EXPLORING THE ADOPTION AND ASSOCIATED CHALLENGES OF ANTI-MONEY LAUNDERING MEASURES IN THE KENYAN FINANCIAL TECHNOLOGY SECTOR

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A THESIS SUBMITTED TO STRATHMORE UNIVERSITY BUSINESS SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF COMMERCE (MCOM) DEGREE, FORENSIC ACCOUNTING AND INVESTIGATION OPTION.

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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DEDICATION

This thesis is dedicated in loving memory of my dear father, Martin Ochieng, who left this world when I was only three years old. Though our time together was brief, your love, spirit, and the stories I've carried about you have continued to shape who I am. I often wonder what life would be like if you were here to see the person I've become and to share in these moments of achievement. Still, I feel your presence in every success, your strength in every challenge, and your love in every quiet victory. This milestone is as much yours as it is mine.

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ABSTRACT

This study sought to investigate the adoption of Anti-Money Laundering (AML) Measures and the associated challenges within the Financial Technology (FinTech) sector in Kenya. The study was motivated by the grey-listing experience by Financial Action Task Force (FATF) in February 2024 which presents Money Laundering as a current social problem in Kenya. The researcher focused on the FinTech sector due to its accelerated growth specifically within the remittance space, which provides an avenue for placing money deposits and transfers, in the Money Laundering (ML) phases it would be considered to provide avenue for execution of Placement phase in the Money Laundering cycle. The study sought to (i) to explore how Kenyan Fintechs have adopted the Anti-Money Laundering measures, (ii) to examine the challenges in adoption of Anti-Money Laundering measures in the Kenyan FinTech sector (iii)to explore the perceived consequences of Anti Money Laundering compliance or non-compliance. Theories relevant to the study are Institutional Theory, Compliance Theory, and Deterrence Theory. The researcher adopted an Interpretivist approach and qualitative descriptive research design in this study with qualitative data collected at a single point in time in the period between October 2025 and November 2025. The objectives of the research were achieved by obtaining insights from 50 Fintech AML experts from a sampled population of 108 FinTechs. To complement the responses from the Fintech experts, further questionnaire was deployed to a group comprising of 4 diverse AML experts. The 4 groups consisted of AML regulators (Central Bank of Kenya &Financial Reporting Centre), financial crime experts, financial crime legal practitioners and AML academicians. Five (5) participants were used for each group, hence a target of 20 participants. A total of 60 responses were obtained comprising of 45 and 15 from the FinTechs and AML experts respectively. The study employed purposive sampling method to select participants, and data was collected structured questionnaires administered to the participants. The data was analyzed using thematic analysis to identify key themes and philosophies emanating from the study. The findings indicate that while anti-money laundering AML frameworks are in place, their adoption within the Kenyan FinTech sector remains uneven, constrained by limited regulatory enforcement, gaps in oversight of emerging areas such as cryptocurrency and informal digital finance, and inconsistent interpretation of regulatory requirements. Implementation is further hindered by high compliance costs, resource constraints, technological misalignment, operational complexity, and the prevalence of false positives. Despite these challenges, effective AML compliance is associated with significant institutional benefits, including enhanced reputation, improved regulatory relationships, increased access to cross-border markets, and reduced legal and financial risks. Conversely, non-compliance exposes firms to severe consequences, including financial penalties, license revocation, reputational damage, operational disruption, and heightened vulnerability to financial crime.

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ACRONYMS

AML	Anti Money Laundering
ATM	Automated Teller Machine
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CBK	Central Bank of Kenya
CMA	Capital Market Authority
CDD	Customer Due Diligence
EDD	Enhanced Due Diligence
FRC	Financial Reporting Centre
FATF	Financial Action Task Force
FINTECH	Financial Technologies/Technology
KYC	Know Your Customer
ML	Money Laundering
POCAMLA	Proceeds of Crime and Anti-Money Laundering Act
STR	Suspicious Transaction Reporting
SWIFT	Society of World-wide Interbank Financial Telecommunications

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In the 21st century, the financial sector has undergone structural changes owing to the multiple financial innovations (Akartuna et al., 2023) . These innovations in finance have resulted in the emergence of FinTech. FinTech, which stands for Financial Technology, is often seen as a disruptive technology (Singh et al., 2020). FinTech has been defined differently by various authors; (Baber, 2020) defines FinTech as the provision of financial services using technology that is powered by algorithms,(Cumming et al., 2023) provides a more comprehensive definition, the authors define FinTech as wide range of innovation-driven solutions that improve and disrupt traditional financial system. FinTechs innovations employ the use of technologies like Artificial Intelligence (AI) enabled platforms, blockchain, machine learning, virtual currencies and big data (Sampat et al., 2024).

The evolution of the Automatic Teller Machine in 1967 by Barclays bank (Lerner, 2013) marked the beginning of the existence of FinTechs. FinTech has since evolved through different eras; however, it is until 2014, that the sector begun to the attract attention of academicians and scholars (Arner et al., 2015).In 1973, to address the needs for interconnectedness of domestic payments across continents the Society of World-wide Interbank Financial Telecommunications (SWIFT) was formed, which was the first ever innovation in the money transfer space (Arner et al., 2015).(Arner et al., 2015) notes FinTech evolutions to have undergone three various distinct eras starting with FinTech 1.0, this era commenced from around 1866-1967.In the period, despite the financial sector industry being heavily interlinked with technology it remained an analogue industry. FinTech 2.0 continued from 1968 to 2008, this phase involved the adoption of digital technology for communication and processing transactions which transformed the financial sector from analogue to digital (Arner et al., 2017). As from 2008, the period is referred to as FinTech 3.0, this era was characterized by new startups and established technological companies that deliver financial products and services(Arner et al., 2015). Examples of FinTech innovations that have occurred overtime include digital lending, digital Insurance Services (Insurtech), digital payment services (mobile banking, peer to peer payments and e-wallet) and investment management (Mobile trading, social trading, Online brokerage and High Frequency Trading) (Africa, 2023) .The most adopted FinTech product have been the payment platform; a study by (Fu & Mishra,

2021) rated the percentage of downloads of payment, investment and loan apps applications to be 30%, 7% and 6% respectively, confirming the extent of adoption of these applications.

The FinTech industry is the new frontier in the financial landscape and has experienced significant growth since 2015 (EY Fintech Adoption Index, 2019). The FinTech global market was valued at $7.3 trillion in 2020 and is projected to grow at a Compound Annual Growth Rate (CAGR) of 26.87% up to 2026 (Summerfield, 2022). FinTech providing remittance services have experienced high adoption by consumers as they are perceived to be easy to use, convenient, transparent, consumer friendly and cost effective as they are powered by technology unlike traditional banks (Singh et al., 2020; Firmansyah et al., 2022; Baber, 2020). According to the Ernest and Young 2019 report the average consumer adoption of FinTech stood at 64% while that of Small and Medium Enterprises stood at 25%. China led the way with 64% adoption. FinTech growth is thought to have been influenced by COVID-19, (Cumming et al., 2023) provides evidence confirming the increased growth of digital payments and remittances increased the during COVID-19.

FinTech adoption has occurred across the world; in the advanced economies, Emerging Markets and Developing Economies (EMDE, s). Every country or nation has adopted various FinTech products to different extents. (Frost, 2020) conducted a study investigating the variation in extent of adoption of FinTech, the study concluded that adoption was driven by the demand and supply factors. For instance, FinTech lenders have achieved a large stake in in Korea and Kenya yet quite small in Middle East, Latin America and Continental Europe as cited by (Frost, 2020).Notable growth has also been noted on the Peer-to-peer lending platform adoption in China. Peer to peer lending platform is a platform that matches a borrower to a lender and used in lending small loans or capital to small enterprises with little collateral or credit scores, this model has facilitated availment of loans to underbanked and in small amounts that traditional banks would not consider providing (Guild, 2017).The peer to peer lending in China has surpassed $ 100 billion (Weinland, 2017).

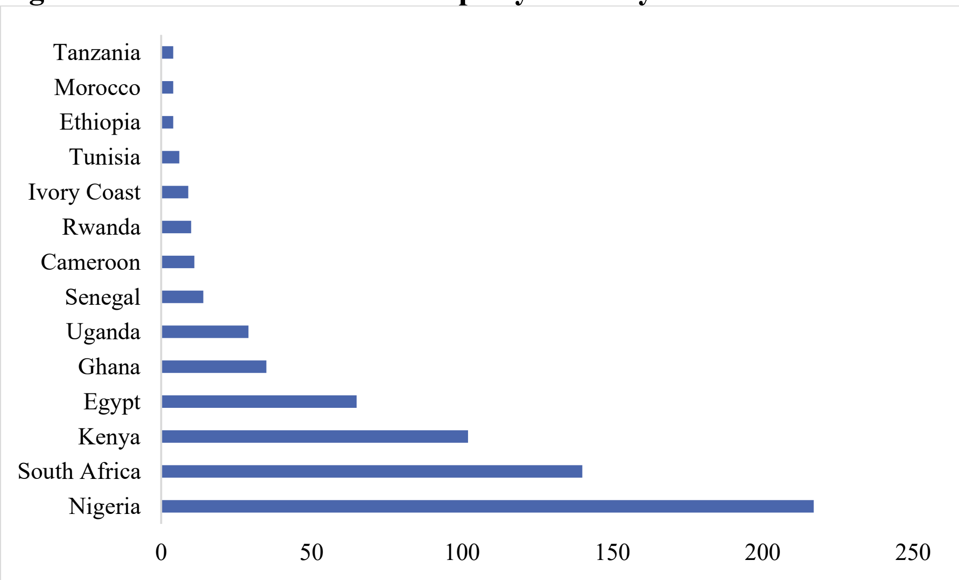
The intense growth of FinTech has sparked various debates among scholars around the world and increased literature on the subject. Studies have investigated challenges faced by FinTechs and digital banking challenges (Meng et al., 2021; Jocevski et al., 2020;Lee & Shin, 2018). From the review of the existing literature, the previous research on FinTechs has mainly focused on digital assets; cryptocurrencies and Bitcoins (Barroso & Laborda, 2022). (Gaviyau & Sibindi, 2023) conducted a study on customer due diligence practices in the FinTech era, with a focus of commercial banks in South Africa, the study concluded that digital banks could onboard customers more quickly as customers KYC are uploaded using a smartphone as a result AML/CFT risk and cyber security risk increased hence the need for static regulations. A further study by (Akartuna et al., 2023) focused on AML/CFT risks of emerging technologies the study utilized data from 52 experts in different industries and countries, the researcher emphasized the need for sector specific regulations since the one size fits all approach is undesirable.(Renda & Caneppele, 2024) study on adoption of measures to prevent money laundering through crypto assets in Switzerland findings were that despite the players being compliant to the regulations on both the international and national assessment, the crypto AML regulations were not optimal. This study therefore furthered the discussions on FinTechs and their regulatory landscape.

Despite the existence of the bright side of FinTech, there still exists the negative side that poses risks to individuals, organizations and society (Alt, 2018;Bollaert et al., 2021). In the individual context, FinTech has been noted to risks such as privacy breaches, financial fraud and technostress (Gutierrez et al., 2019 ;Xu et al., 2019). On the other hand, organizations have raised concerns on possible job loss associated with financial technologies (Cheng et al., 2022).The surge in digitization offers room for cybercriminals to exploit data for illegal use (Sampat et al., 2024).Additionally, the complexity of transactions in FinTech encourage predatory practices, fraudulent actions and information asymmetry if the regulators are absent (Murinde et al., 2022)

1.1.1 FinTechs in Kenya

Recently in Africa Kenya and Nigeria are taking the lead as the financial innovations' hot spots. Kenya presently stands out a FinTech hub in Africa. The Kenyan Startup Ecosystem 2022 report reported that 93 of the start-up companies in Kenya were FinTech, further details on the report confirmed the payment and remittance sector to be most developed. (Disrupt Africa, 2022) report notes Watu Credit, Aza Finance, M-KOPA and Pezesha were among the FinTechs that have created largest employment opportunities in Kenya. Kenya has been on the spotlight in the Financial innovative space, owing to the innovations in the digital cash transfer service, M-PESA, founded in 2008 by the telco giant Safaricom, a Vodacom affiliated brand. M-PESA is reported to have recorded a notable growth across East Africa (Ashenafi, 2022). Additionally, within Kenya, notable growth of mobile money services has been witnessed with the development and evolution of M-PESA over the years. The growth is evidenced by the emergence of other digital cash transfer products like Equitel, Telkom, payless and airtel money. As pe the statistics by Communication Authority of Kenya, the penetration rate of mobile money services in Kenya as of 30th December 2023 stood at 38million equivalent to 75.1% penetration rate (Communication Authority of Kenya, 2024).In order to regulate the digital credit providers in Kenya, the Central Bank Act was amended in 2021 to include provisions to fully regulate digital credit providers. The Central Bank Act provides that all digital credit providers are approved prior to commencing business in Kenya. As of March 2024, the Central Bank of Kenya (CBK) announced approval of 19 additional FinTech's putting the total counts of FinTech's in Kenya to 51 and other 480 applications were awaiting approvals by the regulator (Central Bank of Kenya, 2023).

Figure 1. 1: Africa Fintech Startups by Country 2023.



Source: Disrupt Africa 2022

1.1.2 FinTech and Money Laundering

1.1.2.1 Overview of Money Laundering

Money laundering (ML) refers to the process through which illicitly obtained funds are disguised to appear legitimate (Magarura, 2020). The Financial Action Task Force defines money laundering as the concealment of the origin, ownership, or control of criminal proceeds to make them appear to derive from lawful activities (FATF, 2023). Typically, such proceeds originate from predicate offences including terrorism financing, cybercrime, drug trafficking, corruption, tax evasion, and other illicit economic activities (Lokanan, 2024). The central objective of laundering is to enable criminals to enjoy the economic value of illegal proceeds without attracting regulatory or law enforcement scrutiny.

Empirical and doctrinal literature consistently conceptualizes money laundering as a three-stage process: placement, layering, and integration (Tiwari et al., 2020). During the placement stage, illicit funds are introduced into the formal financial system, often through deposits, currency exchanges, or cash-intensive businesses. This stage is considered the most vulnerable to detection because unusual transaction patterns may trigger reporting mechanisms. The layering stage involves complex financial transactions designed to obscure the audit trail, including cross-border transfers, shell companies, and multiple account movements. Finally, the integration stage occurs when the laundered funds are reintroduced into the legitimate economy as apparently lawful assets, such as investments, real estate purchases, or business ventures (Umar, 2024). At this stage, tracing the criminal origin of funds becomes significantly more difficult.

While this three-stage model provides a useful analytical framework, contemporary scholarship suggests that technological advancements have blurred these traditional distinctions. Digital financial systems, mobile payments, and distributed ledger technologies have accelerated the movement of funds across jurisdictions, reducing the time between placement and integration. Akartuna et al., (2023), through a three-round Delphi study involving experts, found that emerging technologies including distributed ledger technology (DLT), digital payment platforms, and financial technology (FinTech) have expanded both the scale and complexity of money laundering risks. Their findings indicate that technological innovation not only enhances financial inclusion but simultaneously introduces new vulnerabilities, particularly where regulatory frameworks lag behind innovation.

In the Sub-Saharan African context, Kenya has experienced multiple high-profile corruption and financial crime scandals, including the National Youth Service (NYS) scandal, the "Chicken Gate" bribery case, and irregularities linked to public procurement within the Kenya Medical Supplies Authority (KEMSA). Although not all such cases result in successful prosecution for money laundering offences, they illustrate systemic vulnerabilities in financial oversight and public sector accountability. The persistence of illicit financial flows in Kenya highlights challenges in detecting and intercepting illicit funds before they reach the integration stage, particularly within increasingly digitized financial ecosystems.

Comparatively, traditional AML frameworks were designed around conventional banking systems characterized by physical branches, structured account opening procedures, and centralized oversight. However, the rapid expansion of FinTech platforms—mobile money services, digital lending, peer-to-peer transfers, and crypto-assets has introduced decentralized and technology-driven models that complicate monitoring mechanisms. The speed, anonymity, and cross-border functionality of digital platforms reduce friction in financial transactions, thereby increasing both legitimate efficiency and illicit opportunity.

Therefore, while the theoretical stages of money laundering remain conceptually valid, empirical evidence suggests that digital innovation has transformed the operational dynamics of laundering processes. This evolution creates new regulatory and enforcement challenges, particularly in emerging markets like Kenya, where FinTech penetration is high but supervisory capacity may be constrained. Consequently, understanding money laundering within a digital financial ecosystem is critical for assessing the effectiveness of AML policy implementation in Kenyan FinTech firms.

1.1.2.2 Fintech and Money Laundering

Money laundering remains a global phenomenon that continuously erodes the stability, soundness and transparency of the global financial system. The United Nations Office on Drug and Crime (UNODC) estimates 2-5% of the global GDP, or $800 billion to 2 trillion in dollars is laundered annually (UNODC, 2022). Money laundering being a local and international endemic has attracted much attention of researchers, scholars and policy makers towards the subject and development of Anti-Money Laundering strategies. Money Laundering continues to be a critical and complex topic in the Kenya's financial system.

