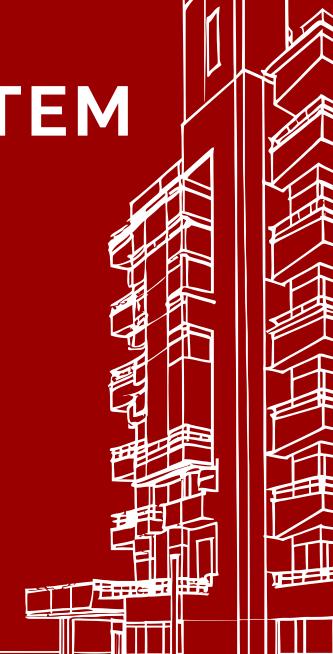


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This paper was prepared by Jackson Oldfied, Lewis Kundai and Clara Czuppon, CiFAR and reviewed by Agatino Camarda, CiFAR in October 2025. The authors have made reasonable steps to ensure that the content is accurate.

CIFAR is responsible for case studies in Kenya within the research project *Corruption in Paradise:* An Ecology of Money Laundering through Real Estate in the Touristic Global South. This project investigates how six tourism-focused cities/regions from Brazil, Kenya, and Indonesia address illicit finance in the real estate market.

The *Corruption in Paradise* research project is coordinated by GRIP (Public Integrity Research Group) at USI (Università della Svizzera italiana) and also includes FGVceapg (Center for Public Administration and Government Studies at the Getúlio Vargas Foundation's São Paulo School of Business Administration) and the CACG (Center of Anti-Corruption and Governance Studies) at Politeknik STIA LAN Jakarta.

This research is part of the Governance & Integrity Anti-Corruption Evidence (GI ACE) programme which generates actionable evidence that policymakers, practitioners and advocates can use to design and implement more effective anti-corruption initiatives. This GI ACE project is funded by UK International Development. The views expressed in this report do not necessarily reflect the UK Government's official policies.













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# EXECUTIVE SUMMARY



Having been FATF 'grey listed' in 2024, Kenya is in a period of heightened scrutiny over money laundering and terrorist financing risks, as well as ongoing reforms underway to address those risks. One area of concern is around the particular risks faced by the real estate sector, which not only represents a large proportion of Kenya's economy but is also one reported to have low reporting when it comes to suspicious transactions and where there have been concerns about the use of real estate as a vehicle to launder money and hide the proceeds of corruption.

This paper seeks to respond to this by describing and assessing the key architecture current to 2025 that operates to prevent money laundering in the real estate sector in Kenya. It discusses the major players across five different categories of actors, the ways they work and the challenges they face. In doing so, it lays out the network that seeks to prevent and address money laundering into real estate in Kenya, as well as those actors seeking to introduce illicit finance into the sector or make it easier to do so.

These actors lie across: sellers, those selling real estate; intermediaries, those facilitating real estate transactions; buyers, those investing in real estate using illicit funds; influencers, those impacting the way other actors work or who seek to change law or policy for the sector; and rule makers, those actors setting and enforcing standards for the real estate sector. In totality, this is described as the real estate ecosystem.

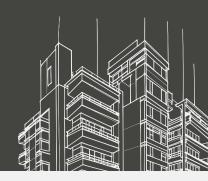
While this paper focuses on describing the ecosystem as a whole and is not explicitly focussed on the challenges faced in preventing illicit finance entering the real estate market, which will be the subject of a further paper in this series, it is nevertheless apparent from the information that has been gathered that the ecosystem is:

• Extensive and complex: multiple actors are involved, have influence in and/or ensure legal compliance with AML/TF rules when it comes to each real estate transaction. The more complex the transaction, the more actors involved. Some of these actors wear multiple hats: developers operating in some instances as sellers, influencers also acting as oversight bodies. Responding to illicit finance in the sector therefore requires a solid understanding of the different roles these actors play at each part of the process.

# EXECUTIVE SUMMARY

- Stronger on paper than in reality: resourcing issues were identified for several of the bodies supposed to provide oversight in the AML/CFT context. In other instances, particularly real estate agents, the issue is coverage, with actors working outside of formal supervisory structures. While there are clear roles and responsibilities in law, weak implementation is likely to undermine AML/CFT procedures.
- Subject to outside influence: While the research paper identifies that knowledge is limited, it indicates that the politics of land ownership and corruption in Kenya makes it hard for the system to act. This is likely to be the case even against money coming in from abroad.

This paper should be read alongside our briefing released also in Autumn 2025 <u>Anti-Money Laundering Rules & Reporting: Kenya Real Estate Sector</u>, which outlines legal requirements and the supervision of key actors within the real estate sector.



The Financial Action Task Force (FATF) style regional body, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), published in 2022 a mutual evaluation report of Kenya, which highlighted the potential risk of the real estate sector contributing to money laundering and illicit financial flows. The real estate sector was highlighted as an area of concern due to its outsized contribution to the economy - 8.8% of GDP in 2021, compared to the financial and insurance sector at 7.1%¹ - and given the "high participation of unregistered players that are not regulated and the use of cash".² The report also highlighted that lawyers were at the time not subject to supervision for anti-money laundering and countering the financing of terrorism (AML/CFT) purposes and that the licensing regime and regulation of the real estate sector was weak.³ Noted too was that very few suspicious transaction reports were submitted by the real estate sector⁴ - amounting to only two reports out of 25,500 over a period of 4 years.⁵

