



June 2025

Financial Crimes Digest

Kenya retained on the grey list after FATF's February 2025 plenary:

Why and what does this mean?

Introduction

In February 2024, Kenya was grey listed by The Financial Action Task Force (FATF), a global watchdog on Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF). Subsequently, In June 2025, the European Union ("EU") added Kenya to its list of high-risk jurisdictions to align with the FATF list. These developments are a wake-up call for the nation, highlighting critical deficiencies in Kenya's regulatory frameworks, enforcement capabilities, and international cooperation.

Kenya has responded with determination. Over the past year, the government, regulators, and private sector stakeholders have collaborated to implement a robust action plan aimed at addressing FATF's concerns. By December 2024, Kenya's progress was evident. The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) reported substantial improvements in Kenya's compliance with FATF's 40 recommendations.

Despite these efforts, however, Kenya was retained on the grey list following FATF's February 2025 plenary. This raises important questions: Why has Kenya not yet exited the grey list? What does Kenya need to do to exit the grey list? And what does this mean for organisations operating in the country?

In our previous **digest**, we explored the reasons behind Kenya's grey listing and its immediate implications. Now, we delve deeper into the reasons for Kenya's retention on the grey list, examine the progress made so far, and discuss what organizations must do to navigate this evolving landscape.

How is compliance assessed and what does it mean for Kenya?

Being retained on the FATF grey list signals that while Kenya has made significant strides in addressing the gaps noted by the 2022 Mutual Evaluation Report, it has not yet fully addressed all the issues flagged by the FATF.

The country remains under increased monitoring, which means continued scrutiny from international partners and potential challenges in accessing global financial markets.

For businesses, this translates to continued heightened compliance obligations and the need to demonstrate robust anti-money laundering (AML) and counter-terrorism financing (CFT) measures to maintain trust and credibility.

But how does the FATF determine which countries are placed on the grey list? The process is rigorous and multifaceted and assesses countries on two key levels: **technical compliance** and **effectiveness**. These assessments entail the following:

1. **Technical Compliance Assessment:** This evaluates whether a country has implemented the specific requirements of FATF's 40 Recommendations. It focuses on the legal and institutional frameworks in place, as well as the powers and procedures of competent authorities. These elements represent the foundational building blocks of an AML/CFT/CPF system.
2. **Effectiveness Assessment:** This goes beyond technical compliance to assess how well a country's AML/CFT/CPF measures are working in practice. It examines whether the legal and institutional frameworks are producing the desired outcomes to prevent, detect and investigate financial crimes.

This dual assessment means that a country could achieve full technical compliance by establishing the necessary laws and frameworks but still fall short if these measures are not effectively implemented. In such cases, FATF would consider the country to have strategic deficiencies in its AML/CFT/CPF system.

FATF's 40 Recommendations and 11 Immediate Outcomes

FATF's 40 Recommendations, which form the basis of the technical compliance assessment, are divided into seven key areas:

- i. AML/CFT/CPF Policies and Coordination
- ii. Money Laundering and Confiscation
- iii. Terrorist Financing and Financing of Proliferation
- iv. Preventive Measures

- v. Transparency and Beneficial Ownership of Legal Persons and Arrangements
- vi. Powers and Responsibilities of Competent Authorities and Other Institutional Measures
- vii. International Cooperation