The last assessment by the Financial Reporting Center (FRC) revealed that the cross-border ML threat for Kenya was at medium on a scale of high medium and low and had a potential of increasing in the future. Sector wise assessment of ML threat conducted indicate banking sector as the most abused by ML. The FRC further indicated that the adoption of electronic transactions and non-face to face apps in onboarding of customer has made the banking sector more alluring to criminals. Secondly, Money Value Transfer Services were reported to exhibit a potential to be exploited for ML where fake/stolen IDs are used. The remittance sector on the other hand was reported to have filed on 29 STRs while the sector moved billions. The NRA confirmed the threat level for the sector to be medium. The distinct characteristics of the technology incorporated in Finance makes FinTech a subject to be studied in detail as it changes the status quo of traditional banking (FRC, 2024).

Technology, including FinTech, continues to have an impact on people's lives in the 21st century both positively and negatively. Globally several of the ML scandals have been noted to be linked to new technologies, for instance in 2020, Wirecard, a significant participant in Germany's FinTech sector was implicated in a financial scandal. According to Financial Times, Wirecard handled payments for a Maltese online casino that was later charged with money laundering money for the ''Ndrangheta' one of most powerful Europe's mafia group (Johnson & McCrum, 2020). Likewise, in March 2018, It was discovered that Uber, a digital taxi services platform had ghost rides that were actually being used to launder money (Teicher, 2018a).Similarly in Kenya, on 14th June 2023, news came out regarding Flutterwave, , looking into claims of money laundering (Business Daily, 2023). Further accusations of money laundering surfaced in 2022, leading to Asset Recovery Authority and Interpol to place a politician from Kenya and Nigeria on its radar on allegations of KES 25 billion suspected to be proceeds of Money Laundering. Multigate Limited a FinTech company based in Kenya was named to be involved (Business Daily, 2022). Other cases implicating the remittance space include,2 suspects charged of registering IDs of unsuspecting individuals and later used the accounts to receive KES 13Million, 2 refugees in a camp charged for receiving proceeds of crime using their phones approximately 4.9Million from a foreign country, the spike in these occurrences raises questions on the effectiveness of AML regulations implementation within the FinTech sector.

Table 1. 1: Values of Proceeds Generating Predicates Investigated from 2021-2023

SN	Predicate Offence	Cases	Values (US$)
1	Corruption and economic crimes	94	299,342,484
2	Fraud and forgeries	1938	104,072,668
3	Tax related crimes	104	87,332,342
4	Money laundering	34	84,159,577
5	Cyber crimes	614	6,471,917
6	Drug related offences	2642	5,675,853
7	Human trafficking	432	3,154,255
8	Wildlife crimes	889	1,151,297

Source: Update on National Risk Assessment of ML 2023

1.1.3 Anti-Money Laundering Regulations

Anti-Money Laundering regulations refer to a set of directives or initiatives aimed at combating Money Laundering. (Yang & Zhang, 2007) gives a more elaborate definition the author defines AML as the act of taking measures to prevent money laundering activities that conceal the origin and nature of the proceeds and benefits derived from narcotics-related crimes, gang-type organized crimes, terrorism, smuggling, crimes of graft and bribery, crimes of undermining financial administrative order, and crimes of financial fraud.

Globally, Anti-Money Laundering (AML) frameworks have evolved in response to increasing financial crimes and cross-border illicit financial flows (Levi et al., 2018). In the United States, the Bank Secrecy Act (BSA) and the USA PATRIOT Act form the cornerstone of AML regulation, establishing requirements for customer due diligence, record keeping, transaction monitoring, and suspicious activity reporting (Levi, 2020).Similarly, the United Kingdom's Proceeds of Crime Act (POCA) provides a comprehensive legal framework aimed at preventing, detecting, and prosecuting money laundering and related offenses ('Ryder, 2012). Despite their robustness, these frameworks continue to face challenges related to regulatory complexity, high compliance costs, and the need to adapt to rapidly evolving financial technologies (Levi, 2020).

The Financial Action Task Force (FATF) was formed in 1989 with a primary objective of combatting money Laundering. A year later the 40 FATF recommendations were issued, commonly referred as a chain of recommendations for combatting Money Laundering (Kemal, 2014). As of 1990, the FATF had 40 recommendations, in 2001 eight new recommendations were added and one later in 2004, moving the total to 49 recommendations (FATF, 2023). Globally, the Financial Action Task Force (TATF) provides guidance on matters concerning money laundering, this is achieved by FATF recommendations which provides guidance on Customer Due Diligence, Suspicious Activity Reporting and Record Keeping. Annually a mutual evaluation is done by the representatives of FATF member countries aiming at assessing the AML effectiveness and regulatory frameworks in various jurisdictions. Presently, there are 40 countries who are members of FATF. Every country has enacted country specific AML regulations: China has the Anti-Money Laundering law for the people of China, Turkey has the Prevention of Money Laundering and Financing Terrorism, Tanzania has the Tanzanian Anti Money Laundering Act and the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) in Kenya (Click or tap here to enter text.Mniwasa, 2021; Okuyucu, 2009; Yang & Zhang, 2007) .

In 2000, the Central Bank of Kenya enacted laws to combat money laundering in Kenya's banking industry. The regulations intended to increase soundness and transparency in the Kenyan financial system. Kenya went a step further in 2001, making money laundering illegal. In 2004 Kenya proposed the Anti-Money Laundering Bill to Parliament which was passed and later signed into law in December 2009. This was Kenya's first legislation specific to Anti-Money laundering, the POCAMLA. The POCAMLA has since undergone four amendments; in the year 2013, 2015, 2017 and recently in the year 2023. POCAMLA provides guidance on AML matters. As per the POCAMLA, various institutions are responsible for monitoring, prevention and reporting of Money Laundering. These institutions include financial institutions, regulatory bodies and law enforcement agencies. Financial institutions are tasked to implement a framework for Know Your Customer (KYC), Enhanced Consumer Due Diligence (ECDD), they are also required to Monitor and Report Suspicious Transaction Report to the Financial Reporting Center (FRC) (POCAMLA, 2009). The Financial Reporting Centre is the state corporation in charge of gathering intelligence on AML and investigation of money laundering cases, they work alongside the Assets Recovery Authority (ARA) and Director of Criminal Investigation (DCI).

This study addresses the existing gap by focusing specifically on under-explored AML implementation and compliance challenges in other non-cryptocurrency FinTech products, including mobile money, neobanks, payment remittance services, and digital lending platforms in Kenya. By examining the level of AML compliance, perceptions toward compliance, and challenges faced by FinTech firms, the study contributes context-specific insights at a time when Kenya has been grey-listed by the Financial Action Task Force (FATF) and FinTech platforms are increasingly exposed to money laundering risks.

1.2 Research Problem

The re-listing of Kenya on the Financial Action Task Force (FATF) grey list in February 2024, following its earlier removal in 2019, underscores persistent weaknesses in the country's AML regime. This development indicates ongoing deficiencies in the AML implementation among reporting institutions, despite the presence of regulatory frameworks under the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA). However, there is limited empirical qualitative evidence on how FinTech firms in Kenya implement AML requirements, the challenges they encounter, and how these challenges affect overall compliance. This gap constrains regulators and policymakers from designing targeted interventions suited to the FinTech sector.

Technological innovations have transformed the world into a global village. These innovations have enabled the movement of money into and from different countries across the world. Whilst technological advancement has played a great role in reducing physical crimes, it has presented increased opportunity for cybercrime (CBK, 2021). FinTechs have been noted to face other risks such as money laundering, operational risk, default risk, financial stability risk, systematic risk, corruption, crimes, and frauds (Asif et al., 2024).

Traditionally money laundering included smuggling cash using banks, insurance companies and shell companies (He, 2010). With the wide use of electronic money and internet criminals prefer to launder money using non face to face transactions in the 21st century (FRC, 2024). FinTech institutions exhibit operational characteristics such as anonymity, no face contacts, high speed of transactions which according to (FRC, 2024) attract money launders since they can bypass the monitoring of transactions. These characteristics present the opportunity for hiding and impersonation by criminals laundering money as there is no face-to-face contacts and all that is required are login credentials unlike in traditional money laundering.

Technological advancements pose challenges in combatting AML. For the AML gatekeepers, monitoring transactions for AML in the digital era has been challenging because of anonymity and the ability to make payments remotely (Akartuna et al., 2023). The adoption of digital only banks, peer-to-peer lending platforms and new payment methods impacts on the Know Your Customer capabilities which is a strong pillar in combatting money laundering, for instance account holders can use fraudulent identification documents and pass the remote KYC checks (Akartuna et al., 2023). These challenges differ fundamentally from those faced by traditional banking institutions, where physical customer interactions and manual verification processes remain central to AML controls.

Consequently, there is a critical need to examine AML implementation and compliance challenges within Kenya's FinTech sector to generate context-specific insights that can inform regulatory oversight, strengthen AML controls and support Kenya's efforts to exit the FATF grey list.

1.3 Objectives of the study

1.3.1 General objectives

To investigate the adoption of Anti-Money Laundering measures, the challenges affecting their adoption and the perceived implications of compliance/non-compliance within the Kenyan Fintech sector.

1.3.2 Specific Objectives

i) To explore how Kenyan Fintechs have adopted the Anti-Money Laundering measures.
ii) To examine the challenges in the adoption of Anti-Money Laundering measures in the Kenyan FinTech sector.
iii) To explore the perceived consequences of AML compliance or non-compliance.

1.4 Research questions

i) What themes emerge regarding how FinTechs adopt and operate AML requirements?
ii) What challenges do AML officers in the FinTech space face when adopting AML policy efforts?
iii) What are the perceived consequences of AML compliance and non-compliance within the Kenyan FinTech sector?

1.5 Scope of the study

The researcher assessed the adoption of the Anti-Money Laundering Requirements in the Kenyan FinTech sector and identified the challenges faced by these institutions while complying with these regulations. The primary participants of the study were AML regulatory officers and staff in the FinTech space. To complement the findings from the primary participant, the actors in the Fintech space, other AML experts such as AML regulators (CBK &FRC),financial crime experts, financial crime legal practitioners and AML academicians within Nairobi County were included in the study to leverage on data availability and geographical mobility associated costs. The study focused on FinTechs in Kenya because Kenya has been identified as countries that experienced a substantive growth of FinTechs in

Sub-Saharan Africa as per the Global Findex Database. The researcher utilized the schedule of the 108 FinTechs registered by CBK between and the FinTechs listings available from the other 3 sources. The study targeted 50 FinTech firms, with one respondent drawn from each firm, specifically compliance officers, chief compliance officers, or AML officers. In addition, 20 AML experts were included, comprising five participants from each of four expert categories, to anchor and enrich the study through external expert perspectives. In total, the study relied on 70 structured questionnaires. This study was conducted using a qualitative questionnaire administered between November 2025 and December 2025. Respondents were requested to provide insights based on their current and recent experiences with Anti-Money Laundering implementation within their respective FinTech institutions.

1.6 Significance of the study

1.6.1 Academicians

The study contributes to the body of knowledge on Anti-Money Laundering in the FinTech landscape in Kenya. The research can be used as a foundation for understanding the adoption of AML by FinTechs and challenges in implementing the initiatives. The researcher also provided recommendations on future areas of studies that could be explored in future.

1.6.2 FinTech Firms

The study is relevant to FinTech firms as it provides them with valuable insights on how the challenges faced in AML implementations could be addressed. Considering that they equally aim at addressing money laundering and its predicate crimes, ability to address these challenges positively impacts on their efforts in combatting money laundering.

1.6.3 AML policy makers

For the AML policy makers and regulators, The Central Bank of Kenya and Financial Reporting Centre the study also provides meaningful insights that could be used in formulation of the AML policies that could be utilized in ensuring transparency and soundness of the Kenyan FinTech financial systems.

1.7 Chapter Summary

The chapter introduces the study on the challenges of implementing AML efforts within the Kenyan FinTech sector. This chapter begins by introducing FinTech, evolution of FinTechs and FinTech statistics overtime in Africa and particularly in Kenya. The background also describes ML in the context of FinTechs and evolution of AML regulations overtime in Kenya. The problem statement identifies ML as a social problem in Kenya, the distinct characteristics of

FinTech and empirical gaps existing in previous studies on AML challenges and effectiveness. The research objective is to establish the challenges of implementing Anti-Money Laundering Policy efforts in the Kenyan FinTech sector. The scope of the study focuses on the FinTech sector and therefore the participants were AML experts associated with the FinTech sector, based in Nairobi County. The significance of the study was to provide valuable insights to Academicians, FinTech firms and AML policy makers to identify ways in which AML can be improved in the sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is a centered comprehensive review of existing literature pertaining to the concept of Anti-Money Laundering. Other than this the section sought to present critical arguments of academic scholars, who contributed to the scholarly discussion on Anti-Money Laundering. The theoretical framework for supporting the argumentation of the literature review is presented along with identified research gaps in the existing literature which facilitated the researcher in conducting this research.

2.2 Theoretical Review

In this section the researcher presents the theories that underpin the current research. The theoretical literature review aids in identifying the existing theories that inform the research and an overview of how they inform the research and the variables. Given the multidimensional nature of Anti-Money Laundering (AML) adoption and implementation within the FinTech sector, the study is anchored on Institutional Theory, Compliance Theory, and Deterrence Theory.

A multi-theoretical approach is adopted because no single theory sufficiently explains the complex regulatory, organizational, and behavioral factors that influence AML practices in FinTech firms. Institutional Theory provides a lens for understanding how external regulatory pressures and industry norms shape the adoption of AML frameworks. Compliance Theory explains organizational responses to AML policy efforts, particularly how perceptions of legitimacy, cost, and practicality influence the effectiveness of implementation. Deterrence Theory explains how enforcement mechanisms and sanctions shape perceptions of the consequences of AML compliance or non-compliance. Collectively, these theories provide a comprehensive foundation for examining how AML requirements are adopted, the challenges affecting their implementation, and the perceived consequences of compliance or non-compliance within Kenyan FinTech firms.

2.2.1 Compliance Theory

Compliance Theory is primarily associated with the work of Tyler (1990), who advanced the theory through his procedural justice perspective in *Why People Obey the Law*. Tyler argued that individuals and organizations comply with laws not only because of fear of punishment, but also because they perceive rules and authorities as legitimate, fair and deserving of obedience. This view marked a shift from purely deterrence-based explanations by emphasizing that compliance behavior is shaped by internalized norms, moral obligations, and social expectations in addition to enforcement mechanisms.

The central argument of Compliance Theory is that compliance is driven by a combination of instrumental motivations (desire to avoid sanctions), normative motivations (sense of moral obligation), and social motivations (desire to maintain reputation and legitimacy) (Tyler, 1990; Paternoster & Simpson, 1996). The theory explains compliance behavior through several key variables, including perceived legitimacy of regulation, perceived fairness of regulatory processes, organizational culture, ethical orientation, cost of compliance, and internal capacity to comply. Organizations are more likely to comply when they perceive regulations as reasonable, practical, and aligned with their business operations, and less likely to comply when regulations are viewed as excessively burdensome, ambiguous, or misaligned with operational realities. A major strength of Compliance Theory is its ability to explain voluntary and proactive compliance, even in contexts where enforcement is weak. However, critics argue that the theory underplays the role of coercion, power, and economic incentives, particularly in highly competitive environments where financial survival pressures may dominate decision-making.

In the context of this study, Compliance Theory provides a useful lens for examining challenges affecting the implementation of AML policy efforts within Kenyan FinTech firms. High compliance costs, complex regulatory requirements, limited technical capacity, and perceived misalignment between AML regulations and FinTech business models may weaken normative commitment to compliance, resulting in partial or selective implementation. The theory therefore underpins the second objective of the study by explaining how organizational perceptions, internal culture and cost considerations shape AML compliance behavior.

2.2.2 Institutional Theory

Institutional Theory originates from organizational sociology and was advanced by (Meyer & Rowan, 1977) and later by (DiMaggio & Powell, 1983).Institutional Theory posits that organizations adopt structures, practices, and processes in response to pressures from their institutional environment in order to gain legitimacy, stability, and social acceptance (DiMaggio & Powell, 1983; Scott, 2014). These pressures may be coercive, arising from laws and regulations; normative, arising from professional standards and expectations; or mimetics arising from imitation of successful peers. Organizational behavior is therefore shaped not only by efficiency considerations but also by the need to conform to institutional expectations.