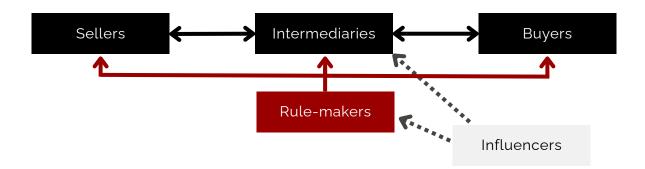
The risks for money laundering and terrorist financing stemming from the real estate sector were also identified in research by Kenya's Business Registration Service. In their 2022 National Risk Assessment on Money Laundering and Terrorism Financing of Legal Persons and Legal Arrangements, risks were particularly highlighted in related to construction. Assessing the overall risk as 'medium', the report nevertheless identified that despite 20% of legal persons being engaged in construction, the construction sector accounted for 57% of money laundering cases, followed by the closely tied real estate sector at 8%. It also identified that the involvement of politically exposed persons in these kinds of case is high.<sup>6</sup> The real estate sector specifically was further identified as the second most prominent sector for terrorism financing in Kenya.<sup>7</sup>

The February 2024 statement that accompanied Kenya's FATF 'grey' listing outlined the steps the government planned to address these concerns. This included commitments to: improve risk-based AML/CFT supervision of financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs); enhance understanding of preventive measures by FIs and DNFBPs, including increasing suspicious transaction report (STR) filing; designating an authority for the regulation of trusts; collecting accurate and up-to-date beneficial ownership information; implementing remedial actions for breaches of transparency requirements for legal persons and arrangements; and increasing money laundering and terrorism financing investigations and prosecutions in line with identified risks.<sup>8</sup>

Reflecting on these findings and commitments, this report seeks to describe the actors relevant to the real estate ecosystem in Kenya and the ways in which these actors are able to influence the influx of illicit finance into the real estate market in Kenya, particularly into its largest real estate markets. It does this by describing which actors are involved in real estate transactions – and therefore who could be involved in an illicit transaction or preventing such a transaction – and the interrelationship between these actors. In that sense it gives a snapshot into just how able the real estate ecosystem is to respond to the threats identified in Kenya's grey listing and to implement the commitments to reform.

By ecosystem, this report and the project it sits within takes an approach that identifies and categorises actors present and involved in the real estate market into five different units of analysis: sellers, intermediaries, buyers, influencers and rule-makers.<sup>9</sup>

- **Sellers** are those selling property or land. They can include developers or construction companies.
- Intermediaries are all professionals involved in the process of selling and registering a property. Intermediaries usually at the centre of these processes are real estate agents. However, other professionals can be involved, such as lawyers and notaries. Banks and bank employees can also act as intermediaries, when property transactions include real estate financing.
- **Buyers** can be an individual or a legal entity, they can also be a national or foreign investor.
- **Influencers** are actors who intend to influence the (formal or informal) rules of the game. This includes professional associations, industry bodies and civil society.
- **Rule-makers** establish rules that try to govern and stabilize the system. Rule-makers are typically from government, quasi-governmental, and self-regulatory bodies. The term "rules" here refers to all norms, be they formal or informal, including laws and regulations, but not limited to these.



Important to note is that under this ecosystem approach an actor can be a member of multiple categories. For example, an industry representative association can be both an influencer, if they have a lobbying mandate, and a rule-maker, if they have a professional code of conduct for their members. Similarly, actors can change roles at different parts of the process: a law firm may act as a formal buyer, for example, if they purchase property on behalf of a client, and an intermediary if they conduct the transaction. These variable roles for actors are discussed in the body of this report.

Additional factors relevant to the real estate ecosystem, aside from actors, including laws and policies regulating the sector, are discussed in a separate paper: *Anti-Money Laundering Rules & Reporting: Kenya Real Estate Sector*.

#### **METHODOLOGY**

Research for this report was undertaken firstly through a background study that collected information from academic and policy-oriented literature, and which sought to identify the main challenges Kenya is facing from illicit finance in the real estate sector. Following this, a detailed scoping was carried out to identify relevant institutions and actors to the real estate sector. This was carried out partially through an inductive method, whereby further actors were identified from references made by other actors. Desk research was carried out to expand on the roles of each of these actors, including within legislation. A case search was carried out and reports of law enforcement institutions were reviewed to identify further actors and methods, particularly in relation to buyers. Finally, formal and informal interviews with selected experts were carried out in May and June 2025 to expand on findings. A research findings webinar was conducted with 15 experts in July 2025.

#### **ABOUT THE PROJECT**

Real estate is a significant asset class and a primary vehicle for money laundering. While knowledge products and policy options have been discussed in places such as London, Vancouver, or the United States' major cities, there is far less data, knowledge, and locally anchored policy solutions focused on cities in the Global South.

The Corruption in Paradise project<sup>10</sup> looks at the ecology of the sector as it exists in cities in Brazil (São Paulo City and Santa Catarina state's northern coast), Kenya (Nairobi and Mombasa), and Indonesia (Jakarta and Bali province) and focuses on one of the critical actors in the system: real estate agents. It evaluates a) how the environment in which real estate agents operate enables or inhibits integrity and b) how policy interventions could make a difference and positively rewire these incentive systems. Through this analysis, we seek to draw conclusions that can contribute to policy and legal reforms and a broader understanding of the environment around real estate.

We aim to add much-needed actionable knowledge on the risks of corruption and money laundering in the world's most dynamically growing urban areas. Plus, by applying an ecosystemic approach aiming to look at the sector in the context of its wider value chain, stakeholder networks, and incentives, we seek to develop a more comprehensive understanding of the actual risks and feasible policy interventions along the lines of a broader political economy analysis.

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# THE REAL ESTATE ECOSYSTEM



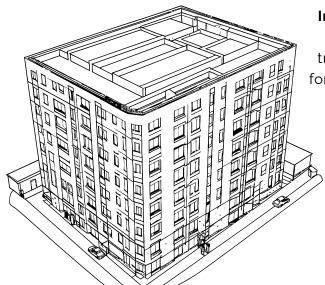
# THE ECOSYSTEM



The following sections look at each of the **five categories of actors**:

It begins with **Sellers**. While recognising that most sellers will be individuals and companies, it highlights the particular roles of developers and land traders as sellers within the Kenyan real estate ecosystem.