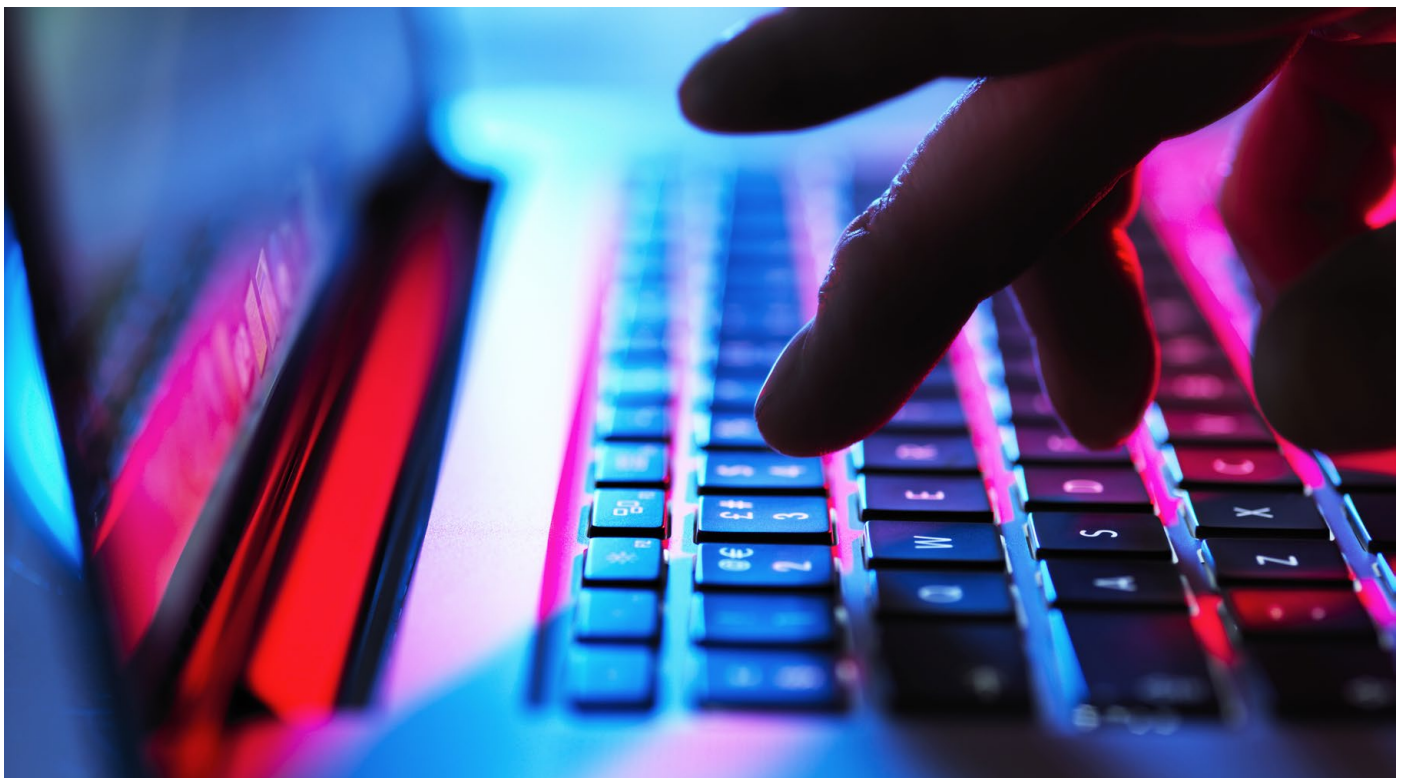
On the other hand, the assessment of effectiveness is based on 11 Immediate Outcomes, grouped into three broader categories:

- i. Policy, Coordination, and Cooperation: Implementation of measures to mitigate money laundering and terrorist financing risks.
- ii. Detection and Reporting: Ensuring that proceeds of crime and terrorist funds are prevented from entering the financial system or are detected and reported by relevant sectors.
- iii. Disruption and Sanctions: Disrupting money laundering and terrorism financing activities, sanctioning offenders, and depriving criminals of illicit proceeds.

What This Means for Kenya

Kenya's progress has so far primarily been measured through follow-up reports, which focus on technical compliance. However, FATF's mutual evaluations provide a more comprehensive assessment, covering both technical compliance and effectiveness.

Kenya's next mutual evaluation is scheduled for 2031, but the country has the opportunity to exit the grey list earlier if it demonstrates full implementation of its action plan and achieves both technical and effectiveness compliance.



