ANTI MONEY LAUNDERING REGULATION AND POLICY DEVELOPMENT

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Introduction

Money laundering refers to a range of processes through which illicitly obtained funds are concealed and subsequently introduced into the legitimate financial system. In essence, it involves "washing" dirty money so that it appears lawful. The laundering process typically unfolds in three interrelated stages: placement, layering, and integration.[1] The first stage, placement, involves introducing proceeds of crime into the financial system. At this point, the funds, derived from unlawful activities, are most vulnerable to detection. To reduce this risk, criminals move to the second stage, layering, which entails conducting multiple financial transactions designed to obscure the origin of the funds. Through complex transfers, conversions, and dispersals, the illicit trail is progressively concealed. Once the funds can no longer be readily traced to their criminal source, the final stage, integration, occurs. At this stage, the laundered funds are reintroduced into the economy in a manner that makes them appear legitimate and available for ordinary use.[2]

Within the Kenyan legal framework, the offence of money laundering is principally governed by the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA). Section 3 of the Act criminalises any conduct where a person, knowing or having reasonable grounds to know that property constitutes proceeds of crime:

1. Enters into any agreement, arrangement, or transaction in connection with that property. Liability arises where such conduct has the effect of concealing or disguising the nature, source, location, disposition, movement, or ownership of the property;
2. Enables any person who has committed an offence to evade prosecution; or
3. Removes or diminishes property acquired directly or indirectly from criminal activity.

Notably, the provision applies irrespective of whether the underlying transaction is legally enforceable and whether the act is performed independently or jointly with others.

Further, sections 5 and 6 of POCAMLA extend criminal liability to any person who acquires, uses, or possesses property while knowing, or where it is reasonably expected that the person ought to have known, that the property constitutes proceeds of crime.[3] The Act also strengthens the preventive anti-money laundering framework by criminalising wilful failure to comply with the reporting obligations under section 44(2). This imposes a positive duty on reporting institutions and other obligated persons to disclose suspicious transactions. Collectively, these provisions reflect Kenya's dual anti-money laundering strategy of penalising the handling of illicit proceeds while simultaneously enforcing robust reporting and compliance obligations aimed at early detection and disruption of money laundering activities.

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[1] Asian Development Bank, Handbook on Anti-Money Laundering and Combating the Financing of Terrorism for Nonbank Financial Institutions (Asian Development Bank 2017)<https://www.adb.org/publications/handbook-anti-money-laundering>accessed 6 February 2026.

[2] Asian Development Bank, Handbook on Anti-Money Laundering and Combating the Financing of Terrorism for Nonbank Financial Institutions (Asian Development Bank 2017)<https://www.adb.org/publications/handbook-anti-money-laundering> accessed 20 February2026.

[3] Proceeds of Crime and Anti-Money Money Laundering Act (CAP. 59A), s 5-6.

Legal and Institutional Framework

Legal Framework

1. Proceeds of Crime and Anti-Money Money Laundering Act (CAP. 59A)

The Proceeds of Crime and Anti-Money Laundering Act (Cap. 59A) is a key legislative instrument in Kenya aimed at combating money laundering and related offences. The Act provides a comprehensive framework for identifying, tracing, freezing, seizing, and confiscating the proceeds of crime, thereby safeguarding the integrity of the financial system. Beyond criminalisation, POCAMLA establishes mechanisms to detect, investigate, and prevent the misuse of the financial and legal sectors for illicit purposes. Under Section 11, any reporting institution that fails to comply with the requirements outlined in Sections 44, 45, 46, 47, and 47A, or any regulations made under the Act, commits a criminal offence. These provisions place a positive obligation on banks, financial institutions, and other designated entities to report suspicious transactions, conduct due diligence, and implement internal controls to mitigate money laundering risks. Non-compliance attracts sanctions, including potential criminal liability. The Act establishes the Financial Reporting Centre (FRC) as a corporate body with perpetual succession and a common seal. By implementing reporting obligations and establishing the FRC as an autonomous body with investigative and regulatory powers, the Act ensures that both preventive and enforcement measures are harmonized within a single legislative framework. The creation of a centralised intelligence unit enhances coordination between regulatory authorities, law enforcement, and the financial sector, ensuring that illicit financial flows can be identified, traced, and intercepted in a timely and systematic manner.