Finally, the report looks at **Rule-makers**, actors able to oversee, enforce compliance and create legislation and policy. This includes oversight and reporting bodies, law enforcement and various levels of government.



Next it turns to
Intermediaries, the part of
the ecosystem that has
traditionally been targeted
for AML/CFT measures and
upon whom most direct
obligations to report
suspected money
laundering fall. This
category includes real
estate agents, lawyers,
rental and property
management companies,
and financial institutions.

The fourth section then looks at **Influencers**, those members of the ecosystem that impact or try to impact who and how investments into the real estate market can be carried out. This includes industry associations representing intermediaries, chambers of commerce, academia and civil society.

Then it looks at **Buyers**, the most complex and difficult category to identify. This section uses case data, media investigations and interviews to attempt to paint a picture of who is investing in Kenyan real estate using funds of illicit origin.

# THE ECOSYSTEM

#### Overview of real estate transactions

Real estate transactions in Kenya are undertaken through a process of conveyancing akin to regular contract law, typically using lawyers or specialised conveyancers, with the transaction lodged at the Land Registry, similar to other common law jurisdictions and differing from the notary system used in other jurisdictions, where there is an independent check of documents by a third-party notary. Most transactions are carried out with the support of real estate agents.<sup>11</sup>

Two forms of land tenure exist in Kenyan law: freehold, or unlimited right to the use of the land, and leasehold, which assigns the use of the land for a certain period of time. Non-citizens are not allowed to own agricultural land, freehold titles and first row beach plots along the Kenyan Coast. However, no other restrictions apply, and non-citizens are allowed to hold 99-year leasehold titles, which can be renewed, and can purchase agricultural land with an exception from the President, which is published in the official gazette. The same rule applies to companies and trusts where the ownership / beneficiaries include non-citizens.<sup>12</sup>

The purchase of land takes place through an initial offer and acceptance between the buyer and seller, usually brokered by the real estate agents. Legal teams – either specialised conveyancers or regular solicitors - are then usually instructed to conduct due diligence over the property, including confirming that the seller has the right to sell the property, whether any rights exist over the property from third parties, and obtaining copies of identification and tax ID documents. It will also include ensuring that the boundaries set out in the deeds match reality. If successful, a contract will be concluded, and the sale will usually be completed within 90 days. Once concluded, the buyer becomes the official owner of the property and documents are lodged at the Land Registrar for the issuance of a certificate of title. It is not required at any stage for the purchaser to be present in Kenya and all steps can be done directly by a law firm, through a power of attorney.<sup>13</sup>





Sellers can range from individuals selling existing properties or land, to large scale development projects.

In general, sellers of land in Kenya are not required to know to whom they are selling under Kenyan anti-money laundering legislation, as they are not reporting institutions for the purposes of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA).<sup>14</sup>

#### **SELLERS**

Sellers includes all actors involved in selling property. This encompasses:

- Private individuals or groups
- Legal persons, inc. companies
- <u>Developers</u>
- Land traders

A relevant exception to this is that when registering land, sellers and buyers do need to provide identification of their identify to the Land Registry, <sup>15</sup> meaning that, in practice, a basic level of information needs to be provided to the seller by the buyer to complete the conveyancing process. Given their then more limited role in real estate transactions and illicit finance, this is the smallest of the categories looked at in this report.

However, as discussed above, in most cases individual and private sector sellers who are not directly engaged with real estate as a profession will engage intermediaries to assist them in the process. These intermediaries do have several obligations and duties relevant to AML, as outlined in the following section.

This section therefore focusses on two types of seller: developers and land traders. These two categories of seller are included because they have greater risks of closer interaction with illicit finance. This risk exists on the one hand because of the type of land sales they are involved in and prevalence of corruption and fraud cases related to development, land sales and construction, as discussed above and later under *Buyers*, and on the other hand, as developers and land traders may perform multiple other roles within a real estate transaction.

#### 1.1. Developers

Developers are companies and individuals involved in constructing buildings on land or renovating or refurbishing existing properties for onward rental or sale. Developers may interact with illicit purchasers through sales or rental of development projects to persons purchasing or renting projects using illicitly acquired funds. Developers may also be involved in schemes to launder money through the development itself. While there is no definitive number for developers in Kenya, the Kenya Property Developers Association, a representative body for the residential, commercial and industrial property development sector in Kenya, <sup>16</sup> (see: Influencers), has over 60 companies listed as 'property developer' on their online membership list.<sup>17</sup>

As stated in the 2022 National Risk Assessment on Money Laundering and Terrorism Financing of Legal Persons and Legal Arrangements, construction has been particularly highlighted as a money laundering risk: with the construction sector accounted for 57% of money laundering cases and the involvement of politically exposed persons in these kinds of cases noted as being high.<sup>18</sup> There have also been suggestions that persons have used new developments to launder illicit wealth in Kenya, through mortgage-based money laundering schemes. These are schemes whereby mortgages are obtained for partial construction of new developments, which are then repaid through fictitious rental of the property – with funds actually coming from illicit sources.<sup>19</sup> Real estate developers are however not reporting institutions under Kenyan anti-money laundering legislation. Consequentially, they are not obligated to comply with know-your-customer or other anti-money laundering legal requirements in their role as a developer.

Anti-money laundering requirements do however apply if developers hold other professions or perform other roles that are designated for the purposes of Kenya's AML legislation, for instance, if they are acting as real estate agents. AML regulations also apply to actors they may engage with in selling developments, for example if they engage with regulated professionals or financial service providers (*see: Intermediaries*). It is also not the case when developers knowingly handle illicit funds, however, in which case the provisions of the Proceeds of Crime and Anti-Money Laundering Act, 2009 will apply.