Key areas of progress and remaining gaps

Kenya's progress since 2024 is commendable, as evidenced by the significant improvements in its compliance ratings against the FATF's 40 recommendations. The table below highlights the progress made since the 2022 Mutual Evaluation Report (MER):

Compliance ratings (against 40 FATF recommendations)	Compliant (C)	Largely Compliant (LC)	Partially Compliant (PC)	Non-Compliant (NC)
2022 MER	2	1	26	11
2024 Follow Up Report (FUR)	19	9	10	2

The table below provides a detailed breakdown of Kenya's progress against each of the 40 FATF recommendations. The first row indicates the previous rating while the next row with the highlighted text shows the revised rating where there has been a revision:

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
PC	NC	C	PC	C	PC	NC	NC	PC	C
	PC		C			PC		C	
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	PC	C	NC	NC	NC	PC	C	C	C
	LC		C		LC	C			
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	PC	LC	PC	PC	PC	C	PC	C	PC
			LC						C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
PC	LC	PC	PC	PC	C	LC	C	PC	PC
C		LC						LC	LC

Key improvements

Notably, Kenya has shown significant progress in the following FATF 40 recommendations: 2,4,7,9,12,14,16,17,24,30,31,33,39 and 40. The specific improvements include:

i. Recommendation 2 – National Cooperation and Coordination:

- Developed and updated the National AML/CFT/CPF Strategy and Action Plans based on the National Risk Assessment (NRA).
- Established the Counter Financing of Terrorism Inter-Ministerial Committee (CFTIMC) to implement CFT strategies.
- Improved coordination between CFTIMC, the National Taskforce (NTF), and the Anti-Money Laundering Board (AMLBB).

ii. Recommendation 4 – Confiscation and Provisional Measures:

- Enacted legislative measures under POCAMLA and POTA to enable the confiscation of property involved in ML and TF.

- Empowered authorities like the Asset Recovery Agency (ARA) and Ethics and Anti-Corruption Commission (EACC) to identify, trace, freeze, seize, and manage property.
- Protected the rights of bona fide third parties from confiscation.

iii. Recommendation 7 – Targeted Financial Sanctions Related to Proliferation:

- Established the CFTIMC to implement targeted financial sanctions.
- Required all persons and reporting entities to freeze funds and assets of designated persons or entities without prior notice.
- Set up mechanisms for communicating designations to financial institutions (FIs) and DNFBPs.
- Mandated reporting of frozen assets or attempted transactions within 24 hours.



iv. Recommendation 9 – Financial Institution Secrecy Laws:

- a. Empowered the Financial Reporting Centre (FRC) and supervisors to enforce compliance with CFT obligations, including authority to compel the production of documents or information relevant to AML, TF and PF.
- b. Section 17(1) of the POCAMLA provides FOR disclosure of information for the purposes of AML/CFT matters over any other laws between competent authorities.
- c. Enabled the Central Bank to share AML/CFT information with other competent authorities and international counterparts.

v. Recommendation 12 – Politically Exposed Persons (PEPs):

- a. Required reporting institutions to implement risk management systems to identify PEPs.
- b. Mandated senior management approval for business relationships with foreign PEPs and measures to establish the source of wealth and funds.
- c. Required enhanced ongoing monitoring for business relationships with foreign PEPs.

vi. Recommendation 14 – Money or Value Transfer Services (MVTs):

- a. Required licensing for all persons carrying out remittance business and payment service provider business.
- b. Empowered the CBK to supervise and enforce AML/CFT obligations of MVTs.
- c. Mandated reporting institutions to ensure MVTs providers and their agents are licensed or registered and included in AML/CFT programs.

vii. Recommendation 16 – Wire Transfers:

- a. Required accurate originator and beneficiary information in wire transfers.
- b. Mandated retention of all wire transfer information for at least seven years.
- c. Introduced risk-based policies for handling wire

transfers lacking required information.