2. Anti Money Laundering and Combating of Terrorism Financing (Amendment) Act 2025

Kenya was added to the FATF grey list in February 2024 amid concerns over gaps in prosecuting money laundering and terrorism financing offences and weaknesses in oversight of high-risk sectors. The listing followed an assessment that identified inadequate compliance with key international standards, including low reporting of suspicious transactions in property and non-financial sectors, which were seen as vulnerable to misuse.[4]

Since then, Kenya has adopted a suite of legislative and institutional reforms aimed at addressing FATF action items and strengthening financial integrity. On 14 June 2025, President William Ruto signed the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2025 into law. This marks a pivotal milestone in Kenya's sustained effort to strengthen its Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), Counter-proliferation financing (CPF) legal framework.[5]The Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) Amendment Act introduces tough new measures targeting money laundering channels, shell companies, and property transactions. This reform comes shortly after Kenya was added to the European Commission's list of high-risk jurisdictions.[6]

Section 2 of the Proceeds of Crime and Anti Money Laundering Act (POCAMLA) was amended to include dealers of precious stones/ metals such as miners, buyers, brokers, cutters, polishers,

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[4] Understanding the Financial Action Task Force: Gains, Kenya's Response, and What Comes Next (Sharp Daily, 19 Feb 2026) <Understanding the Financial Action Task Force: Gains, Kenya's Response, and What Comes Next - Sharp Daily> accessed 19 Feb 2026.

[5] PwC Kenya, *Financial Crimes Digest: AML and CFT Laws (Amendment) Act, 2025* (PwC Kenya PDF, November 2025)<Financial Crimes Digest_AML and CFT laws (Amendment) Act 2025 1.pdf>accessed 20 February 2026.

[6] Samuel Mburu, *'New Anti-Money Laundering Law in Kenya 2025: What It Means for Business, Compliance, and Why KYC/KYB Just Got Serious'* (Peleza, 17 June 2025)<New Anti-Money Laundering Law In Kenya 2025 ⋆ Peleza> accessed 20 February 2026.

refiners, manufacturers of Jewellery and retailers. Dealers in precious metals and stones now considered reporting institutions. In addition, the Public Benefit Organizations (PBOs) was brought under AML/CFT/CPF oversight as PBOs were previously outside the formal AML framework despite being vulnerable to abuse for terrorist financing.

3. Proceeds of Crime and Anti-Money Laundering Regulations (2023)

The Proceeds of Crime and Anti-Money Laundering Regulations (2023) were enacted under Legal Notice No. 153 of 2023 as subsidiary legislation to the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA). These regulations commenced on 6 October 2023 and superseded the earlier 2013 regulations, thereby providing updated and more detailed operational requirements for implementing POCAMLA's provisions in line with evolving global standards. The regulations are designed to operationalise key AML/CFT/CPF (anti-money laundering, counter-financing of terrorism, and counter-proliferation financing) obligations under POCAMLA and to introduce more detailed compliance requirements for reporting institutions. They build on the broad framework of the Act by specifying detailed procedural, institutional, and risk-management duties that regulated entities must implement. In addition to functions already assigned under the Act, the Regulations require the Financial Reporting Centre (FRC) to implement a system for registering all reporting institutions, maintain an updated register, and supervise these entities for compliance with the Act and Regulations. Failure to register constitutes an offence. Regulation 7 mandate that all reporting institutions undertake comprehensive risk assessments to identify, evaluate, and mitigate risks of money laundering, terrorism financing, and proliferation financing. These assessments must be documented, regularly updated (at least once every two years), and used to inform risk-based internal controls and policies, including mechanisms for monitoring and reassessing risks arising from new products, services, or delivery channels.

The Regulations further stipulate under regulation 32 that reporting institutions undertaking wire transfers must ensure that both originator and beneficiary information is accurate and traceable, whether for domestic or cross-border transactions. When relying on third parties for elements of customer due diligence, institutions must ensure that those third parties are subject to equivalent AML/CFT supervision. Under regulation 40 institutions must file reports for cash transactions exceeding US$15,000 or its equivalent in other currencies, whether or not the transaction appears suspicious. Reports must be submitted electronically to the FRC within prescribed timelines, and all CDD and transaction records must be available for inspection by competent authorities upon demand.