Within financial services, regulatory frameworks represent a powerful source of coercive pressure that shapes organizational practices. Institutions adopt compliance structures such as policies, internal controls, reporting mechanisms, and governance arrangements largely to meet regulatory expectations and demonstrate legitimacy. In emerging sectors such as FinTech, the strength and clarity of institutional pressures vary across subsectors, resulting in differences in the extent and depth of regulatory adoption. A key strength of the theory is its ability to explain why organizations adopt similar compliance structures across an industry and why some firms engage in symbolic compliance by adopting policies without fully embedding them in practice. However, the theory has been criticized for underestimating organizational agency and internal cost–benefit considerations, as firms may strategically interpret or selectively implement regulatory requirements.

In this study, Institutional Theory provides a lens for understanding patterns of AML adoption among Kenyan FinTechs. It explains why FinTech firms establish AML policies, internal control frameworks, and compliance structures in response to regulatory requirements issued by oversight bodies. It also explains variations in adoption levels, where firms operating in clearer regulatory environments or under closer supervision demonstrate more comprehensive AML implementation compared to those operating in regulatory grey areas.

2.2.3 Deterrence Theory

Deterrence Theory originates from classical criminology and is primarily attributed to the work of Cesare Beccaria in the eighteenth century, later advanced by Jeremy Bentham. Beccaria (1764) argued that individuals are rational actors who choose between lawful and unlawful behavior based on a calculation of potential benefits and consequences. Bentham (1789) further developed this position by proposing that human actions are guided by a pleasure-pain principle, whereby individuals seek to maximize pleasure and minimize pain. Within this framework, compliance with laws is achieved when the perceived costs of punishment outweigh the perceived benefits of non-compliance.

The central proposition of Deterrence Theory is that compliance is influenced by three key attributes of punishment: certainty, severity, and swiftness. Certainty refers to the perceived likelihood that a violation will be detected and punished, severity refers to the harshness of the sanction imposed, and swiftness refers to how quickly punishment follows the violation. Gibbs

(1975) provided empirical support for this model, demonstrating that higher perceived probabilities of punishment are associated with lower levels of non-compliance. More recent scholarship has emphasized that the certainty of punishment is often more influential than its severity in shaping behavior, as consistent and predictable enforcement strengthens deterrent effects (Nagin, 2013).

Deterrence Theory explains regulatory compliance as a function of enforcement strength and sanction regimes. In organizational contexts, firms are more likely to comply with regulations when they believe that regulators possess the capacity to detect violations and impose meaningful sanctions such as fines, license suspension, or legal action. Conversely, weak or inconsistent enforcement reduces the perceived risk of punishment and weakens deterrence, thereby increasing the likelihood of non-compliance. The theory offers several strengths in regulatory and financial crime research. It provides a clear, measurable framework for examining compliance behavior and highlights the critical role of enforcement institutions in shaping organizational conduct and hence is particularly relevant to heavily regulated sectors such as financial services, where compliance obligations are reinforced through statutory penalties and supervisory actions. However, the theory has also been criticized for assuming that organizations always behave as rational calculators, thereby underestimating the influence of moral values, organizational culture, and perceptions of regulatory legitimacy. It is also limited in explaining voluntary or ethical compliance that occurs in the absence of strong enforcement.

In the context of this study, Deterrence Theory provides a useful lens for understanding how Kenyan FinTech firms perceive the consequences of Anti-Money Laundering (AML) compliance or non-compliance. Where regulatory enforcement is perceived as weak, slow, or inconsistent, FinTechs may view non-compliance as a manageable operational risk. Conversely, where sanctions are perceived as certain and severe, firms are more likely to invest in AML controls and monitoring systems. The theory therefore underpins the examination of perceived consequences associated with AML compliance and non-compliance, supporting the third objective of the study.

2.3 Empirical Review

The empirical review entails a review of past research that relates to AML compliance and challenges of AML compliance. The researcher presents critical arguments linked to current research by various academic scholars.

2.3.1 Adoption of AML Measures.

2.3.1.1 Overview of Anti-Money Laundering regulations

The global Anti-Money Laundering (AML) regulatory framework was institutionalized following the establishment of the Financial Action Task Force in 1989 by the G-7 Summit in Paris. The FATF was mandated to develop and promote international standards to combat money laundering and, later, terrorism financing and proliferation financing. Its Forty Recommendations, subsequently expanded to a comprehensive framework, have become the benchmark for national AML legislation and mutual evaluation processes. As a result, most jurisdictions have structured their AML regimes around risk-based approaches, customer due diligence (CDD), suspicious transaction reporting (STR), and institutional compliance frameworks aligned with FATF standards.

Empirical scholarship examining AML regulations has predominantly focused on assessing the effectiveness of these regulatory frameworks, particularly within the banking sector. Studies by (Hassan et al., 2022; Lokanan & Nasimi, 2020; Pol, 2020) shared a common objective of evaluating whether AML regulations in banking institutions effectively mitigate money laundering risks. Although differing in geographical focus, these studies generally adopted qualitative and mixed-method approaches, relying on policy analysis, institutional assessments, and compliance data. Their findings converge on a central theme: while regulatory frameworks are formally robust and aligned with international standards, implementation gaps persist due to weak enforcement, compliance burdens, and over-reliance on procedural adherence rather than outcome-based effectiveness.

Similarly, Meiryani, et al., (2023) shifted the analytical focus from regulatory frameworks to regulatory technology (RegTech) implementation in the Indonesian banking sector. Using empirical analysis within a developing economy context, the study found that technological integration improves monitoring and reporting efficiency but does not eliminate systemic compliance weaknesses. Compared to earlier banking-focused studies, this research introduced a technological dimension, suggesting that digital tools can enhance AML compliance but remain dependent on institutional capacity and governance quality.

Beyond banking, other scholars have examined AML implementation challenges across sectors and jurisdictions. Nasir and Mohamed (2023) and Zavoli and King (2021), studying financial institutions and the UK real estate sector respectively, emphasized the operational and structural burdens imposed by AML regulations. Their research primarily qualitative and interview-based demonstrated that AML compliance often results in increased administrative costs, regulatory uncertainty, and defensive reporting practices. In contrast, Magarura (2020), focusing on developing countries, highlighted structural drawbacks of AML frameworks, arguing that global standards may disproportionately strain resource-constrained jurisdictions. Meanwhile, Naheem (2020) introduced an agency theory perspective, exploring the principal–agent dilemma inherent in AML enforcement, where compliance officers act as intermediaries between regulators and institutions, often facing conflicting incentives.

Comparatively, the literature reveals three dominant analytical patterns. First, most empirical studies focus on traditional financial institutions, particularly banks. Second, the majority of studies assess regulatory compliance effectiveness within national or sector-specific contexts rather than cross-sectoral digital ecosystems. Third, while technological innovation such as RegTech and digital finance is increasingly acknowledged, empirical investigation into AML implementation within the broader FinTech sector remains limited.

Although some studies recognize emerging risks associated with digital financial systems, systematic empirical analysis of AML regulatory implementation in FinTech firms especially within Sub-Saharan Africa remains underdeveloped. Existing scholarship largely assumes that regulatory principles applicable to banks are transferable to FinTech environments without critically examining sector-specific operational dynamics such as digital onboarding, algorithmic monitoring, mobile money platforms, and decentralized payment systems.

Therefore, unlike Zavoli and King (2021), who concentrated on real estate compliance dynamics within the UK, the present study extends the empirical debate by examining AML implementation practices within Kenyan FinTech firms. By situating AML regulatory adoption within a rapidly evolving digital financial ecosystem, this study addresses a sectoral and contextual gap in existing AML scholarship.

2.3.1.2 The Adoption of AML Requirements

Anti-Money Laundering (AML) compliance has become a focal point of financial regulation globally, particularly as financial systems digitize. The Financial Action Task Force (FATF) sets international AML standards that serve as guidelines for national legislation. FATF's framework emphasizes the importance of customer due diligence (CDD), continuous transaction monitoring, and reporting of suspicious transactions to mitigate money laundering risks (FATF, 2019). This has led countries, including Kenya, to develop their own laws and systems to ensure compliance with these global standards.

A qualitative study conducted in the United Kingdom examined the adoption and effectiveness of the Anti-Money Laundering (AML) regime using 8 semi-structured interviews with practitioners, focusing on the application of the risk-based approach and suspicious activity reporting mechanisms. The study found that although financial institutions are required to adopt risk-based AML frameworks, implementation was largely ineffective due to misalignment between regulatory provisions and supervisory expectations, which created uncertainty and fear of non-compliance among institutions (Pontes et al., 2022).The study concluded that regulatory supervisors need to consider replacing old compliance techniques so that Financial Institutions do not continue putting in resources including money on ineffective techniques. This study faced a limitation in the number of respondents and efforts to obtain insights from the regulators were futile. However, these results are not generalized to other countries as the study was conducted in UK solely. In this study the researcher will explore a larger sample of practitioners and insights from the regulators.

Similar adoption challenges have been documented in developing economies. In Ethiopia, Sileshi and Kassie (2022) found that while commercial banks had designated senior personnel overseeing AML/CFT compliance, significant implementation gaps persisted, particularly in the communication of AML requirements, the absence of independent third-party AML assessments, and the inadequacy of existing technological systems to support AML efforts These findings suggest that formal governance structures alone are insufficient to ensure effective AML adoption without supporting systems, independent validation, and robust technology. In contrast, evidence from Pakistan by Mukhtar, (2019) points to stronger legislative and institutional commitment to AML adoption, with content analysis revealing substantial regulatory reforms and progress in addressing money laundering and terrorism financing risks, despite continued challenges related to complexity, enforcement, and international scrutiny under the FATF grey-listing process.

Similar to the above studies in the UK and Ethiopia at national level, evidence from Kenya mirrors these broader patterns. Mochere, (2020) conducted a qualitative study examining AML enforcement in the Kenyan banking sector and found that although banks complied with key regulatory instruments such as the Banking Act and Central Bank Prudential Guidelines, weaknesses persisted in the reporting of suspicious transactions and maintenance of customer records, contributing to continued money laundering risks despite formal compliance. The study, however, relied exclusively on secondary data, limiting insights into practical implementation dynamics. Across contexts, scholars further note that assessing AML adoption and effectiveness remains challenging due to unclear objectives, data limitations, and reliance on international evaluation frameworks that emphasize comparative rather than outcome-based effectiveness, particularly under FATF mutual evaluations (Turkington et al., 2019; Levi et al., 2018; Pontes et al., 2022).

In contrast to studies that emphasize widespread implementation gaps and procedural compliance, evidence from Pakistan presents a more nuanced picture of AML effectiveness. In Pakistan Mukhtar , (2019) conducted a study examining AML measures in Pakistan found that the country had made significant legislative and institutional progress in addressing money laundering and terrorism financing, particularly through alignment with Financial Action Task Force (FATF) requirements. Using content analysis, the study demonstrated improvements in regulatory frameworks and enforcement mechanisms, suggesting a relatively stronger national commitment to AML compliance However, the study also acknowledged that despite these advancements, Pakistan remained on the FATF grey list due to the complexity of AML requirements, persistent procedural challenges, and historical enforcement weaknesses. This contrasting perspective highlights that formal regulatory progress does not necessarily translate into full international confidence or effective AML outcomes, underscoring the complexity of measuring AML effectiveness across jurisdictions.

Collectively, the reviewed studies demonstrate that while AML frameworks are widely adopted at a policy and structural level, significant gaps persist in translating these frameworks into effective operational practice. Moreover, existing empirical evidence largely focuses on traditional banking institutions, with limited attention given to FinTech firms, particularly in developing economies. This highlights a contextual and methodological gap that the current study seeks to address by examining AML adoption within Kenyan FinTechs using practitioner and regulator perspectives.

2.3.2 Challenges affecting the adoption of Anti-Money Laundering Measures

Several literatures has explored the factors affecting AML regulations implementation in various industries. Zavoli & King Colin, (2021) explored dynamics of AML implementation within the UK real estate sector, drawing insights from semi-structured interviews with the Estate Agent (EA) compliance officers the study found that challenges faced by the agents were; logistical, administrative and financial costs associated to AML imposed a financial burden, the EA agents perceived the AML regime as flawed as there was little support by the regulator, one size fits all approach for Suspicious Activity Reporting (SARS). Based on the insights obtained the study concluded that, AML regime exhibited several problems and imposes costs on both public and private actors and reiterated that the regime is not practical in practice. Moreover, the researcher emphasized the need for sector specific guidance, to address the ambiguity in the burden compliance and that the compliance negatively impacted on the regulatee's business's time and cost.

Similarly, Sultan & Mohamed, (2023) investigated challenges faced in implementing robust CDD measures by Pakistani Financial Institutions and regulators. The study adopted a qualitative approach by conducting a series of 25 interviews with the Chief Compliance officers, similar to the findings of (Zavoli & King, 2021) the cost of compliance stood out as a common dynamic in AML implementation. The study noted other significant challenges in CDD implementation like, lack of specialized staff, obsolete nature and quality of databases, unregulated portions of the economy and society, challenges in identification and verification of high-profile customers and beneficial owners. A study by (Viritha et al., 2015a) on AML compliance and challenges among the banks in India, the study found that resources deficit was a major hinderance to AML implementation, a finding similar to that of (Zavoli & King, 2021) and (Sultan & Mohamed, 2023). The study by (Viritha et al., 2015a) also found that lack of customer support, timely assessment of suspicious transactions and insufficient training were a major hinderances to AML implementation.

Renda & Caneppele, (2024) explored the compliance challenges faced in implementing Anti-Money Laundering regulations within the crypto-asset sector in Switzerland. The study deployed a qualitative approach, drawing conclusion from 6 semi-structured expert interviews with compliance experts. The study found that crypto assets were characterized with one time usage and lack of KYC requirements which made AML implementation a challenge. The study also notes lack of centralized oversight of account opening and users. Additionally, the author identified obstacles in Crypto assets to include lack of standardized information on the sender and receivers of crypto assets across the world and reliance on blockchain forensic analytics. Moreover, the researcher pointed out anonymity, as the owners of the crypto wallets are unclear thus making implementation of KYC a challenge. The literature is essential in this research, similar to the study by (Renda & Caneppele, 2024) this research will also focus on anonymity in FinTech as an obstacle to AML implementation. Additionally crypto asset is one of the products in FinTech.

Mniwasa, (2022) explored a study on the efficacy of AML with potential limitations and challenges in Tanzania. Drawing from qualitative research and data from documentary materials the findings were that the Tanzania is undermined by the problematic nature of the AML policies; the study noted that AML policy was either not robust and incomprehensive, non-existent, fragmented and inconsistent. Several areas or activities were deemed not regulated and underregulated. The law did not cover some aspects such as the informal system like *hawala,* computer and internet assisted money laundering like the digital currency, mobile money services and dealers in precious metals and stones and high-priced commodities. The Self-Regulatory bodies (SRBs) are designated to be gate keepers. However, these institutions have limited capacity to curb money laundering, some of the SRBs do not appreciate their role as designated reporting institutions, without a positive attitude by SRBs its difficult for effective regulation of ML perpetrated within these institutions. Tanzania's AML system is perceived to lack or have limited political will to tackle AML cases, where ML cases are not appropriately handled the gate keepers are demotivated in their role in combating AML (Rahman, 2022).Based on the findings the study concluded by pointing a number of factors that affect the efficacy of AML; the factors were robustness, comprehensiveness and contemporariness of the AML policy and legal frameworks. The author also pointed out that AML institutions attributes such as resources and capacity to perform have a relationship with the effectiveness of AML effectiveness. Extraneous factors, political, economic and technology were perceived to influence the efficacy of AML. The literature is effective in the research as it highlights factors such as resources and institutional characteristics that the study will be focusing on as challenges to AML implementation.

Based on the previous literature on Money Laundering, the study shall broaden the debate on the dynamics of AML regulations implementation in Kenya. While prior research has focused on the dynamics of other industries, commonly banks, real estate and legal institutions, this study shall explore FinTech industry, and the potential challenges and limitations encountered as reporting institutions.

2.4 Research Gap

The review of existing literature reveals several interrelated gaps that justify the present study. Previous empirical studies such as (ElYacoubi, 2020; Sultan & Mohamed 2023) have primarily examined operational challenges associated with Customer Due Diligence (CDD), identifying issues such as increasing compliance costs, difficulties in handling Arabic names, complications in identifying beneficial owners and politically exposed persons (PEPs), obsolete databases, unregulated portions of the economy, and impediments in establishing source of funds. While these studies provide important insights into CDD-related constraints, their analytical focus remains limited to one element of AML regulations. Anti-Money Laundering frameworks are broader and encompass transaction monitoring, suspicious activity reporting, governance structures, supervisory engagement, and institutional risk management systems. By concentrating largely on CDD, these studies leave a conceptual gap regarding the wider regulatory dynamics that influence overall AML implementation effectiveness.

In addition, although (ElYacoubi; 2020) and (Sultan & Mohamed, 2023) highlight organizational and procedural barriers, they do not comprehensively examine institutional characteristics such as structural features and workflow design. The emphasis is often placed on technical deficiencies rather than on understanding why certain institutions struggle more than others under similar regulatory requirements. Consequently, the institutional dimension of AML implementation remains insufficiently explored. This study addresses this gap by examining institutional characteristics such as remoteness in transactions, anonymity in FinTechs model and speed of transactions as for understanding AML implementation dynamics.