- d. Prohibited wire transfers to and from designated persons or entities.

viii. Recommendation 17 – Reliance on Third Parties:

- a. Required FIs relying on third parties for CDD to retain ultimate responsibility for CDD measures.
- b. Mandated FIs to obtain necessary information and ensure third parties are regulated, supervised, and compliant with CDD and record-keeping requirements.
- c. Required assessment of ML/TF risks posed by third parties based in other countries.

ix. Recommendation 24 – Transparency and Beneficial Ownership of Legal Persons:

- a. Required companies to register and maintain accurate and updated beneficial ownership information.
- b. Implemented mechanisms to ensure the accuracy of information through annual returns and penalties for non-compliance.
- c. Mandated nominee shareholders and directors to disclose their status to the company and the Registrar.

x. Recommendation 26 – Regulation and Supervision of Financial Institutions:

- a. Extended the scope of POCAMLA to include terrorism financing (TF).
- b. Required licensing for all financial institutions (FIs) and non-core principle sectors.
- c. Empowered supervisory bodies to monitor and enforce AML/CFT obligations using a risk-based approach.

xi. Recommendation 30 – Responsibilities of Law Enforcement and Investigative Authorities:

- a. Empowered the Retirement Benefits Authority (RBA) and Insurance Regulatory Authority (IRA) to conduct investigations related to ML/TF.
- b. Confirmed that law enforcement authorities have the necessary powers to investigate and prosecute ML/TF offences.

Out of the 11 Immediate Outcomes (IOs) assessed by FATF, Kenya was rated as having a Moderate Level of Effectiveness on 2 IOs and a Low Level of Effectiveness on the remaining 9 IOs

xii. Recommendation 31 – Powers of Law Enforcement and Investigative Authorities:

- a. Enabled law enforcement authorities to use controlled deliveries as an investigation technique.
- b. Allowed authorities to identify assets held by natural or legal persons without prior notification to the owner.
- c. Mandated the Financial Reporting Centre (FRC) to provide relevant information to competent authorities.

xiii. Recommendation 33 – Statistics:

- a. Implemented a case management system to maintain statistics on STRs, investigations, prosecutions, and convictions.
- b. Ensured that asset freezing, seizure, and confiscation statistics are maintained by the EACC and ARA.

xiv. Recommendation 39 – Extradition:

- a. Made terrorism financing (TF) an extraditable offence.
- b. Introduced simplified extradition procedures allowing fugitive criminals to consent to extradition without formal proceedings.
- c. Implemented a case management system to monitor and track the timely execution of extradition requests.

xv. Recommendation 40 – Other Forms of International Cooperation:

- a. Empowered competent authorities to exchange information with foreign counterparts.

- b. Allowed financial supervisors to conduct inquiries on behalf of foreign counterparts.
- c. Ensured confidentiality of information exchanged with foreign counterparts.
- d. These reforms helped Kenya improve its ratings for these recommendations.

Remaining Gaps

Despite these improvements, Kenya remains Non-Compliant (NC) with Recommendations 8 and 15 for the following reasons:

1. Recommendation 8 (Non-Profit Organizations - NPOs)

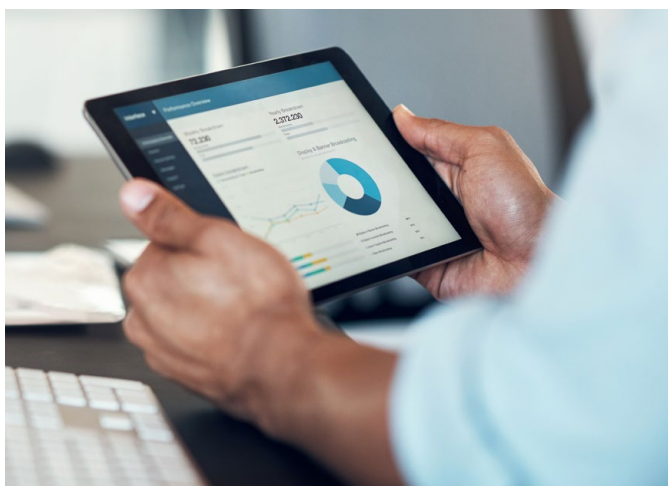
- Kenya has not identified a subset of NPOs at risk of being exploited for terrorism financing.
- There is a lack of effective monitoring, risk-based supervision, and coordinated oversight by regulators.
- No periodic assessments or sanctions have been applied to NPOs for violations, undermining the effectiveness of the regulatory framework.
- There is no clear mechanism for information-sharing among relevant authorities, limiting the ability to monitor and address risks effectively.