In conclusion these regulations reflect international best practice, particularly the risk-based approach recommended by the Financial Action Task Force (FATF), by requiring proactive risk assessment, internal controls, and detailed customer due diligence procedure

4. Guidelines for The Kenya Legal Profession on Anti-Money Laundering, Countering the Financing of Terrorism & Proliferation Financing

The Law Society of Kenya (LSK) introduced the Guidelines for the Kenya Legal Profession on Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Countering Proliferation Financing (CPF) pursuant to Section 4A(2)(b) of the Law Society of Kenya Act (Cap. 18). These guidelines were developed in recognition of the legal sector's critical role in facilitating commercial transactions and the associated risk of these channels being exploited for money laundering or other illicit financial activities.

The guidelines require that clients be segmented based on type, i.e. individuals, corporate entities, or partnerships, and the nature of legal services provided. This categorization informs the extent of due diligence that legal practitioners must carry out. Advocates are mandated to implement robust systems and procedures to prevent the use of client accounts for money laundering or other unlawful transactions. Key obligations include:

1. **Know Your Client (KYC):** Advocates must verify the identity and authority of individuals transferring funds into client accounts, ensuring the legitimacy and purpose of each transaction.
2. **Record-Keeping:** Complete and accurate records must be maintained for all client and third-party funds, with reasonable inquiries conducted regarding the source or origin of such funds.
3. **Reject Instructions:** Legal practitioners are required to decline instructions when there is reasonable cause to believe that complying would constitute a potential violation of AML laws.

The guidelines apply broadly across the legal profession, including, Independent legal practitioners in private practice; Legal professionals in public and private institutions, such as judges and in-house counsel; and Officers in prosecutorial and government legal offices, including the Office of the Director of Public Prosecutions and the Office of the Attorney General. This wide applicability reflects the recognition that the legal sector serves as a central conduit for financial flows that may be exploited for illicit purposes. Under Section 48(a) of POCAMLA, legal practitioners must exercise due diligence in relation to transactions such as:

1. Buying and selling of real estate;
2. Management of client funds, securities, or other assets;
3. Administration of bank, savings, or securities accounts;
4. Organizing contributions for the creation, operation, or management of companies; and
5. Creation, operation, or management of business entities or other legal arrangements.

Where a practitioner acts as a trust or company service provider, Section 48(b) extends these obligations to include services such as:

1. Acting as a formation agent for legal persons;
2. Serving as, or arranging for another person to serve as, a director, secretary, partner, or similar role;
3. Providing registered offices or administrative addresses for companies, partnerships, or other legal persons;
4. Acting as, or arranging for another person to act as, a trustee of an express trust; and
5. Acting as, or arranging for another person to act as, a nominee shareholder.

These guidelines demonstrate Kenya's proactive approach to AML/CFT compliance within the legal sector.

5. Law Society of Kenya Act (CAP 18)

Within Kenya's anti-money laundering legal framework, the Law Society of Kenya Act constitutes the principal statute establishing the Law Society of Kenya (the Society), setting out its objects, governance structure, and administrative functions, including provision for the establishment of the Advocates Client Compensation Fund. In the context of AML/CFT regulation, the Act read together with the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) positions the Society as a sectoral supervisory body over legal professionals.

Section 36A (2) of POCAMLA provides that every supervisory or self-regulatory body bears responsibility for supervising and enforcing compliance with the Act, as well as any instructions, directions, guidelines, or rules issued thereunder, in respect of reporting institutions falling within its regulatory mandate. Flowing from this statutory obligation, the Law Society is required to regulate, supervise, and enforce compliance with anti-money laundering, counter-financing of terrorism, and counter-proliferation financing requirements as they apply to advocates, notaries, and other legal professionals.

Further, amendments to the Law Society of Kenya Act introduced Section 4A, which expressly confers AML/CFT supervisory powers upon the Society. Under this provision, the Society is empowered to conduct onsite inspections; compel the production of documents or information necessary for the discharge of its supervisory mandate under POCAMLA; impose monetary, civil, or administrative sanctions for AML/CFT breaches; and issue regulations, guidelines, directions, rules, or instructions to promote compliance. The Society is also authorised to cooperate and share information with relevant authorities for AML/CFT/CPF purposes and to take all necessary measures to supervise and enforce compliance by lawyers, notaries, and other legal professionals with the requirements of POCAMLA. Collectively, these provisions entrench the Society's role as the primary AML/CFT supervisory authority for the legal profession in Kenya.