A further empirical gap arises from the sectoral concentration of prior studies. (ElYacoubi, 2020; Mniwasa, 2022; Sultan & Mohamed, 2023; Zavoli & King Colin, 2021) predominantly focused on banking institutions, real estate markets, and formal financial institutions. These sectors operate within relatively established regulatory structures with conventional onboarding systems and centralized oversight mechanisms. In contrast, the FinTech industry functions through digital platforms, remote customer onboarding, algorithm-driven monitoring systems, and, in some cases, decentralized technological infrastructures. These structural and operational differences may significantly alter compliance risks, monitoring capabilities, and reporting practices. Therefore, findings derived from traditional financial institutions cannot automatically be generalized to FinTech firms without empirical investigation. This creates a clear sectoral and empirical gap that this study seeks to fill.

Although Anti-Money Laundering regulations globally are aligned with standards set by the Financial Action Task Force, contextual and geographical differences limit the generalizability of findings across jurisdictions. For example, political commitment to enforcement, regulatory independence, and anti-corruption efforts vary significantly between countries (Mniwasa, 2022). Economic conditions, including institutional resource capacity and the scale of informal economic activity, influence the feasibility of implementing stringent AML measures (ElYacoubi, 2020). Technological environments also differ; Kenya's high mobile money penetration and rapid FinTech expansion create a distinct digital ecosystem compared to jurisdictions examined by (Zavoli & King Colin, 2021) or (Sultan & Mohamed, 2023). Legal enforcement efficiency, prosecutorial capacity, and supervisory culture further shape AML outcomes. These PESTEL-related differences suggest that even where regulatory frameworks are formally aligned, implementation experiences may vary substantially. Thus, the geographical gap is not merely about location but about structural, technological, and institutional differences that affect AML implementation dynamics.

Finally, a methodological gap exists within the current literature. Many prior studies rely on limited qualitative samples or emphasize specific compliance components without integrating broader institutional perspectives (ElYacoubi, 2020; Sultan & Mohamed, 2023). Some studies focus exclusively on institutional viewpoints, while others emphasize regulatory or documentary analysis, thereby limiting comprehensive understanding of implementation experiences. Moreover, much of the literature reports compliance challenges descriptively but does not sufficiently interrogate the underlying "why" questions explaining persistent gaps between regulatory intention and operational practice.

Table 2. 4: Summary of literature and the research gap bridged

Authors and Year of Study	Objective of the study	Methodology	Findings	Research Gap
(ElYacoubi, 2020)	To unpack the customer Due diligence (CDD) vulnerabilities and challenges	Qualitative data	Despite the existence of a CDD framework there still lie challenges in CDD implementation such as difficulties in Arabic names, complications in identifying Ultimate Beneficial Owners, cost of compliance and challenges in establishing sources of funds.	Geographical gap-Sector selected a place of study. Contextual Gap-study focused only on CDD
(Zavoli & King, 2021)	To identify challenges of implementing AML regulations in the UK real estate sector	Qualitative-Semi structured interviews	The study found that challenges faced by the agents were logistical, administrative and financial costs associated with AML imposed a financial burden, the EA agents perceived the AML regime as flawed as there was little support by the regulator, one size fits all approach for Suspicious Activity Reporting (SARS)	Need to conduct similar study in developing countries and different sectors to understand influence of challenges to AML implementation.
(Renda & Caneppele, 2024)	To examine challenges of AML regulations in crypto assets in Switzerland	6 Qualitative-Semi structured interviews	The major challenge was the released regulations without industry consultation	Geographical Gap-place of study. Empirical Gap-Focus on only Crypto assets.

				Small sample size 6
(Viritha et al., 2015a)	To assess the level of compliance with regulatory guidelines on AML in the scheduled commercial banks in India and understand the bottlenecks in AML implementation	Quantitative-Structured questionnaire	Banks were found to be largely complying. The practice of amending the AML policy to the bank's business was, however, found to be unsatisfactory. Other issues identified were insufficient resources, absence of support and training and challenges in information exchange.	Need to replicate similar study to other sectors with varying characteristics. Time factor, Need to replicate study in other Geographies.
(Mniwasa, 2022)	To appraise the authorities tasked to fight ML and appraise the efficacy of the country's AML framework	Qualitative research analysis of documentary materials	Authorities in Tanzania have been instrumental in tackling ML however some political and economic factors were noted to impact on efficacy of AML framework. The complexity of ML was also presented as a major factor.	Geographical Gap-Place of study Need to assess factors specific to a sector to obtain more insights. The study utilized documentaries presenting a need to conduct a study at a specific point in time.
(Sultan & Mohamed, 2023)	To investigate challenges faced by financial institutes in implementing	Qualitative technique-25 semi-	According to the study's findings, the primary obstacles include name screening, databases' outdated nature and quality, and unrecorded, unregistered, and	Geographical Gap-Place Contextual Gap-Sector of study

	robust customer due diligence in Pakistan	structured interviews	unregulated sectors of the business and society. Furthermore, the identification and verification of high-profit clients and beneficial owners, as well as the absence of specialized The biggest issues facing FIs in Pakistan are personnel and compliance costs.	Need to focus on how the challenges affect other AML policy efforts i.e. STR, KYC
(Lokanan & Nasimi, 2020)	To assess the effectiveness of AML policies and procedures within the banking sector in Barhain.	Qualitative data: 22 semi-structured interviews.	The study found that the suspicious transaction mechanisms adopted by the banks in Barhain were effective. The study concluded the AML regime in Barhain to be coherent	Geographical Gap-Place of study and Sector of study
(Mukhtar, 2019)	To assess the effectiveness of AML in Pakistan.	Qualitative- Content Analysis	Their analysis demonstrates that Pakistan has taken significant action to combat money laundering and has made progress in reducing ML and TF; nevertheless, despite all of this, Pakistan is still held accountable for negligence and is on the Grey List. This is due to the intricacy of AML, the challenges associated with adhering to its procedures, as well as its history and effects.	Geographical Gap-Place and sector of study Need to obtain insights from the major AML stakeholders in Kenya.

(Mochere, 2020)	To analyze AML enforcement procedures in the Kenyan banking sector	Qualitative data-Review of case laws	Despite the legislators' efforts to ensure that the anti-money laundering rules are enforced, the study found several legal flaws that have resulted in a slow pace of enforcement and conformance to global best practices, including the FATF Recommendations. According to the study's findings, Kenya seems to have the right procedures in place to stop money laundering, which, if followed, would guarantee that the crime is not committed. However, the difficulties that have been found make it difficult to implement the law and its provisions.	Need to obtain insights from the major AML stakeholders in Kenya.

2.5 The Conceptual Framework

The conceptual framework for this study is guided by three core constructs: AML adoption practices, AML adoption challenges, and the perceived consequences of AML compliance or non-compliance within Kenyan Fintechs. The framework positions the level of AML implementation as the central outcome, influenced by key challenges including the technological and institutional environment, regulatory complexity, resource constraints, and organizational culture. These factors shape the capacity of FinTech firms to effectively implement AML controls such as customer due diligence, transaction monitoring, and reporting mechanisms. In turn, the level of AML adoption determines the consequences experienced by firms, where effective compliance is associated with benefits such as enhanced reputation and regulatory trust, while weak or non-compliance exposes firms to regulatory sanctions, operational risks, and reputational damage.

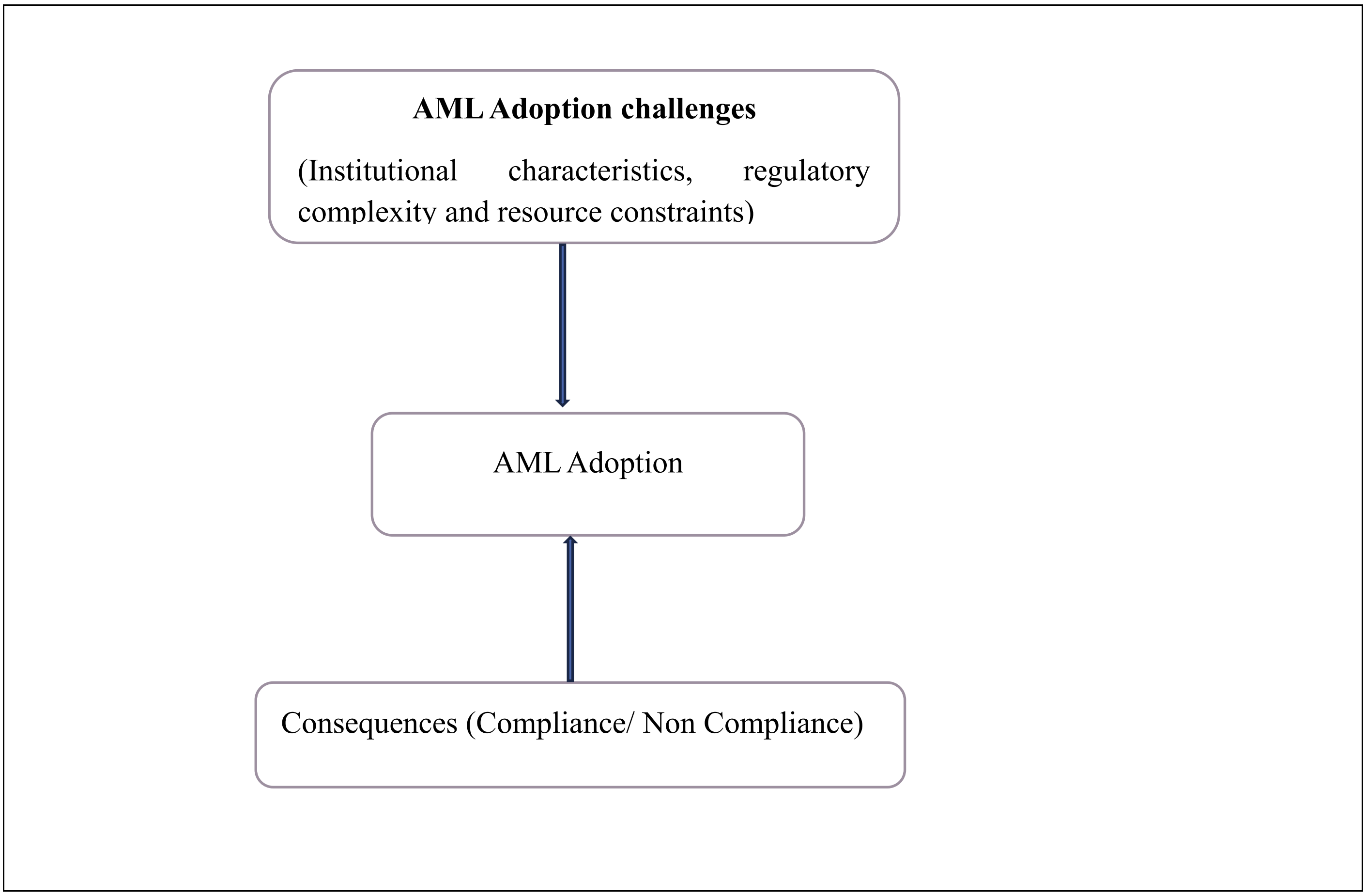


Figure 2. 5: Conceptual Framework

2.6 Operationalization of Variables

Variable	Definition	Dimenison/Themes	Indicators	Source
AML requirements (Independent Variable)	The extent to which FinTech firms apply AML measures such as KYC, transaction monitoring and reporting obligations	• KYC/CDD process • Transaction Monitoring • Suspicious Transaction reporting • Internal AML controls • AML Trainings • Customer Risk Profiling	• Description of onboarding/KYC procedures. • Amendment of policy to evolving legal and regulatory obligations AML tailored to meet Fintech business risks. • Use of monitoring systems Reporting practices Presence of AML policies/frameworks. • Frequency and comprehensiveness of AML training programs for employees. • Availability of systems for suspicious Transaction Reporting. • Records of STR are kept after reporting, Customer Identification records are maintained.	(POCAMLA, 2009) (FATF website; 2019) (Renda & Caneppele, 2024) (Viritha et al., 2015a) Click or tap here to enter text.

Challenges to implementation (Independent Variable)	Institutional characteristics and environment-Digital and structural features of FinTech operations that shape AML risk exposure.	• Anonymity • Remote onboarding • Cross border transactions • Transaction speed/volume	• Perceived challenges by respondents in verifying customer identity and transaction monitoring in digital environments.	Researcher 2025
AML Adoption Challenges-Regulatory complexity.	Degree of difficulty in interpreting and implementing AML regulations within FinTech business model.	• Regulatory ambiguity • Inconsistent interpretation. • Evolving frameworks	• Perceived difficulty in understanding, interpreting and complying with AML regulations.	(Akartuna et al., 2023) (Mniwasa, 2022) (Viritha et al., 2015a)
AML Adoption Challenges-Resource Constraints	Internal limitations in financial, human and technological capacity for AML compliance	• Compliance costs • Staffing levels • System limitations	• Extent to which firms report insufficient resources to support AML functions.	(Akartuna et al., 2023) (Mniwasa, 2022) (Viritha et al., 2015a)

2.7 Chapter Summary

The chapter provided an introduction, which provided an overview of what the chapter entails. It highlights the theories grounding the study, existing empirical gaps, research gaps in prior studies and operationalization of variables. The study is grounded on three theories the Theory. The chapter explains three theories: Institutional theory, Compliance theory, and Deterrence theory in relation to the study. The empirical review section provides a review of prior studies from the lenses of title, objectives, approach and findings. A provisional conceptual framework is presented at the end of the chapter.

CHAPTER THREE

METHODOLOGICAL APPROACH

3.1 Introduction

In this chapter the researcher discusses the research methodology adopted in the research. This chapter covers research philosophy, the target population, the sampling technique, research design, measures of validity and reliability, data collection instruments, data analysis techniques and ethical considerations.

3.2 Research Philosophy

The research philosophy articulates the underlying presumptions and attitudes that direct a research study methodology and strategy (Creswell, 2014) outlines five major key research philosophies applicable: positivism, critical realism, interpretivism, postmodernism and pragmatism. Positivism focuses on objective and measurable phenomenon, critical realism explains phenomenon we see and experience, pragmatism takes a practical, problem-solving approach, asserting that knowledge is validated by its usefulness in real-world applications (Creswell & Cresswell, 2017). Postmodernism, on the other hand, challenges the idea of objective truth and recognizes multiple, often conflicting, realities, suggesting that knowledge is socially constructed and influenced by power dynamics (Creswell & Poth, 2018).Creswell and Poth explain that interpretivist asserts knowledge is socially created and context-dependent based on people's subjective experiences. In an interpretivist investigation the researcher focuses on narratives, people’s stories, perceptions and interpretation to understand the context and motivations behind people’s actions (Creswell, 2014) . The researcher adopted an interpretivist standpoint. The interpretivist approach is appropriate for this study because the study utilized primary data collected using open-ended questionnaire hence giving participants freedom to express themselves freely.

3.3 Research Design

A research design provides a plan on how the researcher can go about answering research questions (Creswell, 2014) (Saunders et al., 2007). It spells out how the data is obtained, analyzed, measured and collected.(Creswell & Cresswell, 2017) outlines three key research relevant research designs. They include quantitative research design, qualitative research design and mixed research design. This study adopted a qualitative descriptive research design which answers the questions why, where, how and when. This approach was considered appropriate as it enabled the collection and analysis of in-depth data from Anti-Money

Laundering (AML) experts, allowing for the exploration of diverse perspectives and experiences regarding AML implementation within the FinTech sector. According to (Asenahabi, 2019) qualitative descriptive design is suitable where the researcher seeks to provide a comprehensive summary of events, experiences, and processes in their natural context without developing theory or testing hypotheses In this study, the design facilitated a detailed description of the adoption of AML efforts and the challenges encountered by compliance officers in implementing AML regulations within FinTech firms in Kenya. Data was collected at a single point in time and analyzed using thematic analysis to identify key patterns and themes emerging from participants' narratives. Consistent with prior studies by (Zavoli & King, 2021) & (Pontes et al., 2022) this research employed a qualitative descriptive approach to generate contextualized insights into regulatory compliance and governance challenges.

3.4 Target Population and sampling

3.4.1 Target population

Population refers to a group of objects, individuals or events that have common observable features (Ilker, et al.,2016). The target population of the study comprised FinTechs operating in Kenya. A total population of 108 FinTechs was identified consisting of 84 DCPs licensed by CBK and 24 FinTechs offering services such as payments, insurance and digital assets. In absence of a single centralized database of FinTechs in Kenya, the study compiled this population from multiple sources, including Fintech Association of Kenya membership listing (Fintech Association Africa Members, 2024), the Disrupt Africa 2023 report (Disrupt Africa, 2023) and Awesome Fintech database (AwesomeFintech, 2025). The combined listing were reviewed and consolidated to derive a final population of 108 unique FinTechs firms.