#### 1.2. Land Traders

Companies that buy and sell land - land traders - are distinct from developers in that they do not aim to develop the land they purchase but rather aim to flip land sales in order to make a profit. There are at least 2,000 land-buying companies in the country.<sup>20</sup> They are of particular interest current due to a series of pyramid schemes several companies appear to have been involved in during recent years.<sup>21</sup>

The pyramid schemes work as such:22

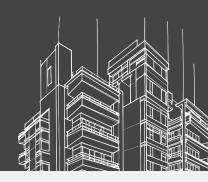
- 1. The land traders identify land held by second or third generation owners
- 2. The land traders offer the seller a lucrative deal provided that the seller allows the land trader to market it as their own land
- 3. Sellers fail to open a joint escrow account for the sale with the land trader
- 4. Buyers "purchase" the land from the land trader but the land trader does not remit this to the seller and the sale is therefore never completed between the buyer and seller, meaning that the seller loses their money without gaining the rights to the land.

In some instances, government or community land is grabbed and traded in similar ways to this<sup>23</sup> and the buyer loses money to the seller who claims ownership to the land, without gaining rights to the land which is later reclaimed by the community or the government. Noteworthy, has been the role of politically exposed persons within such cases.<sup>24</sup>

These companies often use celebrities and media personalities as their ambassadors to create confidence, as well as paying for media slots across TV and radio.<sup>25</sup> It is not clear whether or not these schemes are related to illicit financial flows related to other illicit activity but nevertheless are a way the real estate market is being used to generate illicit funds.

Note that the Association of Real Estate Stakeholders (*see: Influencers*) was established by the industry in 2023 as a body to register companies and currently has 500 land-buying and property companies as members.<sup>26</sup> Their vision is to become a regulatory board that issues licences for land traders.<sup>27</sup>





Intermediaries are actors who facilitate real estate transactions and those most typically subject to anti-money laundering regulations. As discussed above, within the real estate process, several actors can be involved in facilitating a transaction and several must be involved. In Kenya, intermediaries are very often involved in real estate transactions but do not technically need to be.

Intermediaries as discussed in this section include real estate agents, lawyers, rental and property management companies, and financial institutions.

#### **INTERMEDIARIES**

Intermediaries are actors who facilitate real estate transactions and those most typically subject to antimoney laundering regulations, this includes:

- Real estate agents
- Lawyers and law firms
- Rental and property
   management companies
- Financial institutions

Many of these actors also cross-over into other categories – lawyers, for example, can both be intermediaries in a real estate transaction and can act on behalf of buyers or become the legal owner of real estate to shield the beneficial owner from public scrutiny. Similarly, real estate companies or financial institutions can act as intermediaries but can also be influencers when reforms to relevant legislation or policy are being discussed.

In this section, we will however focus on their role as intermediaries and highlight how these roles are regulated, as well as the challenges faced in ensuring anti-money laundering compliance when it comes to these actors.

#### 2.1. Real estate agents

Most real estate transactions are carried out with the support of real estate agents. However, as highlighted above, this is not a requirement of Kenyan law and it is possible for real estate transactions to be carried out independently of real estate agents.<sup>28</sup> The role of real estate agents is primarily to market properties for sale or rent and to find potential buyers and sellers. They also represent their clients during negotiations and will advise their clients on property value and suitability of a sale or purchase offer.<sup>29</sup> Unlike in some other jurisdictions, real estate agents do not file the land transaction directly for their clients as a matter of course.

Real estate agents on paper are licenced professionals, who are regulated under the Estate Agents Act Cap. 533. The law states that real estate agents should be registered with and have a practising certificate from the Estate Agents Registration Board (EARB). The Board's role (*see: Rule-makers*) is to regulate and control the professional conduct of real estate agents. Specifically, the 2012 Act criminalises practicing as an estate agent without being registered under Section 18. A code of conduct is established by the Board, and the Board is able to suspend, fine and completely remove an estate agent from the registry under Section 24.<sup>30</sup>

Estate agents are defined by the Estate Agents Act, in Article 2 (1) as being persons:

"doing, in connection with the selling, mortgaging, charging, letting or management of immovable property or of any house, shop or other building forming part thereof, of any of the following acts—

a) bringing together, or taking steps to bring together, a prospective vendor, lessor or lender and a prospective purchaser, lessee or borrower; or

b) negotiating the terms of sale, mortgage, charge or letting as an intermediary between or on behalf of either of the principals;"

Real estate agents in Kenya can also be members of professional associations, such as the Kenya Professional Realtors Association (*see: Influencers*), which focus on providing networking and skills training for real estate agents.<sup>31</sup> These associations however do not typically provide training on topics such as anti-money laundering rules and methods to identify clients' real identities.<sup>32</sup>

A 2023 study undertaken by the Kenya National Bureau of Statistics however showed that 47.1% of real estate firms were not registered with any relevant professional or regulatory institutions, with the main reasons cited as being lack of interest and not viewing the registration as necessary.<sup>33</sup> Interviews undertaken for this study further highlighted that registration is not common among real estate agents, as requirements are often viewed as challenging to meet, due to requirements for registration that many practising agents would not be able to achieve currently.<sup>34</sup> Analysis of the members directory posted on the EARB website indicates no registration number higher than 2.000 as of the last update to the list in 2020.<sup>35</sup>

In an effort to curb this lack of registration, the Financial Reporting Centre, Kenya's Financial Intelligence Unit, issued a regulation on the 21<sup>st</sup> October 2025, requiring all real estate agencies to register with the Centre by the 14<sup>th</sup> November 2025. They require estate agents to submit details of their legal entity, certificates of incorporation/registration, tax numbers, names of senior directors and a designated money laundering reporting officer. They announced support will be offered for this and that legal action would be taken against those who fail to comply.<sup>36</sup>

