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2026 | US Policy & Regulatory Working Group Roundtable Readout

VISIBILITY BEFORE REGULATION

Building resilient frameworks for virtual assets:
Travel Rule, Stablecoins & Supervisory Infrastructure

Central Bank of Nigeria: Supervisory Visibility Before Regulation

The session opened with remarks from the Central Bank of Nigeria (CBN), which outlined its ongoing work around AML/CFT reforms, Travel Rule implementation, and the broader supervisory architecture required for digital assets across West Africa.

CBN emphasized that the rapid uptake of digital assets across Nigeria means regulators can no longer afford to remain reactive. Virtual asset activity is already significant and deeply embedded in cross-border payments, remittances, and retail usage. The Bank's objective is therefore not to regulate after systemic risks emerge, but to ensure supervisory infrastructure develops ahead of them.

Nigeria's approach is deliberately based on sequencing. Rather than rushing into rigid licensing frameworks or premature legislative codification, CBN is focused first on embedding virtual asset activity within existing financial crime, payments, and AML/CFT frameworks. This allows regulators to establish baseline visibility into how the market is functioning before determining what permanent regulation should look like.

This includes understanding VASP business models, operational compliance risks, Travel Rule readiness, counterparty identification challenges, and cross-border transaction flows. CBN described its Travel Rule pilot as a supervisory tool designed specifically to generate structured information about what is happening in the sector, rather than relying on assumptions.

As noted during the session, the goal is to create "credible practical supervisory infrastructure" around the sector. The pilot is intended to provide regulators with the data necessary to move toward outcomes-focused regulation that is both aligned with international AML requirements and workable within domestic market conditions.

CBN also highlighted the importance of a multi-agency approach to digital assets. In Nigeria, the Securities and Exchange Commission (SEC) is further advanced on digital asset regulation from an investment and securities perspective, while the Central Bank's focus remains payment systems, financial stability, and AML/CFT oversight. Coordination between agencies is therefore essential. Nigeria's Financial Services

Coordinating Committee (FISCC), chaired by the Central Bank and involving multiple regulators, was cited as a key institutional mechanism for maintaining consistency across supervisory approaches.

A major concern raised was that insufficient regulatory support can drive activity offshore or underground, reducing transparency and weakening AML/CFT oversight. Supporting the VASP sector is therefore not simply about market development, but about preserving visibility and bringing activity into regulated channels.

Technology was identified as a critical enabler, but not a substitute for governance. Standardization across compliance solutions is necessary to support Travel Rule implementation, particularly around secure counterparty identification, transmission of required information, and interoperability across providers. Without this baseline standardization, effective compliance remains difficult to achieve.

CBN stressed that compliance technology must support, not replace, governance, controls, and institutional accountability. Guidance has been

issued around baseline AML/CFT standards for compliance technology providers, with a strong focus on governance frameworks, operational oversight, and clear accountability. Private sector compliance firms were encouraged to be clear with clients that responsibility for controls and governance remains with the institution itself.

As noted during the discussion, compliance technology is not the “holy grail”, it is only one part of a broader supervisory framework.

CBN also made clear that the regulatory philosophy is “less about speed, more about clarity.” Open, honest engagement with market participants and structured industry feedback were described as essential to building practical regulation that works in reality rather than on paper.

Roundtable Discussion Readout

A. Smart Sequencing: Building Regulatory Frameworks That Keep Pace with the Market

Participants discussed how regulators can create frameworks that provide certainty without locking in the wrong answers too early. Nigeria’s approach was widely viewed as an example

of deliberate sequencing: embedding digital asset activity within existing financial, AML, and payments frameworks first, before moving toward deeper legislative codification as the market matures.

CBN noted that lessons from Belgium and the UK were particularly influential in shaping this strategy. One of the strongest lessons from comparative research was the importance of not regulating too early before understanding how the sector actually operates. Premature rulemaking risks creating frameworks that are either ineffective or misaligned with actual market behavior.

This sequencing approach reflects a broader global challenge: how to provide sufficient regulatory certainty while preserving flexibility for future adjustments.

Participants agreed that pilots, sandboxes, and supervisory incubation models are critical tools in this process. They allow regulators to test operational assumptions, identify supervisory blind spots, and gather evidence before introducing rigid legal requirements.

CBN described its Travel Rule pilot as part of this broader strategy. The pilot includes a detailed questionnaire distributed to participants to

collect baseline supervisory information and understand differences in how firms report data, structure compliance controls, and assess counterparties. The diversity of responses is helping regulators determine what should be prioritized in the next phase of oversight.

As CBN summarized, the objective is “less about speed, more about clarity.”

The Central Bank of Kenya (CBK) shared a similar perspective while discussing its work on a virtual assets and stablecoins bill. Kenya does not currently see a strong use case for local currency stablecoins but recognizes potential use cases for foreign currency-issued stablecoins, particularly for remittances and cross-border settlement. However, this raises concerns around monetary sovereignty and financial crime. CBK noted that one of its biggest challenges remains the lack of verifiable data and stressed that regulation cannot be built around individual business models. It was noted during the discussion: regulators must first understand what they are supervising.

B. The Compliance Infrastructure Challenge: Travel Rule, VASP Registries & Cross-Border Implementation

The Travel Rule remains one of the most operationally demanding aspects of global VASP regulation and one of the clearest examples of the gap between policy intent and market reality. Participants noted that this challenge is particularly acute in markets where significant activity flows through peer-to-peer channels, informal corridors, and fragmented payment infrastructure.

CBN explained that its pilot is focused on several operational questions: how firms identify counterparties securely and in a timely manner, how required information is transmitted, and how interoperability can be achieved across compliance systems.