To compliment this, a secondary study population was identified which comprised of four key groups of AML experts. AML regulators (CBK & FRC), financial crime experts, financial crime legal practitioners and AML academic experts. The 4 groups of participants were selected based on expertise, knowledge and professional interest in AML implementation and compliance. Experts in the banking sector and microfinance were not included in the study since they do not form part of FinTechs.

3.4.2 Sampling

The sampling approach that was adopted in selecting respondents for primary data was purposive sampling because of the dynamics relating to the study subject. Purposive Sampling is a non-probabilistic approach where a researcher selects cases that best answers research questions and meet the objectives (Creswell & Cresswell, 2017) . Given that there are 108 FinTechs in Kenya, the sample size was 50 FinTechs. The targeted respondents were 50 fintech employees who were either Compliance officers, Chief compliance officers and AML officers since they are more suited to answer the questionnaires. For the 4 diverse groups of AML experts, the sample size was 5 participants for each group, hence a total of 20 open-ended structured questionnaires were relied on. The targeted respondents were 20 AML experts.

The selection of the participants is not size dependent but dependent on population characteristics and representation. The above sample is ideal as in ensures the representation of the whole diverse AML expert groups. Lastly, the size is dependent on both available time and resources as well as theoretical saturation (the point at which no new concepts emerge from the data). Inclusion criteria required all participants to have at least one year of professional experience in AML and be willing and able to provide informed consent. Individuals were excluded if they are not actively involved in AML-related roles, are students or interns without professional responsibilities or are unwilling to provide consent.

3.5 Data Collection Method

The study relied on primary data collected from the participants using structured questionnaires (entirely open ended) with the participants to gain in-depth insights. Self-administered questionnaires were distributed through google forms, which were shared via emails, WhatsApp, LinkedIn inboxes. Additional questionnaires were administered with the support of research assistants. The use Multiple methods was necessary to address resource constraints such as time and cost.

Open-ended questionnaires were selected because they allow respondents to provide detailed and unrestricted responses, offering richer insights into their perceptions and experiences. They also enhance anonymity, minimize researcher's bias, and give respondents adequate time to reflect before responding (Kothari, 2004).

The research instrument used in this study was adapted from existing literature on Anti-Money Laundering (AML) compliance and implementation challenges within financial institutions and FinTech firms. The questionnaire was developed through a review of prior empirical studies, regulatory guidelines, and AML frameworks to ensure relevance and content validity. Key thematic areas identified in the literature such as AML governance structures, regulatory compliance, operational challenges, and effectiveness of AML controls informed the formulation of open-ended questions. The instrument was further refined to align with the objectives and context of the study, focusing specifically on the FinTech sector in Kenya. To enhance clarity and appropriateness, the questionnaire was reviewed and adjusted prior to data collection to ensure that the questions were clear, comprehensive, and capable of eliciting rich qualitative responses. The questionnaire instrument for this study was divided into four sections. The first section covered the background information about the respondents, the second section focused on the adoption of AML efforts, the third section addressed the challenges of AML compliance in the FinTech industry, and the final section assessed the consequences of AML compliance. All the sections are left open-ended in such a way that they address the objectives of the study.

The targeted respondents included AML regulatory officers and staff in the FinTech sector, regulators, judiciary representatives, financial crime experts, legal practitioners, and academic experts with prior experience in handling AML matters within the FinTech industry. These respondents were selected because of their professional roles in monitoring, enforcing, or researching AML compliance. The researcher leveraged existing professional networks, particularly LinkedIn, to identify and reach respondents who fit the above criteria.

3.6 Data analysis

Given the open-ended nature of the questionnaire, the data collected was qualitative. Thematic analysis was adopted to identify and interpret patterns within the responses as described by Braun and Clarke (2006). The researcher began by familiarizing herself with the data through repeated readings to gain an in-depth understanding. Responses were then coded by identifying meaningful statements and expressions relevant to the study objectives. Similar codes were grouped into categories and refined into broader themes reflecting the adoption of AML measures, challenges of compliance, and the consequences of compliance in the FinTech sector. Similar to (Zavoli & King Colin, 2021) these themes were further reviewed and defined to ensure they accurately captured the underlying issues. The findings were presented in descriptive narratives supported by direct quotations from respondents where appropriate, thereby ensuring that participants' voices were preserved. NVivo software was considered as an aid in organizing and managing the data, although the primary analysis relied on systematic manual coding. This analytical approach enabled the study to generate rich, detailed insights into AML compliance in Kenyan FinTechs, complementing the research objectives and contributing to a deeper understanding of the subject. The data collected via structured questionnaire were analyzed using qualitative content analysis, Thematic Analysis.

3.7 Research Quality

When evaluating the quality of a research tool used to improve the precision of study findings, reliability and validity are essential components. These two components were the researcher's focus, as explained below.

3.6.1 Validity

To test the validity, the study assessed both construct and content validity. Construct validity looks to the extent to which one can draw inferences on the test scores related to the concepts being studied while the content validity assesses whether the tool covers all the content it should in respect to the variables (Heale & Twycross, 2015). A pilot test of 6 questionnaires was conducted to confirm whether the questionnaire instrument covers all the variables and aligns to the research questions. To also eliminate the instances of generalization of findings, a diverse sample of AML experts were used obtaining findings from a broader range of scenarios in the AML profession.

3.6.2 Reliability

Reliability measures the consistency of a measure, that is the ability of a respondent to give the same response every time the test is completed. The two attributes of reliability to be tested were homogeneity (internal consistency) and equivalence (Morse et al.,2002).

Given that the study utilized an open-ended questionnaire, qualitative responses were analyzed using a thematic approach. To ensure dependability, a systemic coding process was employed, guided by a predefined coding framework aligned to the study objectives. An audit trail was maintained throughout the analysis process, documenting coding decisions and theme development.

In addition, peer review was conducted whereby sections of the coded data and emerging themes were discussed with a research peer and supervisor to validate interpretations and ensure consistency. The process enhanced the credibility and dependability of the findings by reducing subjective bias and ensuring that themes accurately reflected participants responses.

3.7 Ethical Consideration

The study made sure that confidentiality and anonymity are preserved. The participant's names and sensitive input, such as age and wage groups, were not used or shared with other participants, the researcher informed the participants of the same. Without directly identifying the firms by name, all the responses to the questionnaires shall be recorded and combined for data analysis and interpretation. Ethical approval for this study was obtained from Strathmore University Ethics Review Committee, ensuring that the research complied with established ethical standards. In addition, research permit was secured from the National Commission for Science, Technology and Innovation (NACOSTI) in line with national research requirements. The subjects were given the freedom to participate in this study without any kind of coercion on the part of the researcher. Additionally, the researcher honored each participant's choice to decline participation in the study. The study adhered to relevant ethical guidelines, ensuring the well-being of participants and the integrity of the research process.

3.8 Chapter summary

The chapter focuses on the research methodology adopted in the study. It covers research philosophy, research design, population, sampling, data collection, data analysis, research quality provisions and ethical considerations. The various research philosophies are discussed. The study adopted is the interpretivism standpoint with a provision of having adopted structured questionnaires in data collection. The study adopts qualitative descriptive research design.

CHAPTER FOUR

PRESENTATION OF RESULTS/FINDINGS

4.1 Introduction

This chapter presents a detailed analysis of the structured open-ended data collected from 70 Anti-Money Laundering (AML) experts drawn from FinTech compliance officers, regulators (CBK & FRC), legal practitioners, financial crime experts, and AML academicians. The findings are organized thematically around the three specific objectives of the study: (1) To assess the extent of adoption of AML requirements in the Kenyan FinTech sector, (2) To establish the challenges of implementing effective AML policy efforts, and (3) To explore the consequences of AML compliance or non-compliance for FinTech organizations. The chapter is organized into sections as follows: general information section which covers response rate, and demographic information of the respondents (Key service provided by the fintech, staff size and the respondent's roles and responsibilities) and thereafter presentation of findings and thematic analysis for each. The chapter is concluded with a summary.

4.2 Response Rate

This section presents the general information of the respondents and the fintech institutions involved in the study. It includes the response rate achieved, the demographic profile of the respondents' such as their roles and responsibilities within the organizations and key operational details of the FinTechs (the core services they offer and their respective staff sizes). This information provides essential context for understanding the nature and scope of the participating institutions and the relevance of the responses collected.

The primary focus of the study was the Fintech in Kenya, from a population of 108 FinTech, the sample size included 50 FinTechs with one respondent from each. The targeted respondents were 50 AML experts hence a total of 50 open-ended structured questionnaires were relied on. Out of the 50 open-ended structured questionnaires sent to one participant in each Fintech, 45 of them were filled, hence a response rate of 90%.

According to Kothari (2019), a response rate exceeding 50% is generally regarded as sufficient, while a rate above 70% is considered excellent. Based on this guideline, the response rate achieved in the present study is considered highly satisfactory, providing a strong basis for drawing conclusions and formulating recommendations.

To complement the data collected in the study 5 questionnaires were sent to each of the remaining 4 groups, that comprised of 5 AML regulators from CBK & FRC, 5 financial crime experts, 5 financial crime legal practitioners and 5 AML academic experts. A total of 20 questionnaires were distributed across these groups, with **15 completed responses received**, resulting in a **75% response rate**. This, too, is considered excellent based on Kothari's guideline.

The overall high response rates from both FinTechs and AML experts indicate strong engagement and provide a reliable foundation for the analysis. The diversity in respondent categories enhances the credibility and depth of insights derived from the data.

4.3 Sample Characteristics

This section provides insights into the demographic and operational characteristics of the participating FinTechs and their AML representatives. It includes the respondents' roles and responsibilities in relation to AML compliance, the core services provided by their institutions, and staff size distributions.

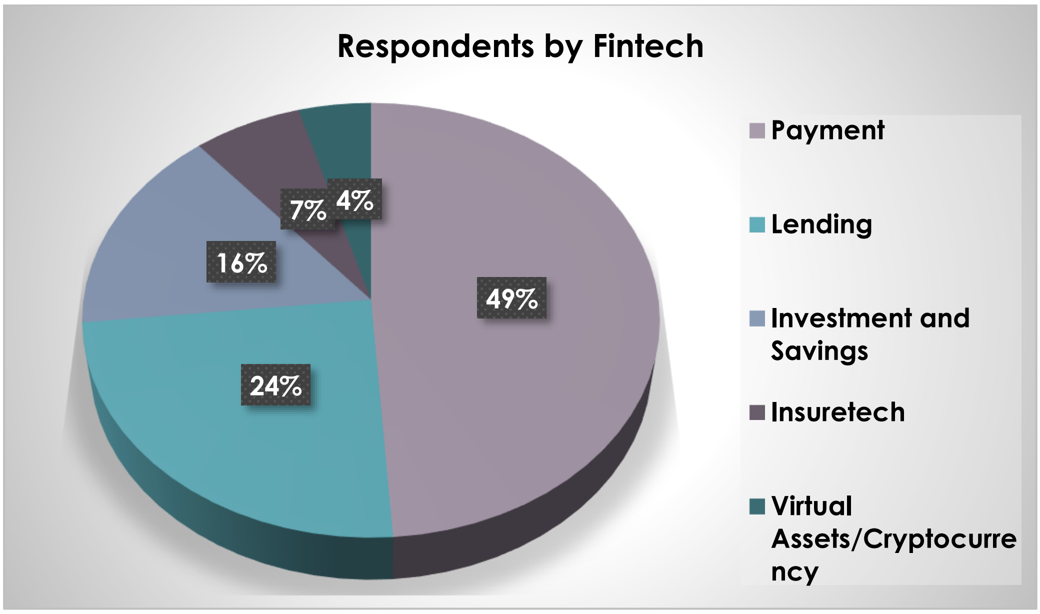
4.3.1 Roles and Responsibilities in AML Compliance

Majority of the respondents reported having dual roles, combining compliance oversight with operational responsibilities. Common responsibilities included: designing and enforcing AML/KYC frameworks, overseeing transaction monitoring and suspicious activity reporting (SARs), Coordinating regulatory audits and training programs, a few executives highlighted strategic decision-making roles, such as embedding AML into the digital onboarding journey: This suggests AML compliance is not isolated to legal teams but embedded across operations, showing increasing institutionalization of AML in FinTechs.

4.3.2 Key Services Provided by FinTechs

This subsection highlights the main financial services offered by the participating FinTech institutions, with a focus on those with higher AML exposure risks.

Figure 4.3: Fintech respondents' breakdown by primary service offering



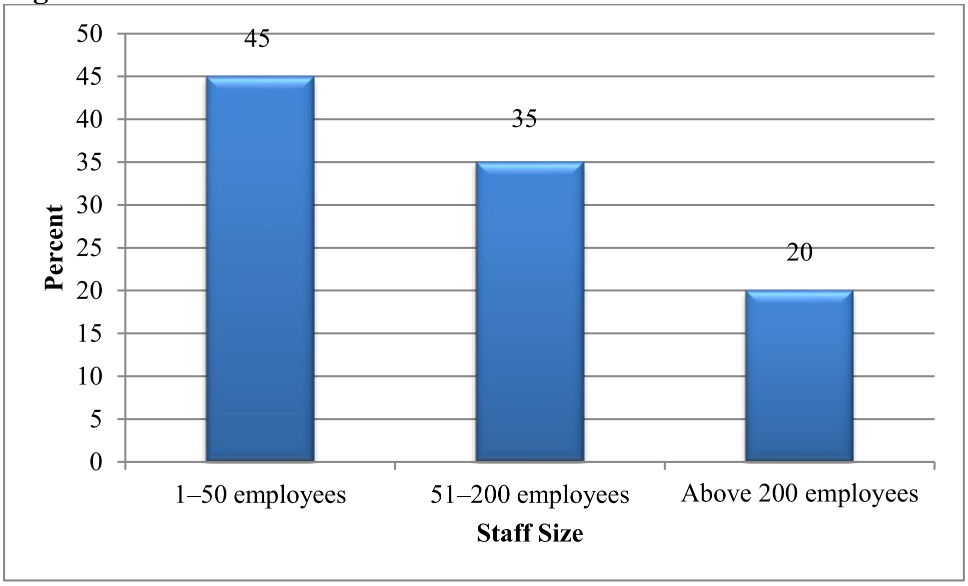
The data shows that the majority of FinTechs operate in the payments sector, followed by lending, with fewer institutions in investment, InsurTech, and virtual currency spaces. Payments and remittances were identified as the most vulnerable to AML risks due to their high transaction volumes, speed, and cross-border exposure. This distribution reflects current trends, indicating a significant concentration of FinTechs in the payments and lending spaces.

Overall, the dominance of high-risk service offerings like payments and remittances underlines the importance of robust AML mechanisms in these areas.

4.3.3 Staff Size

This subsection examines the staff size of the participating FinTechs, which can influence the structure and resourcing of their AML compliance functions.

Figure 4. 3: Staff Size



The findings showed that the majority of FinTechs operate with relatively small staff sizes, with many employing fewer than 50 people, while a moderate number fall within the 51–200 range, and only a few have more than 200 employees. This distribution suggests that most FinTechs run as lean organizations, where AML compliance efforts are less likely to depend on large, specialized teams and instead rely more on automated systems, external expertise, or streamlined processes to meet regulatory requirements.

In conclusion, while smaller staff sizes may limit internal capacity for AML functions, they often drive innovative and efficient compliance approaches within FinTech environments.

4.4 Research Objective 1: To explore how Kenyan FinTechs have adopted the AML measures.

The first objective of the study was to assess the adoption of the Anti-Money Laundering Requirements in the Kenyan FinTech sector. The assessment focused on 4 key areas: The existence of a robust legal and policy framework, Adoption of internal AML controls and policies by FinTechs, Use of technology to support compliance and enhance customer experience and Employee training and capacity building on AML.

These dimensions were explored through thematic analysis of responses gathered from FinTech compliance officers, executives, regulators, and AML experts. The findings are summarized in Table 4.4 below.

Table 4.4: Thematic Analysis of AML measures Adoption in FinTechs based on the responses

Theme	Codes (Indicators)	Sample Responses
Robust Legal & Policy Framework	Existence of CBK regulations	*"The CBK has provided clear requirements for digital lenders, but other FinTechs still operate in a grey area."*
	Grey areas for non-DCPs	
	Alignment of CBK to International Frameworks	
	Inconsistent/ limitation in enforcement	
Internal Controls & Policies	- Documented AML policies	*"We only apply KYC at onboarding; beyond that, we don't have a structured monitoring system."*
	- Reporting structures	
	- Informal/partial adoption	
Technology & Compliance	- Automated transaction monitoring	*"Our systems are integrated with automated monitoring tools that flag suspicious activity instantly."*
	- Manual reviews	
	- Balance with customer experience	
Employee Training	- Structured AML training	*"AML training is minimal; most of our staff are not adequately equipped to detect suspicious activity."*
	- Minimal/no training	
	- Awareness gaps	

Source: Researcher (2025)

The self-assessment of AML compliance maturity among FinTechs indicated that while a small proportion of firms have highly mature, fully integrated systems, the majority of Fintech reported that the existing AML compliance processes were moderately enforced with partially automated processes. A significant number are still developing basic AML frameworks. This pattern suggests that although some organizations have advanced monitoring capabilities, most are navigating mid-level maturity, reflecting ongoing challenges related to resource constraints, regulatory alignment, and staffing limitations.