Real estate agencies are Reporting Institutions under POCAMLA and other legislation for the purposes of anti-money laundering, countering the financing of terrorism, and countering proliferation financing.<sup>37</sup> With the majority of real estate agents to date operating outside of formal registration and with professional associations not having the capacity to provide training on money laundering and illicit finance risks, it seems unlikely, however, that there will be an imminent increase in due diligence and reporting of suspicious transactions from the low levels reported in the 2022 FATF / ESAAMLG report.<sup>38</sup>

#### 2.2. Lawyers and law firms

Lawyers and law firms are key actors in the real estate ecosystem. Land transactions in Kenya are undertaken through a process of conveyancing akin to regular contract law, which typically uses lawyers or specialised conveyancers, with the transaction then lodged at the Land Registry and new ownership registered.

During a property transaction, legal teams – either specialised conveyancers or regular solicitors - are usually instructed to conduct due diligence over the property, including confirming that the seller has the right to sell the property, whether any rights exist over the property from third parties, and obtaining copies of identification and tax ID documents. It will also include ensuring that the boundaries set out in the deeds match reality.<sup>39</sup>

If successful, a contract will be concluded, and the sale will usually be completed within 90 days. Once concluded, the buyer becomes the official owner of the property and documents are lodged at the Land Registrar for the issuance of a certificate of title. It is not required at any stage for the purchaser to be present in Kenya and all steps can be done directly by a law firm, through power of attorney.<sup>40</sup>

Lawyers in Kenya must be members of and are regulated by the Law Society of Kenya (LSK)<sup>41</sup> (*see: Rule-makers*). The LSK has the mandate to advise and assist members of the legal profession, the government and the larger public in all matters relating to the administration of justice in Kenya. It also has the role of regulating the conduct of lawyers in Kenya and ensuring that they comply with relevant rules and codes of conduct. At the time of writing there were over twenty thousand members.<sup>42</sup> To oversee professional conduct, the Advocates Complaints Commission is a statutory body established to hear complaints of professional misconduct against lawyers in Kenya, adjudicated against the Law Society of Kenya Code of Standards of Professional Practice and Ethical Conduct.<sup>43</sup>

Lawyers and law firms are Reporting Institutions under POCAMLA and other legislation for the purposes of anti-money laundering, countering the financing of terrorism, and countering proliferation financing.<sup>44</sup> Under the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act of 2023, lawyers are able to submit suspicious transaction reports to the Law Society of Kenya, as well as to the Financial Reporting Centre. However, the Law Society of Kenya does not have the resources currently to perform this role, and at the time of research, reports were only being transmitted to the FRC.<sup>45</sup>

While lawyers and law firms in larger urban areas, including Nairobi and Mombasa, are much more likely to be aware of and in compliance of AML legislation and to undertake due diligence around the land transactions they are engaged on, smaller firms and individual lawyers, particularly in smaller towns and cities, may be more likely to waive these checks due to financial pressures. They are also much less likely to have been exposed to information or training around identifying AML/TF related risks.<sup>46</sup>

#### 2.3. Rental and property management companies

The number of property management companies has seen a drastic increase in recent years in Kenya, as efforts have been made to make ownership more accessible. Acting as a third party between the owners and the renters, the objective of these companies is to maintain the financial or material value of the asset through the overseeing of ongoing maintenance in exchange of a fee or a percentage of the rent.<sup>47</sup>

These companies conduct management and administrative routine tasks in relation to the ownership of a residential, commercial, or industrial property: rent collection, repairs and maintenance, tenant screening, and evictions, among other duties.<sup>48</sup>

A licence is necessary to start a property management company. As for any real estate related business, rental companies are regulated by the Estate Agents Registration Board.<sup>49</sup> Some companies offer both realtors services and property management. As discussed above, real estate agencies are Reporting Institutions under POCAMLA<sup>50</sup> but suffer from a lack of registration with industry bodies and the Financial Reporting Centre – and effort the FRC is was trying to remedy through a new regulation at the time of publication.<sup>51</sup>

While the role of rental and property management associations has not been a focus of policy discussions around illicit financial flows into the Kenyan property market, and was not highlighted during interviews for this research as an area of concern, there are suspicions that property rental is a tool used to launder money in Nairobi.<sup>52</sup> Given that the FRC also targeted property management companies in its October 2025 regulation,<sup>53</sup> the role they play in screening tenants and landlords should be a part of efforts to ensure effective checks for money laundering in Kenya.

#### 2.4. Financial institutions

Financial institutions are important intermediaries in the real estate sector in Kenya and can also play an important role in illicit property transactions. Interviews suggest, for example, that mortgages have been used as a way to launder illicitly acquired money into the financial system. This may particularly involve new construction projects.<sup>54</sup>

Financial institutions are often also reporting institutions for the purposes of POCAMLA, with several requirements designed to detect and prevent money laundering and terrorist financing. In this section, several different types of financial institution are discussed: direct lenders, covering banks, savings and credit cooperative organizations, real estate investment trusts, and indirect lenders, providing backing to direct lenders.

