoption of crypto.

- **Conduct Regular Policy Reviews;**

Establish a multi-stakeholder task force, comprised of BOU, Capital Markets Authority, Financial Intelligence Authority and Ministry of Finance, to review cryptocurrency policies annually. This is to ensure regulations remain adaptive to technological advancements and global trends thereby maintaining Uganda's competitiveness in digital finance.

4.4 Conclusion.

Ultimately, Uganda stands at a crucial cross road in the evolution of its financial ecosystem, where the dynamic growth of cryptocurrency use fostered by technological advancement and socio-economic factors demands an intentional and forward looking regulatory response. This study has demonstrated that while the informal adoption of cryptocurrency in Uganda is gathering pace, the current legal and institutional framework is ill-equipped to manage the risks it poses or harness its potential.

The Study has revealed that the regulatory rift, coupled with the Bank of Uganda's conservative stance, has created uncertainty, hindered innovation and has left users vulnerable to fraud, market volatility as well as misinformation.

Whereas, this challenge presents a unique opportunity. By drawing lessons from international standards, regional initiatives and best practices from comparative jurisdictions, Uganda can draft a balance and progressive legal framework that safeguards the financial system and fosters innovation. The recommendations outlined stemming from enacting a dedicated comprehensive cryptocurrency law and establishing regulatory sandboxes to strengthening

institutional coordination and fostering public-private partnerships all offer a comprehensive roadmap to reform.

In a nutshell, the path forward lies not in rebelling change but rather in managing it responsibly as well as adopting to it gradually and progressively through strategic legal reforms, stakeholder engagement and infrastructural development. By so doing, Uganda can not only close the existing legal and regulatory gaps but also position itself as a regional hub for digital finance thereby ensuring that innovation serves the broader goals of financial inclusion, economic resilience as well as sustainable development.

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