4.4.1 Existence of a Robust Legal and Policy Framework

A key theme that emerged from the responses was the existence of robust AML legal and policy framework in Kenya, notably through the POCAMLA and CBK requirements. In the study a strong and comprehensive legal foundation for AML was noted. Majority of the respondents widely agreed that Kenya has established a strong and comprehensive legal foundation for AML regulation. The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) provides the legislative backbone, supplemented by amendments such as those in 2023, which incorporated emerging risks like virtual assets and new financial technologies. These sentiments were echoed by diverse participants cutting across regulators, AML experts and

FinTechs AML officials. The convergence of these perspectives suggests high confidence in the existing AML regulations to address AML threats.

One participant noted:

"POCAMLA has laid a very solid foundation. Especially with the recent amendments, it's clear that Kenya is trying to stay ahead of the game, even when it comes to things like crypto and fintech risks." (Regulator)

Another respondent added:

"The CBK's guidelines are strict and very detailed. They've pushed financial institutions to really step up compliance." (Fintech Compliance officer)

Some respondents appraised the Financial Reporting Centre (FRC) for providing practical direction tailored to digital finance. For instance, one respondent pointed out that the alignment of Kenya's AML framework with international standards, particularly those of the Financial Action Task Force (FATF), has created a structured compliance environment that supports FinTech firms in developing their internal policies with greater clarity and predictability.

"*I believe the current AML framework in Kenya is strong and well aligned with international standards, especially after the recent amendments*." (Regulator 2)

However, while the regulatory framework was considered comprehensive, concerns were consistently raised regarding its enforcement. The respondents noted that regulatory bodies sometimes fall short of prosecuting offenders or ensuring consistent application of sanctions. This was said to weaken the deterrent effect of the law and embolden non-compliant actors. The slow pace of legal processes and inconsistent penalties were perceived as undermining the otherwise robust legal foundation, leading to a gap between policy intent and real-world impact.

"*From my perspective, the law is good, but the follow-through is weak sometimes cases drag on for years without meaningful penalties*." (AML Consultant 1)

Secondly gaps were noted in the enforcement and inclusivity of the framework. Three respondents pointed out that Non-credit FinTechs, such as payment and wealth-tech firms, reported operating in a regulatory grey area. This lack of clarity was said to affect the seriousness with which some players implement AML measures.

"The CBK has provided clear requirements for licensed digital lenders, but other FinTechs still operate in a grey area, which reduces the urgency to adopt AML frameworks." (FinTech Compliance Officer)

Another remark:

"The law is there, but unless enforcement is consistent, some smaller firms will always treat AML as optional." (AML Expert)

This indicates that while there is existence of a robust and comprehensive framework, adoption varies based relevance of the AML regulation to the sector and enforcement level by the regulator.

4.4.2 Adoption of Internal AML Controls and Policies

POCAMLA Act directs all reporting institutions including FinTechs to establish internal AML frameworks, policies, procedures and controls to prevent and detect money laundering. These should include CDD, EDD, record keeping, suspicious transaction reporting, staff training, appointing a compliance officer and identifying Politically Exposed Persons (PEPs).

Evidence from the participants showed a variation on how FinTechs perceived the maturity of their internal compliance processes; recurring description by majority of the established FinTechs was that their compliance processes were mature, fully integrated, moderately mature and partially automated. In contrast smaller or newer firms described their internal compliance processes as basic and developing.

All the FinTech institutions reported having adopted a wide range of internal AML controls to ensure compliance with the law and safeguard themselves from financial crime. These controls included Know Your Customer (KYC) protocols, Customer Due Diligence (CDD), sanctions screening, suspicious transaction reporting, transaction monitoring and customer risk classification. The risk-based approach to due diligence, Transaction monitoring and suspicious transaction monitoring were particularly across all firms, with firms applying Enhanced Due Diligence (EDD) to higher-risk categories such as Politically Exposed Persons (PEPs), customers from high-risk jurisdictions, or those with unusual transaction patterns. Such practices were described as critical to mitigating exposure and ensuring early detection of suspicious activities. Majority of the controls and policies adopted were typically limited to KYC checks during onboarding, transaction monitoring and existence of AML policies. Few of the firms had control mechanisms around AML training, existence of Independent Audit Functions and Large transaction checks and approvals.

"*In our organization, we use a risk-based approach, with enhanced due diligence for high-risk customers like PEPs*." (Compliance officer)

"Our firm has an internal AML policy aligned with CBK guidelines, and suspicious transactions are reported regularly to the FRC." (Senior Compliance Manager)

Beyond these basic controls, the Fintech institutions affiliated with multinational or pan-African financial groups highlighted the adoption of group-wide AML policies. These frameworks typically included internal audit functions, suspicious transaction reporting systems, and escalation protocols for high-risk cases. The respondents emphasized that belonging to larger corporate structures often meant higher compliance standards due to external oversight and group policies, which further strengthened local practices. In addition, annual AML/CFT and CPF training was widely reported as a mandatory component of internal control frameworks, ensuring staff awareness and readiness to respond to compliance challenges.

"*Because we are part of a multinational group, we follow strict AML frameworks, which include audits and escalation protocols*." (Compliance FinTech Executive)

The theme of adoption of Internal AML Controls and Policies was common among the questionnaire respondents from the various groups depicting a broad consensus. This suggests that while internal policies exist on paper in many firms, the degree of practical enforcement remains uneven, pointing to a gap between policy formulation and implementation.

4.4.3 Use of Technology to Enhance Compliance and Customer Experience

Technology was consistently highlighted as a central driver of effective AML compliance in Kenya's FinTech sector. Firms have widely deployed automated KYC platforms integrating digital identity verification, biometric checks, and real-time sanctions list screening. Respondents reported that these systems not only ensure compliance but also maintain an efficient and user-friendly onboarding experience. The tiered KYC approach was a recurring theme, with verification processes being proportionate to the customer's risk profile—streamlining onboarding for low-risk clients while applying more rigorous checks for high-risk customers.

"*We use biometric verification and automated KYC, which helps us comply without slowing down customer onboarding*." (Compliance Analyst)

Transaction monitoring systems powered by machine learning and data analytics were also emphasized as game-changers by the respondents. These tools were said to detect suspicious activities in real time, reduce false positives, and enable faster escalation of red flags. Recordkeeping systems integrated into digital compliance platforms were also reported as vital, providing audit-ready traceability and enhancing transparency. Importantly, several respondents underlined the balance FinTechs are striving to achieve—implementing sophisticated backend compliance tools that operate seamlessly without disrupting customer experience at the front end.

"*Our transaction monitoring uses machine learning, which reduces false positives and gives us real-time alerts*." (Compliance Executive, FinTech firm)

Smaller firms, however, often relied on manual checks, which are resource-intensive and prone to human error. Respondents highlighted that cost constraints limited the adoption of advanced RegTech solutions among smaller players.

"Our systems are integrated with automated monitoring tools that flag suspicious activity instantly. This allows us to comply with AML rules without slowing down customer transactions. (Compliance Executive, FinTech firm)

"Due to resource constraints, we rely on manual reviews, which makes it hard to keep up with large transaction volumes." (Compliance Officer, mid-sized FinTech)

These findings underscore the dual role of technology: it can be a driver of compliance, but the cost of adoption remains a barrier to smaller firms. These sentiments were echoed the participants, hence confirming the reliability of findings.

4.4.4 Employee Training and capacity building

Employee training was identified as a cornerstone of AML effectiveness. A compliance executive with over a decade in compliance described that FinTechs have institutionalized annual AML training programs that are mandatory for all staff, regardless of role. These sessions are designed to build both general awareness and role-specific expertise, particularly for staff in compliance or high-risk functions. Employees are often required to pass assessments before certification, ensuring that training is not treated as a mere formality but as a measurable standard of competence.

"*In my company, every staff member must complete AML training annually, and we are tested before certification*." (Compliance Officer)

The content of training programs was reported to be dynamic , incorporating updates on new financial crime typologies, changes in regulations, and lessons from local or global enforcement cases. Some FinTechs have gone a step further by introducing scenario-based modules that simulate real-world laundering attempts, equipping employees to make practical decisions under pressure. This hands-on approach was praised for enhancing vigilance and improving the ability to escalate issues appropriately.

"*I find the scenario-based training very useful because it prepares us for real-life red flags*." (Compliance Executive, FinTech firm)

Beyond technical learning, the respondents highlighted that training also reinforces a culture of integrity and ethical responsibility. By embedding compliance into corporate values, organizations create an environment where employees internalize AML responsibilities as part of everyday practice. This cultural reinforcement was seen as essential in sustaining vigilance in the fast-paced, high-volume world of FinTech transactions.

The findings reveal that while Kenya has developed a comprehensive AML legal framework, the extent of adoption within the FinTech sector remains uneven. Large and regulated firms tend to have structured compliance processes supported by technology and training, while smaller or unregulated entities face challenges in implementation. Gaps in enforcement, regulatory clarity, and capacity particularly for emerging FinTech types limit the sector's full compliance with AML obligations. These disparities highlight the need for targeted regulatory support and investment in compliance infrastructure across all FinTech categories.

4.5 Research Objective ii: To examine the Challenges in the adoption of Anti-Money Laundering measures in the Kenyan FinTech sector.

The second objective of the study sought to establish the practical, operational, and institutional challenges that hinder effective implementation of Anti-Money Laundering (AML) policy efforts within Kenya's FinTech sector. The responses from FinTech compliance officers, AML regulators, legal professionals, and financial crime experts pointed to five key challenge areas: weak regulatory enforcement, high compliance costs, technological limitations, regulatory misalignment, and issues arising from anonymity and remoteness in digital operations.

The findings are summarized in Table 4.5 below.

Table 4.5: Thematic Analysis of Challenges in the adoption of AML measures based on responses

Theme	Codes (Indicators)	Sample Responses
Weak Regulatory Enforcement	Inconsistent supervision	*"We submit STRs regularly, but honestly, I rarely see strong feedback or enforcement action. It feels like the reports just sit somewhere without consequences." (Compliance Officer 2)*
	Regulatory capacity gaps in emerging technologies	*"The regulators are trying, but the reality is that digital assets are moving faster than their ability to regulate. That gap is where risks creep in." (FinTech Executive 7)*
	Limited regulator resources	*"The FRC and CBK are underfunded and cannot audit every fintech. This leaves loopholes that are exploited by non-compliant firms." (AML expert)*
High Compliance Costs	Expensive AML systems	*"The systems we need are very expensive… for small firms, this is a huge financial strain." (FinTech Exec. 4)*
	Uneven compliance levels	*"Big players can afford compliance, but smaller fintech avoid implementing all requirements." (AML Researcher*
	Staffing and expertise burden	*"Big companies can afford specialized staff, but smaller ones cut corners… because they don't have the money." (Regulator 1*
	Strain on start-ups	*"For a start-up, compliance is too expensive; software and staff eat into thin margins." (AML Expert)*
Technological Limitations	False positives in monitoring systems	*"Our system generates hundreds of false positives daily, and we have to manually go through them. It slows us down and drains our team." (Compliance Officer 6)*
	Misfit of AML tools with FinTech models	*"Most AML tools are made for banks, not mobile money or digital wallets. We end up forcing systems to fit us, which isn't always effective." (FinTech Exec. 5)*
	Real-time transaction monitoring challenges	*"The velocity of mobile payments makes it hard to act on alerts in real time, forcing constant upgrades." (Compliance Officer 3)*
Regulatory Misalignment	One-size-fits-all regulation not suited for FinTechs	*"Sometimes it feels like we're forced to fit into banking regulations that don't really match what we do." (Compliance Officer 8)*
	Regulatory uncertainty discourages innovation	*"I've had to shelve new product ideas simply because the regulations weren't clear… That uncertainty kills innovation." (FinTech Executive 2)*
	Limited regulator understanding of FinTech models	*"Some regulators lack a deep understanding of fintech operations, which results in inconsistent enforcement." (FinTech Expert)*
Anonymity and remoteness in Digital Operations	– Remote KYC challenges	*"Digital lending is conducted purely online; verifying identity is difficult."*
	– Beneficial ownership opacity	*"We've seen cases where deepfake technology is used to trick KYC systems. It's becoming harder to tell real customers from fraudulent ones." (Compliance Officer 3)*

	– Fraud and identity theft	*"With virtual currencies, the anonymity is on another level. Even if you flag a transaction, connecting it to a person can be almost impossible." (AML Consultant 2)*

4.5.1 Regulatory Gaps and Enforcement Limitations

A recurring theme across the diverse group of participants was regulatory gaps and enforcement limitations. Respondents emphasized that although Kenya has established a comprehensive AML framework through instruments such as POCAMLA and CBK guidelines, many respondents argued that enforcement remains inconsistent. They explained that while regulations prescribe stringent obligations, regulatory bodies often lack the resources, speed, or commitment to follow through. Suspicious Transaction Reports (STRs) are filed by FinTechs, however, some of the participants felt that investigations are either too slow or rarely result in prosecutions. This has contributed to a perception that compliance is more of a "tick-box" exercise rather than an effective deterrent to financial crime.

"*We submit STRs regularly, but honestly, I rarely see strong feedback or enforcement action. It feels like the reports just sit somewhere without consequences*." (Compliance Officer)

"The FRC and CBK are underfunded and cannot audit every fintech. This leaves loopholes that are exploited by non-compliant firms." (AML expert)

The enforcement gap is even more evident in new financial ecosystems such as cryptocurrency, virtual assets, and decentralized finance. Regulators are still developing technical expertise in these areas, leaving loopholes that criminals exploit. The respondents felt that the rapid pace of innovation outstrips regulatory capacity, resulting in a mismatch between what the law prescribes and what regulators can effectively supervise.

"*The regulators are trying, but the reality is that digital assets are moving faster than their ability to regulate. That gap is where risks creep in*." (Compliance Executive, FinTech firm)

4.5.2 High Compliance Costs and Resource Constraints

Another recurring theme highlighted was the cost of compliance. Setting up and maintaining AML programs requires investment in specialized systems, dedicated compliance staff, and ongoing training. Larger, well-capitalized FinTechs are generally able to meet these requirements, but smaller firms often struggle to achieve the same standard. The respondents explained that licensing requirements compel them to put frameworks in place but sustaining them becomes a burden due to high operational expenses.

"*The systems we need are very expensive, from automated monitoring to sanctions screening. For small firms like ours, this is a huge financial strain*." (Compliance Executive, FinTech firm)

The resource gap between larger and smaller players creates uneven compliance levels across the sector. While some FinTechs employ dedicated compliance teams with advanced tools, others rely on minimal manual checks due to financial constraints. This disparity not only risks creating regulatory blind spots but also raises concerns about an uneven playing field, where smaller firms may unintentionally expose the sector to higher risks.

"*Big companies can afford specialized staff and AI tools, but smaller ones cut corners, not always intentionally, but because they don't have the money. That imbalance is dangerous*." (Regulator 1)

"For a start-up fintech, compliance is too expensive; acquiring AML software and maintaining compliance teams eats into already thin margins." (AML expert)

"Big players can afford compliance, but smaller fintech either cut corners or avoid implementing all requirements." (AML researcher)

This cost barrier creates a disparity between larger FinTechs with adequate capacity and smaller ones that remain partially compliant.

4.5.3 Technological and Operational Difficulties

Technology was seen as both an enabler and a challenge in AML implementation. Majority of the respondents consistently pointed out the problem of false positives in transaction monitoring systems. Automated alerts, while necessary, often flag legitimate transactions as suspicious, creating additional workloads for compliance teams. The manual review of such alerts is resource-intensive and undermines the efficiency of monitoring processes.

"*Our system generates hundreds of false positives daily, and we have to manually go through them. It slows us down and drains our team*." (Compliance Officer)

Another concern raised by the FinTech respondents was that many available AML software solutions are designed for traditional banks and are poorly suited to the unique nature of FinTech transactions. As a result, FinTechs sometimes find themselves using generic tools that don't capture the fast, small-value, high-volume transaction patterns typical of digital platforms. This misalignment reduces the effectiveness of monitoring efforts.

"*Most AML tools out there are made for banks, not mobile money or digital wallets. We end up forcing systems to fit us, which isn't always effective*." (Compliance Executive, FinTech firm)

Finally, the velocity of FinTech transactions particularly in mobile payments and peer-to-peer transfers makes it difficult to act on alerts in real time. The Fintech respondents emphasized the constant pressure to upgrade systems to keep pace with transaction speeds, which further strains operational capacity.