#### 2.4.1 Direct lenders

#### I. Banks and SACCOs

Mortgage-providing banks are one of the primary financers of real estate transactions in Kenya. Some of largest of these are Kenya Commercial Bank (KCB) and the Housing Finance Group, with KCB being the largest bank in the country in terms of assets as of 2024.<sup>55</sup> Alongside providing mortgages, banks in Kenya are also occasionally involved in other areas related to the property market. This includes providing advice on buying buildings and land, starting construction projects, and loans.<sup>56</sup> KCB, for example, also provides "property tours" for potential future investors "to see and experience the property market in Nairobi and North Coast in Mombasa".<sup>57</sup>

As of 2024 there were 177 deposit-taking, and 178 non-deposit taking Savings and Credit Cooperative Organisations (SACCOs) operating in Kenya.<sup>58</sup> SACCOs have the largest market share of lending institutions when it comes to housing finance in Kenya, providing 31.8% of all loans in 2025.<sup>59</sup> Of the 355 SACCOs registered in 2024, the largest proportion were based in Nairobi (174), followed by Kiambu (30), Meru (16) and Mombasa (16).<sup>60</sup>

Banks and other financial institutions have comprehensive AML/CFT obligations spelt out in the POCAMLA Regulation. Financial institutions are expected to conduct KYCs for clients and due diligence to ascertain the identity of clients. If a customer or transaction is deemed high-risk, for example, when the client is a PEP or when the transactions are suspicious, institutions must apply enhanced due diligence measures such as verifying the source of funds and monitoring the accounts. These obligations include reporting, which requires that institutions monitor transactions involving property and file STRs to the FRC within two days when they suspect that a purchase or payment may involve the proceeds of crime. Large cash payments should also trigger automatic reporting under the Fourth Schedule to POCAMLA. Any cash transaction exceeding USD 15,000 must be reported to the FRC.

The Central Bank of Kenya is the supervisory authority for financial institutions. This includes commercial banks and mortgage finance institutions. SACCOs are supervised by the Sacco Societies Regulatory Authority (SASRA). As of 2024, 320 regulated SACCOs were fully registered with the FRC as reporting institutions, an increase from 212 in 2023. Temained not fully registered, with the Sacco Societies Regulatory Authority working to complete these registrations Regulators.

Interviews suggest that the main risk related to banks and other direct lenders, including SACCOs, comes from the provision of mortgages, which may be used to launder illicit wealth.<sup>68</sup> This may particularly involve new developments, whereby mortgages are obtained for partial construction, which are then repaid through fictitious rental of the property – with funds actually coming from illicit sources.<sup>69</sup> However, risk may also come from the range of other services provided by banks to facilitate investment, as discussed above. Advisory services may be offered that help persons to introduce illicit wealth into the property market, especially if KYC procedures are not implemented at that stage of the interaction.

#### II. Real Estate Investment Trusts (REITs)

In 2013, the Capital Markets Real Estate Investment Trusts Collective Investment Schemes Regulations<sup>70</sup> implemented a new avenue for investments in the real estate market, known as Real Estate Investment Trusts (REITs) and operating within the Capital Market Master Plan (CMMP, 2014 – 2023).<sup>71</sup> REITs are regulated investment vehicles, that are designed to facilitate collective investment in the real estate sector and are regulated by the Capital Market Authority (CMA), whose role is to ensure transparency and investor protection.<sup>72</sup>

There are two types of REITs: Income Real Estate Investment Trusts (I-REIT) to enable persons to invest in income-generating real estate, and Development Real Estate Investment Trusts (D-REIT) to enable investment in development and construction. Property managers, owners, and developers can set-up and issue a REIT, becoming the promoters and responsible for obtaining approval from relevant authorities. A REIT manager has then to be licensed by the Capital Market Authority to manage the real estate and fund on behalf of the investors. A REIT also appoints a Trustee, who will act as a supervisor of the feasibility and investments after being licensed by the CMA.<sup>73</sup> Trustees need to have capital of Kshs 100 million, which in practice limits this role to banks.<sup>74</sup> Investors then buy units of the trust, giving them access to partial ownership. REIT managers are Reporting Institutions under POCAMLA and other legislation.<sup>75</sup>

While not discussed in the literature or interviews as a particular risk, REITs nevertheless may be a conduit for the introduction of illicit finance into the real estate ecosystem of Kenya. Given that trustees in these cases will be invariably banks, it is to be expected however that they would conduct their standard AML/CFT checks on REIT investments.

#### 2.4.2 Indirect lenders

The main indirect lender for the Kenyan property market is the Kenya Mortgage Refinance Company (KMRC). KMRC was founded in 2018 as a non-deposit taking financial institution under the Companies Act 2015. The mandate of KMRC is to provide long-term funds to primary mortgage lenders with the aim of increasing the availability of affordable home loans, especially for moderate to low-income earners in the country."<sup>76</sup> Essentially, KMRC acts to take over mortgages from banks, so that they can free up capital for further mortgages.

KMRC is a public private partnership, which is 44% owned by banks, 25% by the government of Kenya, 23% by development finance institutions (the International Finance Corporation and Shelter Afrique) and 8% by SACCOs.<sup>77</sup>

While their role is somewhat secondary, in that they do not interface directly with mortgage customers and therefore are not able to directly undertake due diligence checks on mortgages they take over, they still may end up providing finance for a scheme involving illicit finance. Therefore, they may have a role in ensuring that due diligence checks have been performed on the mortgages they provide financing for.





Identifying the buyers involved in illicit real estate transactions is the most complex part of mapping the ecosystem, due to the secrecy inherent to illicit finance. The most solid way of identifying buyers using illicit finance in the real estate sector is through court cases that have been concluded prosecuting persons involved in illicit finance in the real estate sector. However, data from the courts on this topic is limited. Further information has therefore been identified through media investigations and reports that have looked into who is involved in suspicious transactions in the real estate sector in Kenya. These have been contextualised through expert reports, as well as interviews undertaken for this project.

The transmission of court cases related to the real estate market to the Financial Reporting Centre (*see: Rule-makers*), is limited. In the 2024 Annual Report of the FRC, only one report was transmitted from the real estate sector, with zero from the related lawyers or accountants. A similar situation took place in 2023.<sup>78</sup>

#### **BUYERS**

This section identifies the buyers of real estate using illicit finance, to the extent possible. It does this by looking at: court cases, media investigations, and expert reports and interviews. It ends with a <u>summary</u> of the findings.