2. Recommendation 15 (New Technologies and Products)

- While Kenya's 2020 ML/TF National Risk Assessment (NRA) highlighted emerging risks from new technologies and business practices, these were not fully assessed.
- There is no legal or institutional framework to regulate virtual assets (VAs) and virtual asset service providers (VASPs), despite Kenya's growing adoption of cryptocurrencies.
- Financial institutions lack evidence of risk assessments for new products, technologies, and delivery mechanisms.

Additionally, out of the 11 Immediate Outcomes (IOs) assessed by FATF, Kenya was rated as having a Moderate Level of Effectiveness on 2 IOs and a Low Level of Effectiveness on the remaining 9 IOs.

This indicates that while Kenya has made strides in establishing the necessary legal and institutional frameworks to meet FATF's technical requirements, their effectiveness in detecting, preventing, and prosecuting financial crimes still falls short of international standards.



What this means for your organisation

The ongoing changes in Kenya's legal framework, aimed at complying with FATF standards and exiting the grey list, mean organizations must continually adapt to a rapidly evolving regulatory landscape. In our **2023 digest** on the

AML/CFT/CPF (Amendment) Act 2023, we explored the significant legal changes introduced to strengthen Kenya's AML/CFT/CPF framework. These amendments formed the foundation for the improvements highlighted in Kenya's follow-up reports, particularly in technical compliance.

In summary the Act amended provisions across 16 key Acts including:

- | | |
|---|---|
| 1. Extradition Act (Contiguous and Foreign Countries) Act | 9. Anti-corruption and Economic Crimes Act |
| 2. Extradition (Commonwealth Countries) Act | 10. Proceeds of Crime and Anti-Money Laundering Act |
| 3. State Corporations Act | 11. National Police Service Act |
| 4. Capital Markets Act | 12. The Mutual Legal Assistance Act |
| 5. Insurance Act | 13. Limited Liability Partnership Act |
| 6. Banking Act | 14. Companies Act |
| 7. Central Bank of Kenya Act | 15. National Payment Systems Act |
| 8. Microfinance Act | 16. Prevention of Terrorism Act |

These amendments introduced critical changes to enhance Kenya's ability to combat money laundering, terrorism financing, and proliferation financing. For organizations, this means increased compliance obligations, including stricter due diligence, enhanced reporting requirements, and more robust risk management frameworks.

Subsequently, in February 2025, The AML/CFT (Amendment) bill, 2025 was introduced in parliament. The bill was passed by the National Assembly in April 2025 and is pending senate consideration and presidential assent. The bill introduces further reforms in Kenya's AML/CFT/CPF framework in a push to comply with FATF standards and subsequently exit the grey list. Some of the key proposed changes include:

1. Expanded Regulatory Scope

- The bill broadens the definition of "reporting entities" to include cryptocurrency exchanges, fintech companies, and high-value asset dealers.
- Non-profit organizations (NPOs) with international financial transactions will face stricter scrutiny to prevent misuse for illicit financing.

2. Stricter Customer Due Diligence (CDD) Requirements

- Enhanced Know Your Customer (KYC) obligations for high-risk transactions, including stricter identity verification for politically exposed persons (PEPs).
- Mandates real-time transaction monitoring for financial institutions to detect suspicious activity faster.

3. Greater Powers for the Financial Reporting Center (FRC)

- The FRC will have increased authority to demand transaction records and conduct surprise audits.