4.5.4 Regulatory Misalignment with the Digital Financial Ecosystem

Respondents also stressed that AML regulations, while robust for traditional banking, are often misaligned with the realities of FinTech operations. The respondents pointed out that the one-size-fits-all approach creates uncertainty, as rules designed for banks are not always practical for digital wallets, e-commerce platforms, or mobile money providers. This regulatory ambiguity leaves FinTechs in a difficult position, where compliance officers must interpret unclear guidance while still meeting high expectations.

"*Sometimes it feels like we're forced to fit into banking regulations that don't really match what we do. The rules are not always written with FinTech in mind*." (Compliance Officer)

"There is no uniform framework for FinTechs; banks have clear guidelines, but other fintech categories fall in a regulatory grey zone." (Compliance officer)

"Sometimes the CBK requires one thing, while the Capital Markets Authority expects another. This duplication confuses compliance officers." (AML researcher)

The lack of nuanced regulation also affects innovation. The FinTech Respondents described hesitancy in launching new products or features because they are unsure whether regulators would consider them compliant. They also noted that some regulators lack a deep understanding of FinTech models, resulting in inconsistent enforcement. This gap not only discourages proactive compliance but also strains the relationship between FinTechs and oversight bodies.

"*I've had to shelve new product ideas simply because the regulations weren't clear, and I didn't want to risk non-compliance. That uncertainty kills innovation*." (FinTech Executive)

4.5.5 Challenges from Anonymity and Remoteness

The remote and digital-first nature of FinTechs introduces unique AML challenges, especially around identity verification and transaction monitoring. Unlike traditional banks, FinTechs rarely have face-to-face contact with clients, making them more vulnerable to fraud, identity theft, and synthetic IDs. Several respondents highlighted the growing threat of deepfakes and AI-generated forgeries, which can compromise biometric verification and digital KYC systems.

"*We've seen cases where deepfake technology is used to trick KYC systems. It's becoming harder to tell real customers from fraudulent ones*." (Compliance Officer)

Anonymity is a particularly acute challenge in areas involving virtual currencies and peer-to-peer transactions, where transaction trails are difficult to trace. Even with advanced monitoring tools, compliance officers noted that linking suspicious activity to real individuals remains a major obstacle. This problem reinforces the need for continual investment in advanced technology such as AI-driven monitoring and digital forensics, which, once again, ties back to the issue of high compliance costs.

"*With virtual currencies, the anonymity is on another level. Even if you flag a transaction, connecting it to a person can be almost impossible*." (AML Consultant)

"Anonymity in crypto-related transactions makes it nearly impossible to trace money laundering activities." (AML consultant)

The analysis reveals that the implementation of AML policy in Kenya's FinTech sector faces several key challenges. These include weak regulatory enforcement due to capacity and resource limitations, high compliance costs that burden smaller firms, and technological limitations such as ineffective or misaligned AML tools. Regulatory frameworks are often seen as outdated or unclear, leading to inconsistent application and stifled innovation. Additionally, the remote and anonymous nature of digital operations makes identity verification and transaction tracing more difficult. Addressing these issues will require more tailored regulation, increased support for smaller FinTechs, and investment in sector-appropriate technology solutions.

4.6 Research Objective iii: Perceived consequences of AML Compliance or Non-Compliance in the FinTech Sector

The third objective of this study sought to determine the consequences both positive and negative of AML compliance and non-compliance for FinTech institutions operating in Kenya. Based on the data collected, the implications are far-reaching, impacting institutional reputation, financial sustainability, regulatory relationships, and long-term strategic growth.

The analysis is structured around three main themes: the risks and losses associated with non-compliance, the benefits linked to compliance, and the tangible outcomes observed in each scenario.

4.6.1 Risks and Losses of AML Non-Compliance

All respondents strongly affirmed that failure to comply with AML regulations poses significant risks to FinTech firms. The most immediate consequence identified by all participants was the imposition of financial penalties, which can be crippling, particularly for small and medium-sized providers. Regulatory fines were described as not only punitive but also disruptive to core business operations.

"*We once got a fine for late STR submission, and the amount was so huge it completely disrupted our budget for that quarter*." (Compliance Officer)

Beyond financial penalties, all the respondents highlighted that persistent non-compliance could lead to regulatory sanctions, including license suspension or revocation. This risk is especially concerning given that FinTechs often operate under conditional or restricted licenses that regulators may withdraw if obligations are unmet.

"*If you lose your license, that's the end of business. I've seen firms close overnight because they ignored compliance warnings*." (AML Consultant)

Non-compliance also undermines customer trust, which majority of respondents emphasized as the foundation of competitiveness in the FinTech sector. A single association with money laundering or fraud can permanently damage a brand.

"*In this industry, reputation is everything. Once customers think your platform is unsafe or linked to money laundering, they will just leave*." (FinTech Executive)

50% of the respondents also noted indirect costs of non-compliance, such as expensive remediation processes after regulatory inspections. These include overhauling monitoring systems, hiring external consultants, or paying for compliance training—all unplanned expenses that erode financial sustainability.

Finally, several respondents stressed that long-term consequences include reduced investor confidence, difficulties in raising capital, and exclusion from regional or international partnerships. FinTechs that develop reputations for weak compliance often find themselves "de-risked" by correspondent banks and global payment processors.

4.6.2 Benefits and Strategic Value of AML Compliance

On the other hand, 35 of the respondents emphasized that compliance with AML obligations creates strategic advantages that go beyond avoiding penalties. First, compliance enhances credibility and strengthens institutional reputation. By signaling commitment to ethical conduct and transparency, Compliant FinTechs build durable trust among customers, regulators, and investors.

"*We see compliance not just as a rule but as a way to show customers that we are safe and trustworthy. It's a competitive edge*." (Compliance Executive, FinTech firm)

Compliance also opens access to international markets. The respondents explained that global financial institutions, correspondent banks, and investors prefer to partner with FinTechs that demonstrate robust AML practices. This access facilitates business expansion and cross-border collaborations, giving compliant firms a strategic growth advantage.

"*Because we have a strong AML framework, we were able to partner with an international payment processor. Without compliance, that deal would never have happened*." (Compliance Officer 5)

From an internal perspective, AML compliance was seen as improving risk management. Firms with comprehensive frameworks reported fewer cases of fraud and stronger preparedness during regulatory audits. Compliance also helps detect and mitigate risks before they escalate into crises.

Additionally, 45% of respondents noted that maintaining a positive compliance record improved regulatory relationships. Regulators were more willing to engage constructively with compliant firms, offering guidance, technical support, and even early access to sandbox initiatives.

"*When regulators see that you are proactive in compliance, they treat you differently. Instead of punishment, you get guidance and collaboration*." (Regulator 2)

4.6.3 Tangible Results of Compliance and Non-Compliance

The study identified observable differences in outcomes between compliant and non-compliant FinTechs. On the compliance side, majority of the firms reported timely filing of Suspicious Transaction Reports (STRs) and Suspicious Activity Reports (SARs), adoption of strong onboarding procedures, and integration of advanced monitoring systems. These practices translated into positive customer experiences, higher retention rates, and favorable regulatory reviews.

"*Since we tightened our onboarding and monitoring processes, we've seen fewer fraud cases and greater customer confidence in our platform*." (Compliance Officer 7)

Compliance also contributed to stronger internal systems for record keeping and data management. 10 Respondents explained that these systems improved operational efficiency and supported business scaling.

Conversely, 3 of the Fintech Executives echoed that non-compliant firms faced intensified regulatory scrutiny, frequent audits, and in some cases, suspension of licenses. Reputational damage was cited as the most difficult challenge to recover from, with customer trust often eroding permanently after publicized scandals.

"*We lost a huge client base after being named in a regulatory report for non-compliance. Even after fixing the issues, winning back trust has been nearly impossible*." (Compliance Executive, FinTech firm)

Finally, the respondents warned that non-compliance increases vulnerability to criminal exploitation, with FinTechs being misused for money laundering or terrorist financing. Such risks invite criminal investigations, additional liabilities, and long-term viability threats.

"*If you don't comply, you risk becoming a tool for money launderers, sometimes without even knowing it. Once that happens, it's very hard to clean your image*." (AML Consultant 2)

The analysis reveals that the compliance and non-compliance of AML policy in Kenya's FinTech sector face several key pros and cons. For example, compliance contributes to strategic growth, customer trust, institutional credibility, and regulatory cooperation. It also reduces exposure to fraud, legal risks, and operational inefficiencies. On the other hand, non-compliance exposes FinTechs to financial penalties, regulatory sanctions, reputational damage, and even business closure.

4.7 Summary of the Findings

In summary, the findings indicate that AML implementation within Kenya's FinTech sector is influenced by both regulatory expectations and internal strategic considerations. Participants described operating within a structured legislative framework aligned with international standards, which shapes their compliance obligations. However, AML practices are not adopted mechanically. Rather, respondents explained that compliance measures such as customer due diligence systems, transaction monitoring tools, and staff training programs are implemented because firms seek to safeguard institutional reputation, maintain partnerships with banks, attract investors, and ensure long-term sustainability. In this regard, AML compliance is experienced not merely as a regulatory requirement but as a strategic and reputational imperative. At the same time, participants highlighted inconsistencies in enforcement and limited clarity in emerging areas such as crypto-related services, which create uncertainty in practical implementation.

The findings further demonstrate that challenges in AML policy implementation arise largely from structural misalignment between regulatory design and FinTech operational models. Respondents emphasized that many AML provisions were originally developed for traditional banking environments, characterized by face-to-face onboarding and centralized oversight. In contrast, FinTech firms operate through digital platforms, remote onboarding systems, and high-speed transaction environments. Participants explained that this difference in operational architecture contributes to compliance ambiguity and practical strain. The regulatory approach was often perceived as generalized, making it difficult to tailor compliance systems to specific digital business models such as mobile wallets, e-commerce platforms, and online lending services. Additionally, the rapid pace of technological innovation was described as outstripping regulatory adaptation, resulting in interpretive gaps and uncertainty. Features inherent in digital finance such as remote transactions and elements of anonymity were viewed as intensifying customer verification and monitoring challenges.

The study also found that AML compliance carries significant institutional implications. Participants consistently associated compliance with enhanced credibility, stronger regulatory relationships, improved governance practices, and greater customer trust. Compliance was perceived as contributing to organizational resilience and long-term viability. Conversely, non-compliance was described as exposing firms to reputational harm, regulatory sanctions, operational disruption, and exclusion from critical financial partnerships. These consequences were articulated not in quantitative terms but as experiential realities shaping organizational decision-making and risk perception.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the Summary of Findings, Conclusions and Recommendations in line with the study objectives and limitation of the study. The study was guided by the following specific objectives; to assess the extent of adoption of the Anti-Money Laundering Requirements in the Kenyan FinTech sector, to establish the challenges of implementing effective Anti-Money Laundering Policy efforts in the Kenyan FinTech sector and to determine the consequences of AML compliance or non-compliance.

5.2 Summary of the Findings

Findings revealed that Kenya possesses a fairly robust AML legal framework, particularly with the recent updates to POCAMLA and CBK guidelines. However, inconsistencies in enforcement, operational inefficiencies, and a lack of contextual alignment with FinTech realities were cited as major concerns. FinTechs that adhered to AML standards experienced reputational gains, customer trust, and regulatory goodwill, while non-compliance led to penalties, business risks, and reputational damage. Several best practices were identified, including risk-based customer onboarding, use of AI-powered monitoring tools, regular employee training, and proactive regulatory engagement.

5.2.1 Perceived Adoption of AML Requirements in the Kenyan FinTech Sector

The study established that AML requirements in the Kenyan FinTech sector are grounded in a robust legal and policy framework, including the revised Proceeds of Crime and Anti-Money Laundering Act (POCAMLA, 2023), CBK guidelines, and FATF standards. Participants generally recognized the usefulness of these frameworks in setting the legal tone for AML compliance. However, their implementation, especially in emerging areas like virtual currencies and decentralized platforms, was cited as moderate due to gaps in enforcement and inconsistent application among FinTechs. These findings echo those of Mukhtar (2019) and Pontes *et al*. (2022), who both pointed out that the mere existence of robust frameworks does not necessarily translate to effective implementation. Particularly, Pontes et al. noted that AML regimes are often compliance-driven rather than risk-focused, with institutions participating more to satisfy regulatory audits than to mitigate real threats.

FinTechs in Kenya were shown to have adopted strong AML controls such as tiered KYC onboarding, real-time transaction monitoring, customer due diligence (CDD), and annual AML training programs. These efforts reflect a commitment to upholding global AML best practices, as recommended by the FATF (2019), and align with similar implementations found effective in Bahrain by Lokanan & Nasimi (2020). Technology was a key enabler, with most FinTechs integrating digital verification systems that minimize customer friction, addressing concerns raised in Sileshi & Kassie (2022) about poor technology infrastructure in Ethiopian banks. Training also emerged as a critical pillar of compliance, with respondents affirming its role in cultivating a strong AML culture across staff levels. These sentiments are in line with Jayasekara (2020), who emphasized that effective AML training enhances institutional resilience against predicate crimes. The similarity in findings may be attributed to the central role of staff competence and awareness in enhancing AML implementation across financial institutions, regardless of institutional type. Nevertheless, the study revealed that some FinTechs, particularly smaller or newer entities, struggle to fully align with all requirements due to resource constraints. This reflects the assertion by (Mochere,2020) that AML compliance in Kenya, while established in law, is uneven in implementation. The variation may be explained by differences in organizational capacity, maturity, and resource availability among FinTech firms, particularly when compared to more established financial institutions.

5.2.2 Challenges of Implementing Effective Anti-Money Laundering (AML) Policy Efforts in the Kenyan FinTech Sector

The study revealed that despite strong internal policies and external regulatory frameworks, FinTechs in Kenya face significant challenges in implementing effective AML policy efforts. A primary issue cited by respondents is the high cost of compliance—both financial and operational. Smaller FinTechs struggle to keep up with the costs of acquiring advanced AML technologies such as real-time transaction monitoring systems, identity verification tools, and data protection infrastructure. These findings align with the arguments made by Zavoli & King (2021) and Sultan & Mohamed (2023), who highlighted that the cost of compliance disproportionately affects non-traditional financial institutions, including FinTechs, due to limited economies of scale.

Regulatory uncertainty, especially in emerging areas such as virtual asset service provision (VASPs) and decentralized finance (DeFi) poses an additional challange. Respondents expressed difficulty in interpreting how existing AML rules apply to innovative business models. The absence of sector-specific guidance from regulators leads to inconsistencies in implementation and leaves FinTechs vulnerable to enforcement action despite best intentions. This was similarly noted in the Mniwasa (2022) study on AML policy in Tanzania, where ambiguity and lack of tailored guidance hindered regulatory effectiveness. Moreover, Renda & Caneppele (2024) described how a lack of clear crypto-related KYC standards in Switzerland poses similar enforcement issues, a scenario now mirrored in Kenya's FinTech space.

Rapid transaction speeds is a defining feature of FinTech platforms—create further hurdles in implementing real-time transaction monitoring. Because money can move in seconds across platforms, it becomes exceedingly difficult to detect and intervene in potentially suspicious transactions before they are completed. This technological speed advantage, while beneficial to users, becomes a vulnerability in AML monitoring and alert systems. Participants also reported an increasing number of false positives, where transaction monitoring tools flag legitimate activities as suspicious. These false alerts consume compliance teams' resources, reduce operational efficiency, and lead to fatigue or desensitization to legitimate threats. This challenge was echoed by Viritha *et al*. (2015), who found that false positives and lack of specialized staff reduce the effectiveness of AML measures in India's banking sector.

A recurring theme is technological capacity, especially in user identification. The remoteness and anonymity inherent in FinTech platforms make it harder to implement thorough Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures. Respondents noted the increasing use of AI-generated forgeries and deepfakes, which compromise biometric verification and digital onboarding processes. As Renda & Caneppele (2024) observed, anonymity and one-time crypto wallet usage make KYC implementation problematic in crypto-focused FinTechs—an insight that also applies to Kenya's evolving digital finance space. Lastly, limited support from regulators was a recurrent theme. Respondents argued that while Kenya's AML laws are well-structured, the implementation suffers from low regulatory engagement, delayed feedback, and insufficient capacity-building for compliance officers in the FinTech ecosystem. The literature by Sultan & Mohamed (2023) and Mniwasa (2022) confirm that institutional constraints—such as limited regulator proactivity—undermine AML effectiveness. The respondents called for more frequent industry training, joint policy workshops, and practical AML toolkits tailored to the unique needs of digital finance providers.