6. Virtual Assets Service Providers Act (Act No. 2020 of 2025)

The Virtual Asset Service Providers (VASPs) Act, 2025 is an act of parliament to provide for the legal framework to license and regulate the activities of virtual asset service providers. It represents Kenya's first comprehensive attempt to bring digital assets within the formal anti-money laundering and countering financing of terrorism (AML/CFT) framework. Virtual assets, due to their highly anonymous and borderless nature, pose significant risks for money laundering, terrorist financing, and other illicit activities. The Act therefore targets these risks by regulating the activities of VASPs, which include crypto exchanges, wallet providers, token issuers, and other intermediaries. Under Section 8 all VASPs operating in or from Kenya must be licensed by designated authorities (CBK or CMA). This ensures that only regulated entities handle virtual assets, enabling oversight of transactions that could involve proceeds of crime. Additionally, VASPs are required to verify the identity of clients, the legitimacy of funds, and the source of transactions. These measures align with POCAMLA's requirements for reporting institutions, making it harder for criminals to launder illicit funds through digital assets. Under Section 32 VASPs must report suspicious transactions to the Financial Reporting Centre (FRC), this creates a direct link between digital asset activity and Kenya's AML/CFT enforcement infrastructure.

The VASP Act introduces Kenya's first formal regulatory response to the money laundering risks posed by virtual assets, aligning with FATF recommendations on digital financial services. By mandating licensing, KYC, transaction monitoring, and reporting to the FRC, the Act integrates virtual asset transactions into the national AML/CFT ecosystem.

However, for the Act to effectively prevent money laundering, it requires timely subsidiary regulations to lay the groundwork for implementation of the Act. Without these, criminals may continue to exploit gaps in the virtual asset sector, undermining Kenya's broader anti-money laundering objectives.

7. Prevention of Terrorism Act (Cap. 59B)

This is an Act of parliament to provide for to provide measures for the detection and prevention of terrorist activities; to amend the Extradition (Commonwealth Countries) Act and the Extradition (Contiguous and Foreign Countries). Within this framework, section 42A delineates the institutional

responsibilities of the Financial Reporting Centre, supervisory authorities, and self-regulatory bodies in the implementation of counter-terrorism financing controls.

Under section 42A (1), these competent authorities are vested with the mandate to supervise and enforce compliance by reporting institutions with preventive measures designed to combat both terrorist financing and proliferation financing. They are further empowered to oversee and enforce the implementation of targeted financial sanctions by such institutions. This strengthens the operationalization of the country's AML/CFT regime by ensuring active regulatory oversight of reporting entities.

Institutional Framework

1. Central Bank of Kenya

The Central Bank of Kenya bears the statutory mandate of supervising and enforcing compliance with the Proceeds of Crime and Anti-Money Laundering Act, 2009, together with the attendant Regulations, in respect of financial institutions falling within its regulatory jurisdiction. These supervised entities include commercial banks, mortgage finance companies, microfinance banks, money remittance providers, foreign exchange bureaus, digital credit providers, payment service providers, and mortgage refinance companies. In the discharge of this oversight function, the Central Bank of Kenya undertakes continuous regulatory, supervisory, and enforcement measures aimed at ensuring that the institutions under its purview adhere to the prescribed anti–money laundering and counter–financing of terrorism (AML/CFT) framework. Through this mandate, the Bank seeks to safeguard the integrity, stability, and soundness of Kenya's financial system and the wider economy from the risks and vulnerabilities associated with money laundering, terrorist financing, and proliferation financing.[7]

2. Financial Reporting Centre

The Financial Reporting Centre is established under section 21 of the Proceeds of Crime and Anti-Money Laundering Act as Kenya's principal financial intelligence unit. Pursuant to section 24 of the Act, the Centre is primarily mandated to receive, analyse and interpret financial intelligence submitted by reporting institutions, including suspicious and unusual transaction reports. Where the Director-General forms reasonable grounds to suspect money laundering, terrorism financing, proliferation financing, or the movement of proceeds of crime, the centre is required to disseminate the analysed intelligence to the appropriate law enforcement agency, intelligence service, or supervisory body for further investigation and enforcement action.