- Enhanced data-sharing mechanisms between domestic and international regulatory bodies to combat cross-border money laundering and terrorism financing.

4. New Penalties for Non-Compliance

- Heavier fines and criminal liability for institutions failing to report suspicious transactions.
- Board members and senior management can now be held personally liable for AML/CFT violations under certain conditions.

5. Stricter Oversight of Digital Assets

- Cryptocurrency service providers must register with the regulatory authority and adhere to AML/CFT compliance standards.
- Virtual asset transactions above a specified threshold must be reported to regulators.

6. Introduction of a Public Beneficial Ownership Registry

- Businesses must disclose their ultimate beneficial owners to prevent the use of shell companies for illicit activities.
- The registry will be publicly accessible to enhance transparency.

7. Increased Focus on International Cooperation

- Strengthens cross-border collaboration with foreign regulators and financial institutions.
- Aligns with updated Financial Action Task Force (FATF) recommendations to prevent regulatory arbitrage.

Specific Implications for NPOs and Financial Institutions

1. Non-Profit Organizations (NPOs): As highlighted under FATF Recommendation 8, Kenya's current framework for overseeing NPOs remains inadequate. To address this, organizations in the NPO sector should anticipate the introduction of new laws and regulations aimed at curbing terrorist financing risks. These may include:

- i. Mandatory risk assessments to identify NPOs vulnerable to abuse.
- ii. Enhanced monitoring and supervision by regulators.
- iii. Clearer guidelines on information-sharing and coordination among relevant authorities.
- iv. Implementation of proportionate and dissuasive sanctions for non-compliance.

NPOs should proactively review their operations, governance structures, and compliance programs to prepare for these changes and mitigate potential risks.

2. Financial Institutions and Virtual Asset Service Providers (VASPs): Under FATF Recommendation 15, Kenya has yet to fully address risks posed by new technologies, including virtual assets (VAs) and virtual asset service providers (VASPs). However, the introduction of the Virtual Assets Service Provider Bill in January 2025 signals a shift toward regulating this sector. Key expected changes include:

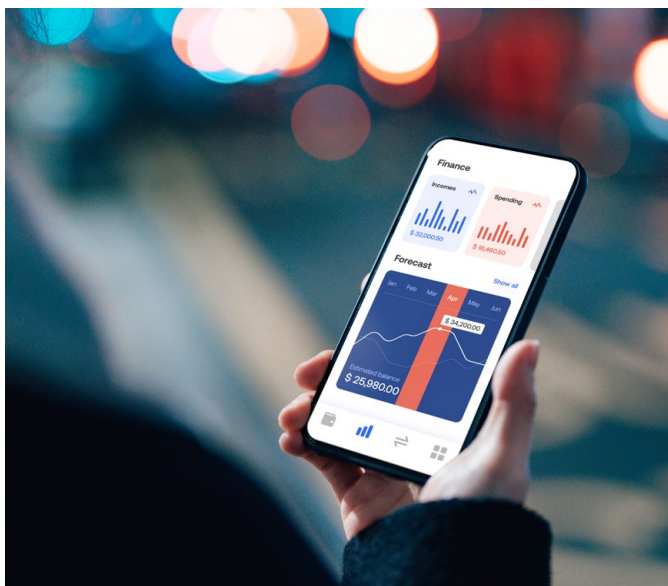
- i. Licensing and registration requirements for VASPs.
- ii. Mandatory risk assessments for new products, technologies, and delivery mechanisms.
- iii. Enhanced due diligence and reporting obligations for transactions involving virtual assets.
- iv. Clearer guidelines on the use of emerging technologies in financial services.



What Should Organizations Do?