Regulators are also examining why participants provide different levels of data and how reporting standards can be improved across the market. Current focus is less on imposing formal reporting requirements and more on understanding existing governance controls, cyber resilience, blockchain analytics capabilities, and the baseline supervisory landscape. This visibility is viewed as a prerequisite for effective regulation.

Technology providers were seen as central to solving these challenges. Every firm should be able to find a provider capable of supporting its own business model, risks, and compliance obligations. At the same time, regulators emphasized the importance of baseline AML/CFT standards for compliance technology solutions, including governance controls, operational oversight, and clear reporting expectations. CBN noted that while certain technologies such as AI are not being mandated, firms choosing to deploy them must still meet clear supervisory expectations.

CBK highlighted what it described as the “last mile issue.” While stablecoins may improve cross-border settlement efficiency, the final movement between digital assets and fiat currency remains the point where systems often fail. Questions around payment processors, FX liquidity, and who supervise those intermediaries remain unresolved. Without solving that last-mile transition, the practical value of stablecoins in cross-border payments remains limited. Partial payment processor licensing was discussed as one possible solution to address this gap.

C. Stablecoins and Monetary Sovereignty: Finding the Right Balance for Central Banks

The discussion around stablecoins focused on how central banks should balance innovation with monetary sovereignty and domestic financial stability. Participants agreed that the rapid growth of dollar-denominated stablecoins in high-volume crypto markets creates a genuinely new supervisory challenge. Several core infrastructure requirements were identified as essential for any stablecoin framework: transaction monitoring and flow visibility, reliable reporting channels, reserve transparency, reserve transfer assurance, clarity around redemption, and confidence in settlement mechanics. Without these safeguards, regulators argued that stablecoin adoption could create unacceptable risks for both financial stability and AML/CFT supervision.

Participants also discussed the distinction between wholesale activity, such as foreign remittances and institutional settlement using dollar-backed stablecoins, and wider retail adoption on the ground. This distinction matters because the policy implications for monetary sovereignty, capital outflows, and currency substitution differ significantly depending on how stablecoins are used. CBK reiterated that it does not currently see a strong use case for local currency stablecoins. The primary concern

remains foreign currency-issued stablecoins and the resulting risks to domestic monetary policy, particularly in economies already highly exposed to global shocks. Questions around currency substitution, capital outflows, and managing exchange rate pressures were central to the discussion.

Rwanda described a more cautious but balanced approach, including sandbox testing, parliamentary review, and ongoing debates over whether virtual assets should be treated as assets or legal means of payment. Questions around CBDC development, stablecoin competition, and e-money adoption remain central to that policy discussion.

CBK also noted greater confidence in tokenized deposits than in stablecoins, largely because prudential safeguards already exist within the banking system.

CBN emphasized that the issue should be approached practically rather than ideologically.

It was stated during the session: “Ignoring reality - we don’t have that luxury.”

The challenge is not whether digital assets exist, but how stablecoins, CBDCs, and private sector

innovation can coexist in a way that supports financial inclusion and payment system efficiency without undermining domestic monetary policy.

D. Regulatory Coordination & Institutional Harmonization

A recurring theme throughout the discussion was that fragmented regulation creates major operational risks for both firms and regulators. Effective supervision requires strong coordination not only across borders, but also across domestic institutions where responsibility for digital assets overlaps.

CBN highlighted that the SEC in Nigeria is further ahead on digital asset regulation, while the Central Bank’s focus remains on payment systems and financial stability. This requires close coordination to ensure that supervisory approaches remain consistent across investment regulation, payments policy, and AML oversight.

Nigeria’s Financial Services Coordinating Committee (FISCC), chaired by the Central Bank and involving multiple agencies, was cited as an important control point for maintaining that consistency.

Participants also raised broader questions around regulatory sovereignty: how countries can maintain the ability to monitor their own markets and develop rules suited to domestic priorities while operating within increasingly global digital asset markets. This challenge becomes even more significant when stablecoins are issued offshore or where foreign regulatory developments, such as US stablecoin legislation under the GENIUS Act, shape local market behavior. There was broad agreement that regulators must coordinate in crypto markets much more like they already do in traditional finance. International harmonization does not require identical rules, but it does require shared standards, faster coordination, and greater transparency around incident reporting, custody, cybersecurity, and third-party risk. ■

Key Takeaways

1. Visibility Before Regulation

Participants strongly agreed that regulators need structured data and real supervisory visibility before durable rules can be designed. Without understanding how digital asset markets function in practice, regulation risks being ineffective or actively harmful.

2. Travel Rule Implementation Requires Practical Infrastructure

Effective Travel Rule compliance depends on interoperability, standardized reporting, and compliance technology that reflects real market conditions. Policy intent alone is insufficient without operational systems that work across borders.

3. Stablecoins Require Strategic, Not Reactive, Regulation

Central banks must balance innovation, cross-border efficiency, and financial inclusion against risks to monetary sovereignty and systemic stability. Stablecoin policy cannot be solved through ideology alone.

4. Public-Private Collaboration Is Essential

Open engagement, pilots, and honest industry feedback are necessary to create workable regulation. Smaller firms and emerging markets especially benefit from stronger collaboration between regulators and the private sector.

5. Harmonization Matters

Fragmented regulation creates compliance gaps and weakens market confidence. Greater coordination across domestic agencies and international regulators is critical for building credible and resilient virtual asset supervision.

Conclusion

The roundtable reinforced that the future of virtual asset regulation will depend less on speed and more on sequencing, trust, and institutional coordination. Nigeria's evolving approach offers an important example of how regulators can begin with visibility, practical supervision, and constructive engagement before moving toward deeper legislative codification.

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