Beyond its intelligence function, the centre exercises significant regulatory and supervisory support powers. It may require reporting institutions to furnish additional information, facilitate inspections, and take necessary steps to aid investigations under the Act. The centre also plays an important policy and advisory role by issuing guidelines, compiling statistics, recommending regulatory measures, and advising the Cabinet Secretary on anti-money laundering and counter-financing of terrorism (AML/CFT) matters. In addition, it is empowered to coordinate both domestic and international cooperation, including the exchange of financial intelligence with competent authorities and foreign financial intelligence units, subject to statutory safeguards.

The statutory framework further strengthens the centre's oversight capacity through sections 24A to 24C, which permit it to issue binding instructions, directions, guidelines or rules to reporting

[7] Central Bank of Kenya, *Anti-Money Laundering, Counter-Financing of Terrorism and Counter-Proliferation Financing (AML/CFT/CPF)* (Central Bank of Kenya) <AML/CFT/CPF | CBK> accessed 20 February 2026.

institutions, either directly or through delegated supervisory bodies. These provisions also empower the Centre to enforce compliance through administrative and civil sanctions, including the imposition of monetary penalties, issuance of compliance orders, and recommendation of licensing action through the relevant regulator.

3. Assets Recovery Agency

The Assets Recovery Agency is established under the Proceeds of Crime and Anti-Money Laundering Act, Section 53(1). This section creates the Agency as a body corporate with perpetual succession and a common seal, capable in its corporate name of suing and being sued. Pursuant to Section 54(1) of POCAMLA, the statutory function of the Agency is to implement the provisions of Parts VII to XII of the Act and to exercise all powers conferred therein. Read together with the subsequent Parts, the Agency's mandate in law encompasses asset tracing and investigation of property that constitutes or is suspected to constitute proceeds of crime, instituting proceedings for restraint or preservation of property pending determination of forfeiture, making an application to court for confiscation orders upon conviction and civil forfeiture orders where appropriate.[8]

4. The Financial Action Task Force

Established in 1989 and headquartered in Paris, the Financial Action Task Force (FATF) is the leading international watchdog in the fight against money laundering and terrorist financing. It operates as an intergovernmental policy-making body mandated to develop and promote global standards aimed at preventing these illicit activities and mitigating the risks they pose to financial systems and society at large.[9] The FATF does not enforce laws directly, but its recommendations shape national legislation and international cooperation. A central mechanism is mutual evaluation and monitoring, including the so-called 'grey list' of countries requiring increased oversight due to strategic deficiencies in their anti-money-laundering and counter-terrorism financing (AML/CFT) regimes. Placement on this list can raise transaction costs for banks, erode correspondent banking relationships, and weaken investor confidence.[10]

Through its work, the FATF seeks to generate the necessary political commitment among jurisdictions to implement robust legislative, regulatory, and institutional reforms. The 40-member body formulates international standards designed to enable national authorities to effectively detect, investigate, and disrupt illicit financial flows linked to offences such as drug trafficking, illicit arms trade, cyber fraud, and other serious crimes.

Although its formal membership comprises 40 jurisdictions and regional organisations, the FATF's influence is global in reach. More than 200 countries and jurisdictions have committed to implementing the FATF Recommendations, forming a coordinated international response to combat organised crime, corruption, money laundering, and the financing of terrorism.[11]

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[8] Proceeds of Crime and Anti-Money Laundering Act, s 53(1).
[9] Financial Action Task Force (FATF), *Who We Are* (FATF)< Who we are> accessed 20 February 2026.
[10] Andrew Mwangi, *Understanding the Financial Action Task Force: Gains, Kenya's Response, and What Comes Next* (Sharp Daily, 19 February 2026) <Understanding the Financial Action Task Force: Gains, Kenya's Response, and What Comes Next - Sharp Daily> accessed 20 February 2026.
[11] Financial Action Task Force (FATF), *Who We Are* (FATF)< Who we are> accessed 20 February 2026.