To navigate this evolving landscape, organizations must take proactive steps to ensure compliance and mitigate risks. Key actions include:

- 1. Conduct Comprehensive Risk Assessments:** Identify and assess AML/CFT/CPF risks specific to your organization, including customer profiles, transaction patterns, and exposure to emerging technologies.
- 2. Enhance Due Diligence Measures:** Strengthen customer due diligence (CDD) and know-your-customer (KYC) processes to detect and prevent suspicious activities.
- 3. Invest in Technology:** Leverage advanced analytics, artificial intelligence, and machine learning to monitor transactions and identify potential risks.
- 4. Train Employees:** Ensure staff at all levels are well-versed in AML/CFT/CPF regulations and best practices, particularly in areas such as virtual assets and NPO oversight.
- 5. Engage with Regulators:** Maintain open communication with regulators to stay updated on compliance requirements and demonstrate your commitment to addressing gaps.
- 6. Prepare for Regulatory Changes:** Anticipate and adapt to upcoming laws, such as the Virtual Assets Service Provider Bill and potential amendments to NPO laws, by updating policies and procedures.



Conclusion

Kenya's retention on the FATF grey list is a clear indication that while significant progress has been made in addressing technical compliance gaps, the journey toward full effectiveness in combating money laundering and terrorism financing is far from over.

The country's improved ratings against the FATF's 40 Recommendations demonstrate a strong commitment to reform, but the low effectiveness ratings highlight the need for practical implementation and enforcement of these measures.

For organizations operating in Kenya, this means navigating a complex and evolving regulatory landscape. The introduction of new laws, such as the Virtual Assets Service Provider Bill, and anticipated reforms for non-profit organizations (NPOs) underscore the importance of staying ahead of compliance requirements.

Businesses must adopt a proactive, risk-based approach to strengthen their AML/CFT/CPF frameworks,

invest in technology and training, and collaborate closely with regulators to mitigate risks and maintain trust.

Kenya's path to exiting the grey list will require sustained efforts from all stakeholders—government, regulators, development partners and the private sector. By addressing the remaining gaps in both technical compliance and effectiveness, Kenya can enhance its reputation as a secure and attractive investment destination.

At PwC, we are committed to supporting organizations in this journey. Our Forensic and Financial Crime team offers tailored solutions to help businesses navigate the complexities of AML/CFT/CPF compliance, from risk assessments and program design to technology implementation and regulatory engagement.

Together, we can turn compliance into a strategic advantage, contributing to a safer and more resilient financial ecosystem for Kenya.

How PwC Can Help

At PwC, our Forensic and Financial Crime team is dedicated to helping organizations navigate the complexities of AML/CFT/CPF compliance. We offer tailored solutions including:

- i. We support clients in developing and updating AML/CFT/CPF policies in keeping up with regulatory changes.
- ii. The AML Amendment Act (2023) emphasizes on the need for a risk-based approach in addressing money laundering risks. PwC specializes in undertaking risk assessments as well as training risk teams on how to carry them out.
- iii. The amendment act is quite vast and imposes more AML/CFT/CPF obligations to reporting institutions, organizations and supervisory bodies. PwC conducts AML/CFT/CPF trainings to build capacity and raise awareness on key AML/CFT/CPF developments.
- iv. PwC has extensive experience conducting AML/CFT/CPF program reviews to assess compliance with regulatory frameworks and global leading practices.
- v. We undertake Know Your Customer (KYC) data assessments against regulatory requirements to highlight data and document requirements that are either missing or incomplete. Within the PwC global network, we have supported a wide range of Institutions to remediate KYC gaps as a managed service i.e., where PwC reaches out to customers directly to obtain required information, undertakes remediation and harnesses that information to derive insights, e.g., risk scoring.





Contact Us

For more information on how we can assist your organization, contact our Forensic and Financial Crime team today. Let's work together to build a stronger, more compliant future.



John Kamau

Partner
Financial Crime Advisory
PwC Eastern Africa
john.kamau@pwc.com



Brenda Guchu

(CAMs- Certified AML/CFT Specialist)
Senior Manager
Financial Crime Advisory
PwC Eastern Africa
brenda.guchu@pwc.com



Ivy Momanyi

Senior Associate
Forensics & Financial
Crime Advisory
PwC Eastern Africa
ivy.momanyi@pwc.com

Important notice

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