5.2.3 Consequences of AML Compliance or Non-Compliance in the Kenyan FinTech Sector

The study found compelling evidence that AML compliance or non-compliance directly influences the long-term sustainability, reputation, and operational viability of FinTech firms in Kenya. FinTech practitioners unanimously acknowledged that non-compliance with AML regulations poses substantial risks, including regulatory sanctions, revocation of licenses, financial penalties, and loss of customer trust. The threat of being de-banked or blacklisted by correspondent banks, which are crucial for international money transfers, was also cited as a major operational risk. These consequences mirror the findings of Magarura (2020) and Mochere (2020), who noted that reputational damage and exclusion from global financial systems are often the first fallout effects when institutions fail to meet AML standards.

Participants also emphasized that non-compliance increases the cost of doing business in the long term. Organizations may be forced to invest heavily to "regularize" compliance after a breach, including redesigning systems, conducting retrospective audits, and hiring new compliance personnel. Additionally, regulatory scrutiny often intensifies after initial lapses, creating a persistent burden on operations. This supports the literature by Naheem (2020), who explained that AML non-compliance results in both legal liability and reputational erosion, ultimately undermining public confidence and institutional credibility.

Conversely, the study found that AML compliance offers significant strategic advantages. FinTechs that uphold strong AML practices report enhanced customer trust, better access to international markets, and stronger partnerships with regulators and correspondent banks. Compliance was found to be a value proposition, particularly in attracting institutional investors and aligning with ESG (Environmental, Social, and Governance) standards that emphasize integrity and transparency. These benefits reflect the arguments made by Ofoeda et al. (2022) and Jayasekara (2020), who asserted that AML compliance contributes to financial sector development and institutional resilience.

Moreover, the study revealed several tangible results of both compliance and non-compliance. On the compliance side, FinTechs noted timely submission of Suspicious Transaction Reports (STRs), enhanced reputational standing, improved customer loyalty, and streamlined access to new market segments. In contrast, non-compliant entities reported facing fines, reputational scandals, customer attrition, and, in severe cases, forced market exit. This finding underscores the empirical work of Pontes et al. (2022), who emphasized that institutions often maintain

AML programs not purely out of regulatory obligation, but to mitigate reputational and operational risks that could compromise future growth.

5.3 Conclusions

The study concludes that Kenya's AML regulations are largely well-articulated and structured to meet international standards. However, their effectiveness within the FinTech sector is partially undermined by limited enforcement, gaps in crypto and informal digital finance oversight, and inconsistent regulatory interpretation. FinTechs that adopt internal AML policies such as dynamic risk profiling, KYC/CDD protocols, and transaction monitoring systems are better equipped to comply and build sustainable risk cultures.

In addition, the study concludes that despite the existence of AML frameworks, their implementation in FinTechs is constrained by multiple barriers: high compliance costs, resource limitations, technological mismatches, false positives, and operational complexity. Furthermore, a disconnect persists between regulatory expectations and the evolving nature of digital finance. The challenge is exacerbated by anonymity and remoteness in FinTech operations, which compromise identity verification and data integrity.

Further, the study concludes that AML compliance yields tangible institutional benefits, including stronger reputations, greater regulatory cooperation, access to cross-border markets, and lower legal risks. Conversely, non-compliance invites severe sanctions such as hefty fines, license revocation, reputational loss, operational disruption, and exposure to criminal exploitation. These findings reinforce the view that AML is not merely a regulatory requirement, but a strategic business imperative.

5.4 Recommendations and Best Practices for Enhancing AML Implementation in the FinTech Sector

5.4.1 Institutional Best Practices by FinTechs

FinTechs are encouraged to invest in the development of proprietary monitoring tools tailored to their specific operational models. Generic or banking-sector AML solutions are often ill-suited for the high-volume, low-margin nature of many FinTech services. In-house tools allow for customization based on real-time risk profiles, transaction patterns, customer behavior, and emerging typologies. These tools enhance detection accuracy and reduce false positives, improving both operational efficiency and regulatory responsiveness.

Ongoing employee education was widely acknowledged as essential to effective AML implementation. FinTechs should institute mandatory, continuous AML training programs that are updated frequently to reflect evolving risks, technologies, and regulations. Staff involved in onboarding, transaction processing, and compliance should undergo specialized modules focusing on key areas such as identifying red flags, suspicious behavior indicators, handling of STRs/SARs, and dealing with virtual assets.

Periodic updates to AML risk assessments help FinTechs stay aligned with changing threat landscapes. These assessments should consider new product features, customer segments, transaction types, and emerging typologies like synthetic identity fraud and virtual asset laundering. A dynamic and iterative approach to risk assessment ensures that internal controls are responsive, comprehensive, and aligned with international standards.

Automation and data analytics play a transformative role in modern AML systems. FinTechs are advised to harness artificial intelligence (AI) and machine learning (ML) tools for advanced fraud detection, predictive risk scoring, and behavioral anomaly identification. These technologies improve detection speed and accuracy while reducing human error, thereby strengthening the integrity and efficiency of compliance processes.

5.4.2 Recommendations for Regulatory Support and Engagement

FinTechs, particularly newer entrants and smaller firms, expressed the need for more targeted and user-friendly regulatory guidelines. Current regulations, while comprehensive, are often interpreted differently due to a lack of clarity or sector-specific adaptation. Regulators are encouraged to develop clear guidance documents tailored specifically to the unique operations of FinTechs, including e-wallets, virtual service providers (VSPs), and digital-only lending platforms. Special focus should be placed on areas such as handling crypto assets, peer-to-peer transactions, and digital onboarding.

Joint training initiatives and industry-wide workshops were recommended as a means to foster mutual understanding between regulators and FinTechs. These platforms can facilitate knowledge exchange, build trust, and ensure consistent interpretation of AML obligations. Periodic engagement forums should bring together compliance officers, policymakers, legal experts, and RegTech providers to discuss current challenges, new risks, and evolving best practices. Such dialogues will help to co-create solutions, improve regulatory literacy, and enhance stakeholder alignment.

The responsiveness of regulatory institutions to FinTech inquiries and compliance challenges remains a crucial area for improvement. Participants called for faster communication channels, timely feedback on submitted STRs/SARs, and proactive support in addressing implementation difficulties. Regulators such as the CBK and FRC were encouraged to establish dedicated FinTech liaison offices or helpdesks to offer direct technical support and interpretive guidance.

To enhance regulatory relevance and promote innovation, FinTech stakeholders should be involved early in the regulatory drafting process. Co-creation of AML regulations through public consultations or regulatory sandboxes allows for real-world testing and feedback, resulting in more practical and adaptive policy instruments. Expansion of the sandbox environment would enable FinTechs to experiment with compliance models in a controlled setting before full implementation.

5.4.3 Recommendation for Theory

The study recommends that future research on AML compliance in digital financial contexts integrate a multi-theoretical approach. Compliance Theory should be applied to examine how organizational perceptions, internal culture, and cost considerations shape proactive compliance behavior. Institutional Theory should be extended to account for variations in regulatory clarity, supervisory engagement, and sector-specific pressures, particularly in rapidly evolving FinTech environments. Deterrence Theory should continue to inform analyses of enforcement and sanction effects but should be complemented with perspectives that capture voluntary or ethical compliance, recognizing that firms may comply even when enforcement is weak. Collectively, these theories can be refined and expanded to better explain AML adoption, implementation challenges, and organizational responses in digital financial ecosystems.

5.5 Suggestions for Future Research

Future research could build on this study by using larger and more diverse samples of FinTech firms to enhance generalizability and enable comparative analysis across contexts. There is also a need to examine emerging AML challenges associated with evolving technologies such as crypto-assets, decentralized finance, and artificial intelligence. Additionally, longitudinal studies could provide insights into how AML implementation evolves over time, while quantitative or mixed-method approaches may help establish relationships between AML challenges and compliance outcomes. Further research may also explore the effectiveness of regulatory frameworks and supervisory approaches in strengthening AML compliance within the FinTech sector.

5.6 Limitations of the Study

One of the most significant limitations encountered during the study was the issue of confidentiality and sensitivity surrounding AML practices in the FinTech sector. Given the nature of money laundering investigations and the regulatory scrutiny attached to them, several respondents were reluctant to provide detailed disclosures on ongoing cases, specific compliance failures, or loopholes within their organizations. Understandably, this hesitation stemmed from legal obligations, reputational risk, and the sensitive nature of financial crime information. Such caution occasionally resulted in partial disclosures, which, if left unmitigated, could have compromised the comprehensiveness of the study findings.

To address this limitation, the researcher adopted several strategies. First, participants were assured of strict anonymity, with no personal identifiers or organizational names included in the reporting of results. This ethical safeguard encouraged respondents to share candid insights without fear of reputational damage or regulatory repercussions. Second, the questions were carefully framed in a way that avoided requesting case-specific details but still elicited broad reflections on systemic challenges, regulatory gaps, and compliance practices. This allowed the study to generate useful data without breaching confidentiality boundaries.

Another limitation encountered in the study related to the demanding schedules of respondents, the majority of whom were senior professionals such as regulators, compliance officers, and legal experts. Due to these time constraints, some respondents provided brief responses to the questionnaire or completed it later than initially anticipated. To address this challenge, the researcher ensured that the questionnaire was concise, clearly structured, and easy to complete, while still capturing the necessary depth of information through open-ended questions. This approach enhanced response rates and ensured the collection of relevant and high-quality data despite the limited availability of some participants.

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APPENDIX I: OPEN-ENDED STRUCTURED QUESTIONNAIRE

Title: EXPLORING THE ADOPTION AND ASSOCIATED CHALLENGES ANTI-MONEY LAUNDERING MEASURES IN THE KENYAN FINANCIAL TECHNOLOGY SECTOR

Introduction*:* The questionnaire is designed to collect data for a study on the effectiveness of AML in the FinTech industry, to identify the key challenges faced in their implementation and assess the bottom-line of AML compliance/noncompliance. Your responses will remain confidential and will be used solely for academic purposes. Participation is voluntary, and you may skip any questions you are uncomfortable answering.

Questions for FinTech Executives & Compliance Officers

General Background

1. Can you describe your role and responsibilities in your FinTech's AML compliance framework?
2. What are the key services provided in your FinTech?
3. How old is FinTech?
4. What is the staff size in your FinTech?
5. How would you assess the maturity of your FinTech's AML compliance processes?

The extent of adoption of AML Requirements (Objective 1)

6. What key AML policies and controls do your organization have in place?
7. How do you find Kenya's current AML regulations in combating financial crime in FinTech?
8. How do you ensure customer due diligence (CDD) and Know Your Customer (KYC), Suspicious Transaction monitoring and reporting and record keeping requirements are met without affecting user experience?
9. How do you perceive the employee training on AML is?
10. Have you observed any specific trends in financial crime or Money Laundering If so, how has your organization responded?

Challenges Affecting AML Policy Implementation (Objective 2)

9. What are the most significant challenges your FinTech faces in implementing AML policies? (e.g., high costs, regulatory uncertainty, rapid transaction processing)
10. Do you think Kenya's AML regulatory framework is well-aligned with the digital financial ecosystem? Why or why not? -in terms of clarity and support by regulators.

11. Are there any other specific AML policies that pose operational difficulties for FinTechs?

12. Do you think remoteness and anonymity pose a difficulty in implementation of KYC, Transaction monitoring and record keeping?

13. Do you think that the FinTechs have sufficient resources (technological, personnel and finances) to fully implement AML policies

14. Do you think non-compliance penalties are effective in enforcing AML rules among FinTechs? Why or why not?

Consequences of AML compliance or non-compliance

15. What do you think are the potential risks or losses your organization could face by not complying with AML regulations?
16. What benefits, if any, do you believe your organization might gain from full compliance with AML regulations?
17. How do you think AML non-compliance could impact your organization's long-term operations and goals?
18. How do you think AML compliance could impact your organization's long-term operations and goals?
19. What are the top results of AML compliance or non-compliance

Future Improvements and Recommendations

20. In your experience, what best practices can FinTechs adopt to strengthen AML compliance?

21. What additional support or guidance would you like from regulators to enhance AML effectiveness?

Questions for Regulators, AML Academicians, Financial Crime experts, Financial Crime legal Practitioners

General Background

1. Please describe your role and responsibilities in relation to FinTech's AML compliance framework?

2. How would you assess the maturity of your FinTech's AML compliance processes?

The extent of adoption of AML Requirements (Objective 1)

3. How do you perceive the Kenya's current AML regulations in combating financial crime in FinTech?

4. How do you perceive the employee training on AML is?

Challenges Affecting AML Policy Implementation (Objective 2)

5. What are the most significant challenges FinTechs face in implementing AML policies? (e.g., high costs, regulatory uncertainty, rapid transaction processing)

6. Do you think Kenya's AML regulatory framework is well-aligned with the digital financial ecosystem? Why or why not? -in terms of clarity and support by regulators.

7. Are there any other specific AML policies that pose operational difficulties for FinTechs?

8. Do you think remoteness and anonymity pose a difficulty in implementation of KYC, Transaction monitoring and record keeping?

9. Do you think that FinTechs have sufficient resources (technological, personnel and finances) to fully implement AML policies

10. Do you think non-compliance penalties are effective in enforcing AML rules among FinTechs? Why or why not?

Consequences of AML compliance or non-compliance

11. What do you think are the potential risks or losses Fintech organizations could face by not complying with AML regulations?
12. What benefits, if any, do you believe Fintech organizations might gain from full compliance with AML regulations?
13. How do you think AML non-compliance could impact Fintech organization's long-term operations and goals?
14. What are the top results of AML compliance or non-compliance

Future Improvements and Recommendations

13. In your experience, what best practices can FinTechs adopt to strengthen AML compliance?

14. What additional support or guidance would you like from regulators to enhance AML effectiveness?

Thank you for taking the time to contribute to this research.

APPENDIX II: LIST OF SAMPLED FINTECH COMPANIES

FinTech offering Lending as a service

Fintech names	Classification as per service
MPESA	Payment/Lending
Tala	Lending
Branch	Lending
Mshwari	Lending
Alternativecircle	Lending
Farmdrive	Lending
Zanifu	Lending
Lipa later	Lending
Lendable	Lending
Kopokopo	Lending
M-Kopa	Lending
Apollo Agriculture	Lending

Fintech offering payment as a service

Fintech names	Classification as per service
MPESA	Payment/Lending
Jambopay	Payment
Cellulant	Payment
Pesapal	Payment
Beyonic	Payment
Eastpesa	Payment
Flexpay	Payment
Pezesha	Payment
Uzapoint	payment
Carepay	Payment
Finserve	Payment
Nala	Payment
Kwara	Payment
Chura	Payment
Telkom Kenya	Payment

Fintech offering other services (Investment, Insurance and Digital trading)

Fintech names	Classification as per service
Turaco	Insuretech
Wazinsure	Insuretech
Pesabazaar	Insuretech
Mtiba	Insuretech
Bismart	Insuretech
LMMI	Insuretech
Griffin	Insuretech
Abacus	Investment
Cytonn	Investment
Makiba	Investment
Pepperstone	Digital trading
Fx Pesa	Digital trading
Moripesh	Investment
Chamasoft	Investment
Pesamill	Digital trading
Bitpesa	Digital trading
Bitsoko	Digital trading
Aza	Digital trading
Ridesafe	Digital trading
Bitcoinke	Digital trading
Lami Insurtech	Insurtech
Pula Advisors	Insuretech
Afrex	Digital trading

APPENDIX III: INTRODUCTION LETTER

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Strathmore UNIVERSITY BUSINESS SCHOOL

14th April 2025

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – OCHIENG, GLORIA ANYANGO

This is to introduce Ochieng, Gloria Anyango who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/168475. As part of our MCOM Programme, Gloria is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Gloria would like to request appropriate data from your organization.

Gloria is undertaking a research paper on **"CHALLENGES OF IMPLEMENTING EFFECTIVE ANTI-MONEY LAUNDERING POLICY EFFORTS IN THE KENYAN FINANCIAL TECHNOLOGY (FinTech) SECTOR."** The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Njoki Kiagiri
Manager – Graduate Programmes
Strathmore University Business School.

APPENDIX IV: NACOSTI LETTER & ETHICAL APPROVAL

Ethical approval

Strathmore UNIVERSITY

6th May 2025

Ms Ochieng' Gloria,
gloria.ochieng@strathmore.edu

Dear Ms Ochieng',

RE: Challenges of Implementing Effective Anti-Money Laundering Policy Efforts in the Kenyan Financial Technology (FinTech) Sector

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-Masters** proposal. Your application reference number is **SU-ISERC2910/25.** The approval period is from **6th May 2025 to 5th May 2026.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

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NACOSTI LETTER

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **143360**

Date of Issue: **19/May/2025**

RESEARCH LICENSE

This is to Certify that Ms.. Gloria Anyango of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: CHALLENGES OF IMPLEMENTING EFFECTIVE ANTI-MONEY LAUNDERING POLICY EFFORTS IN THE KENYAN FINANCIAL TECHNOLOGY (FinTech) SECTOR for the period ending : 19/May/2026.

License No: **NACOSTI/P/25/4173843**

143360

Applicant Identification Number

Deputy Director

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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See overleaf for conditions