Comparative Analysis

Mauritius

Mauritius has, through a series of strategic initiatives, demonstrated a steadfast commitment to combating money laundering, terrorist financing, and proliferation financing. In furtherance of this objective, the country has ratified and acceded to several key international conventions, protocols, and treaties, thereby affirming its resolve to cooperate with the global community in addressing these threats. Notably, Mauritius is a party to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention) and the United Nations Convention against Transnational Organized Crime (Palermo Convention).[12]

In addition, Mauritius has aligned itself with the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation issued in February 2012 by the Financial Action Task Force (FATF), including participation in the FATF Mutual Evaluation process.

As a founding member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), an associate member of the FATF, Mauritius actively engages in self-assessment mechanisms to monitor its progress in implementing the FATF Recommendations.[13]

Mauritius subsequently underwent a second round of mutual evaluation of its Anti-Money Laundering and Counterterrorist and Proliferation Financing (AML/CFT) regime using the FATF methodology for assessing both technical compliance and system effectiveness. On 21 September 2018, ESAAMLG published the Mutual Evaluation Report, which evaluated Mauritius's level of compliance with the FATF Recommendations and the overall effectiveness of its AML/CFT framework.

Following the evaluation, Mauritius introduced extensive amendments to its AML/CFT regime. In particular, the Financial Intelligence and Anti-Money Laundering Regulations 2018 came into force on 1 October 2018 to address FATF requirements relating to, among other areas, customer due diligence, politically exposed persons, correspondent banking, money or value transfer services, emerging technologies, wire transfers, reliance on third parties, internal controls, and oversight of foreign branches and subsidiaries.

Further strengthening its framework, Mauritius enacted the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 to enable the implementation of targeted sanctions imposed by the United Nations Security Council under Chapter VII of the UN Charter. These measures include financial prohibitions, arms embargoes, and travel bans aimed at addressing threats to international peace and security, particularly terrorism, terrorist financing, and proliferation of weapons of mass destruction. The Act also operationalizes the FATF requirements on targeted financial sanctions. In this regard, the National Sanctions Secretariat serves as the central coordinating body for UN sanctions matters and has issued implementation guidelines under the Act.[14]

Despite the robust legal framework, Mauritius was placed on the Financial Action Task Force (FATF) Grey List in February 2020. To this effect, the Government of Mauritius made a high-level political commitment to work with the FATF to strengthen the effectiveness of our AML/CFT regime

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[12] Bank of Mauritius, *Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)* <AML/CFT | Bank of Mauritius> accessed 20 February 2026
[13] Bank of Mauritius, *Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)* <AML/CFT | Bank of Mauritius> accessed 20 February 2026
[14] Bank of Mauritius, *Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)* <AML/CFT | Bank of Mauritius> accessed 20 February 2026.

and prioritise the implementation of the FATF Action Plan.[15] In October 2021, Mauritius successfully exited the FATF Grey List, showcasing its unwavering political determination to sustain AML/CFT reforms. This accomplishment was followed by removal from the United Kingdom's and European Union's List of High-Risk Third Countries in November 2021 and March 2022, respectively.[16]

Implication for Kenya

Mauritius provides a valuable model for Kenya, demonstrating how timely regulatory and institutional reforms can significantly strengthen an AML/CFT framework. Kenya can draw lessons from Mauritius's proactive approach to compliance, targeted sanctions implementation, and responsiveness to FATF evaluations.

What Next for Kenya

1. **Strengthening Beneficial Ownership Transparency**

While Kenya has enacted laws mandating the disclosure of beneficial ownership (BO), practical implementation remains uneven. Current challenges include partially functional and non-interoperable BO registers, inconsistent enforcement of disclosure obligations across sectors, and weak verification mechanisms that undermine data reliability. To fully comply with FATF recommendations, Kenya must enhance the accuracy, accessibility, and usability of beneficial ownership information, while also strengthening verification and enforcement frameworks.