#### Note on this section

Unlike in the other sections of this report, *Buyers* is not divided by type of buyer and is presented in one section, followed by a summary.

This is due to the inherent difficulties in identifying buyers, given the clandestine nature of their operations. Breaking these down into discrete headings could therefore over-emphasize the weight given to categories of buyer relative to the information available.

While then not necessarily related to the real estate sector, FRC statistics on information passed on to law enforcement nevertheless can be useful to get an overall picture of the relative distribution of predicate offences related to money laundering and terrorist financing in Kenya. Of the 237 cases passed on in 2024, 28% related to tax evasion, with 25% relating to corruption, 19% fraud and 16% the crime of money laundering itself.<sup>79</sup>

Despite the lack of reporting to the FRC from the real estate sector, law enforcement agencies nevertheless prosecute cases involving land, corruption and money laundering based on other predicate offences.

The Ethics and Anti-Corruption Commission (EACC) is a public body focussed on combatting and preventing corruption, economic crime and unethical conduct, through enforcement of laws, as well as preventative measures and the promotion of anti-corruption and integrity<sup>80</sup> (see Rule-makers). The EACC's 2023-2024 annual report indicates land as a feature of some ongoing criminal anti-corruption cases referred to the Office of the Public Prosecutor. These relate in particular to the irregular disposal of land, i.e. assigning the title to the land or use of the land to an individual or company without legal authority.<sup>81</sup> It also highlights at least one case where the EACC blocked the irregular transfer of land before it was effectuated.<sup>82</sup>

Land and real estate feature much more commonly however in the civil cases brought directly through the EACC's own powers. The vast majority of its completed asset tracing investigations in 2023-2024 related to land, with almost all of these relating to allegations of irregular acquisition of public land.<sup>83</sup> Similarly, across applications for the preservation of assets and recovery suits filed by the EACC during the reporting period, the vast majority relate to the recovery of land that is alleged to have been taken out of public ownership unlawfully.<sup>84</sup> In 19 of the 40 cases of assets recovered during the reporting period, the assets were also land, with plots found across the country, including in Mombasa and Nairobi.<sup>85</sup>

While this information indicates that land is a key part of corruption cases in Kenya, it does not specifically indicate who is involved. Research undertaken for this project into court cases<sup>86</sup> does however provide some insight into some types of domestic buyers of real estate using illicit finance.

Across the reviewed court cases, <sup>87</sup> several consistent trends emerge regarding the laundering of illicit funds through Kenya's real estate sector. The main predicate crimes identified include embezzlement of public funds, narcotics and wildlife trafficking, and human trafficking. Offenders frequently invested these illicit gains in land and property, with a preference for high-value assets in Nairobi and other urban areas. The cases collectively show a recurring pattern of concealing ownership through the use of family members, nominees, and shell companies, alongside layering techniques that include structuring deposits below the KES 1 million reporting threshold to evade scrutiny by financial institutions. A notable institutional weakness revealed across the cases lies in the compliance gaps among key intermediaries. Law firms, conveyancers, and real estate developers were repeatedly involved in facilitating transactions. While not implicated, their involvement suggests failures to implement effective AML/CFT controls.

Media reports into illicit finance and the real estate sector are limited, with investigations less so and only infrequent mention of the buyers involved. Research undertaken for this project<sup>88</sup> found that pieces in media outlets on real estate and money laundering tended to be largely descriptive and the contents largely reported on released reports by institutions and agencies.<sup>89</sup> This was identified as having several possible reasons, including limited data and statistical availability, as a result of the limited transparency of ownership registers for instance, and lack of funding for this kind of investigative work. Reports that do exist have focussed on discussing statistics, such as the role of real estate as an avenue for money laundering,<sup>90</sup> how illicit finance has fuelled the property market in Nairobi,<sup>91</sup> or discussed the role of the real estate market in Kenya's FATF grey listing.<sup>92</sup>

Nevertheless, several articles have pointed to possible buyers in the real estate markets of Nairobi and Mombasa using illicit finance. Newspaper reports have particularly indicated the role of terrorism-related illicit finance in the real estate sector of Kenya, with a couple of articles linking piracy<sup>93</sup> and terrorist group finances<sup>94</sup> from Somali to the real estate markets in Kenya.

Further articles have identified the presence of transnational organised criminal groups in the real estate markets of Kenya. Investigations by The Elephant in 2017 indicated the laundering of the proceeds of drugs-related crimes into the real estate market, amongst others, 95 and specifically identified that the Italian crime syndicate – the Cosa Nostra – as potentially investing in real estate on the Kenyan coast, near Malindi. 96

A final area where insights can be gleaned into who are the buyers of real estate using illicit finance in Kenya are through expert reports and interviews.

A 2021 report by The Sentry, entitled Kenya Illicit Finance Risks and Assessment,<sup>97</sup> provides some valuable insights into the actors suspected of introducing illicit finance into the Kenyan economy in general. It highlights in particular that "The US government recently listed Kenya as a "major money laundering jurisdiction," citing numerous domestic and foreign criminal activities and highlighting that money laundering takes place in both the formal and informal sectors." With a focus on South Sudan, their research suggests that "(w)eaknesses in Kenya's finance and real estate sectors have been exploited to contribute to South Sudan's conflict, <sup>99</sup> with politically exposed persons alleged to be investing ill-gotten gains in Kenya via corporate structures to buy luxury properties, as well as depositing the money in banks.