2. **Expanded AML/CFT Obligations for PBOs and DNFBPs**

Recent legislative amendment on the Proceeds of Crime and Anti-Money Laundering Act has widened the compliance net to include Public Benefit Organizations (PBOs) and a broader category of Designated Non-Financial Businesses and Professions (DNFBPs). Entities operating in sectors such as betting, SACCOs, retirement schemes, mining, real estate, accounting, legal practice, and company secretarial services must now intensify compliance efforts. Priority areas include conducting robust customer due diligence (CDD), verifying customer identities, reporting suspicious transactions to the Financial Reporting Centre, maintaining proper transaction records, and implementing continuous AML/CFT staff training supported by effective internal controls.

3. **Regulation of Dealers in Precious Metals and Stones**

Dealers in precious metals and precious stones are now formally designated as reporting institutions. Consequently, operators in this sector must register as required, implement customer due diligence measures, and closely monitor high-value transactions. There is also an expectation to eliminate informal trading practices that may obscure audit trails. Enhanced regulatory scrutiny will particularly focus on sources of funds, governance standards, and the ability of firms to detect and prevent potential abuse for terrorist or proliferation financing.

4. **Heightened Responsibilities for Professional Bodies**

Members of key professional bodies, including the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries (ICPSK), the Estate Agents Registration

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[15] Mauritius International Financial Centre, 'Overview of Mauritius' AML/CFT/CPF Compliance and Ongoing Initiatives' (Mauritius IFC) <Overview of Mauritius' AML/CFT/CPF Compliance and Ongoing Initiatives | Mauritius Financial Services> accessed 20 February 2026.

[16] Mauritius International Financial Centre, 'Overview of Mauritius' AML/CFT/CPF Compliance and Ongoing Initiatives' (Mauritius IFC) <Overview of Mauritius' AML/CFT/CPF Compliance and Ongoing Initiatives | Mauritius Financial Services> accessed 20 February 2026.

Board, and the Law Society of Kenya (LSK), are expected to embed AML/CFT/CPF compliance into their day-to-day professional activities. This includes adhering to supervisory requirements issued by their respective regulators and taking proactive steps to prevent the misuse of professional services for illicit financial purposes.

Going forward, Kenya's effectiveness in combating money laundering will depend on closing regulatory gaps, strengthening supervisory enforcement, and entrenching a strong compliance culture across both financial institutions and the wider professional ecosystem.[17]

Conclusion

Money laundering remains a persistent threat to the integrity of Kenya's financial and legal systems, exploiting vulnerabilities across both formal and informal sectors. The Kenyan legal and institutional framework, anchored on the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), its subsidiary regulations, and sector-specific guidelines such as those issued by the Law Society of Kenya, provides a comprehensive approach to detecting, preventing, and prosecuting money laundering. By criminalising the handling of illicit proceeds, imposing reporting obligations on financial and designated non-financial institutions, and empowering supervisory bodies and the Financial Reporting Centre (FRC) to investigate and enforce compliance, the law combines preventive, investigative, and enforcement mechanisms into a coordinated framework.

Recent reforms, including the Anti-Money Laundering and Combating of Terrorism Financing (Amendment) Act, 2025, the expansion of reporting obligations to Public Benefit Organizations (PBOs) and Designated Non-Financial Businesses and Professions (DNFBPs), as well as the introduction of the Virtual Asset Service Providers (VASPs) Act, 2025, demonstrate Kenya's commitment to align with FATF international standards. These measures reflect a proactive effort to close regulatory gaps, enhance transparency, and mitigate risks associated with emerging financial technologies and previously under-regulated sectors such as digital assets, real estate, and precious metals and stones.

Despite these advances, sustaining Kenya's progress will require strengthened inter-agency coordination, effective supervision of reporting institutions, and the entrenchment of a culture of compliance across both financial and professional services sectors. Ultimately, Kenya's ongoing reforms signal a strategic shift towards a robust, risk-based AML/CFT regime, aimed not only at penalising illicit financial activities but also at preventing, detecting, and disrupting money laundering. The combined effect of legal provisions, institutional oversight, and adherence to international standards positions Kenya to progressively reduce vulnerabilities and enhance the credibility of its financial system.

[17] PwC Kenya, *Financial Crimes Digest: AML and CFT Laws (Amendment) Act, 2025* (PwC Kenya PDF, November 2025)< Financial Crimes Digest_AML and CFT laws (Amendment) Act 2025 1.pdf>accessed 20 February 2026.