It identifies both official statements by the President of South Sudan on the use of Kenya as a hub for real estate investments from South Sudanese illicit finance and identifies South Sudanese individuals involved in the luxury real estate market of Nairobi.<sup>101</sup>

A 2012 Baseline Study on Anti-Money Laundering and Countering the Financing of Terrorism in the IGAD Subregion by the Center on Global Counterterrorism Cooperation and the Intergovernmental Authority on Development (IGAD) Security Sector Program (ISSP)'s is a valuable, if older, resource for understandings of AML risks relevant for the real estate sector in Kenya. This report identifies the role of regional actors – focussing here on Somali pirates – and the potential that they are investing the proceeds of their piracy in the real estate markets of some neighbourhoods of Nairobi. Nairobi. Nairobi.

The recent doctoral thesis of Ngari, 'Countering Money Laundering in the Financial Services Sector in Kenya'<sup>104</sup> also provides some understanding. While highlighting itself the challenges in identifying actors in this field, it nevertheless identifies the role of the real estate sector in laundering illicit finance from China and from Kenyan politicians.<sup>105</sup>

All these expert assessments were supported in interviews. Interviewees highlighted that there is a suspicion of money being introduced into the real estate market as a result of piracy in Somalia, particularly into investments in certain areas of Nairobi with higher populations of ethnic Somalis, <sup>106</sup> as well as regionally from actors in South Sudan. <sup>107</sup> Politicians within Kenya were also highlighted as heavily involved in illicit finance in the real estate sector, particularly in this case involving funds corruptly obtained at the national level. <sup>108</sup> Interviewees also cautioned however that there has been a tendency to conflate unwanted investment with illicit finance in some levels of public discourse and therefore care should be taken in definitively ascribing investment to illicit financial flows. <sup>109</sup>

#### 3.1. Summary

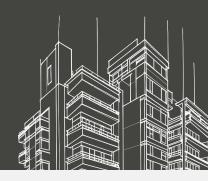
While sources are limited, the findings above indicate that it is possible to broadly group the suspected main buyers of real estate in Kenya using illicit finance into three categories, based on the evidence that we can gather.

First are **domestic actors** tied to corruption, embezzlement, and fraud, especially public officials and other politically exposed persons, who use public funds to acquire land and property. These acquisitions were often concealed through nominee ownership, shell companies, and demonstrated a possible lack of scrutiny by intermediaries over the transactions.

The second group of buyers identified included those involved in **organised criminal activity**, notably drugs and wildlife trafficking. Properties have been confiscated from individuals convicted or accused of running narcotics and wildlife smuggling networks. These actors laundered their proceeds by breaking down deposits into amounts below reporting thresholds, funnelling funds through relatives, and acquiring land, houses, and rental properties.

The third group includes **transnational and regional criminal networks and politically connected elites from neighbouring states**. Expert reports and media investigations suggest that Somali pirates, terrorist-linked financiers, South Sudanese PEPs, and Italian organised criminal groups have been implicated in channelling illicit funds into Kenyan real estate, particularly in Nairobi and along the coastal areas. There are also suspicions of illicit investment from further afield, although these claims are less substantiated as being from illegal sources.





Influencers are a large group within the Kenyan real estate ecosystem. This group encompasses all groups and entities that may have an influence on how illicit finance is addressed in the real estate sector, from industry associations to civil society and academic institutions. The roles of these groups may be to lobby for more, or for less, regulation over the sector. They may be operating from a neutral perspective, with an explicit anti-corruption or human rights agenda, or may be working for the interests of their members.

#### **INFLUENCERS**

Influencers are a large group within the Kenyan real estate sector. This group encompasses:

- Industry associations
- Chambers of commerce
- Academia and research institutions
- Civil society

These aims may of course overlap. Several influencers are also rule-makers, with the actors having a dual role of regulating their members' conduct and of lobbying for their members' interests.

#### 4.1. Industry associations

Several industry associations exist for persons and companies interacting with the purchase, sale and development of land in Kenya. These associations are voluntary but, in several instances, are seeking official recognition of their position and/or to become the regulatory body for the profession they represent. These associations typically provide training and advice to members – which could be strengthened to include a greater emphasis on AML/CFT regulations – as well as representing their members publicly and particularly in legislative and policy reform debates.

#### 4.1.1. Kenya Professional Realtors Association (KPRA)

The Kenya Professional Realtors Association (KPRA) was incorporated in 2013 and is a professional organisation for real estate professionals involved in the selling, buying and managing of property and businesses.<sup>110</sup> It represents its members publicly, as well as providing education, training, certification, and offering membership to local and regional associations affiliated with KPRA.<sup>111</sup>

These trainings include legal compliance and ethics trainings, amongst others, and are charged against a fee for membership and for the trainings. Members are required to sign up to a code of ethics. The code of ethics includes provisions on non-discrimination, honesty and fair dealing. There are also a series of standards of practice which lay out in detail the ethics that members of the KPRA are expected to uphold.

Membership of KPRA is not required by law however, with the Estate Agent Registration Board being the statutory membership and oversight body for real estate agents (*see: Rule-makers*). Associations such as KPRA also find it difficult to educate their members on AML/CFT rules and Know-Your-Customer processes, due to capacity and resource constraints.<sup>115</sup>

#### 4.1.2. Association of Real Estate Stakeholders

The Association of Real Estate Stakeholders was established by the land trader industry in 2023 as a body to register land trader companies. It currently has 500 land-buying and property companies as members. <sup>116</sup> Their vision is to become a regulatory board that issues licences for land traders. <sup>117</sup> They are currently a voluntary membership association, with the chair and key staff made up of companies involved in buying and selling land. <sup>118</sup>

Members are publicly displayed on their website<sup>119</sup> and there is a form for joining. The constitution of the association explicitly lists as some of its objectives: setting standards for real estate companies involved in sale of property in Kenya with the aim of having effective and ethical business practices; to the extent permissible by law, regulate members in the business of sale of property; to lobby for requisite legislation on matters relating to real estate; to advocate for professional certification in real estate practice.<sup>120</sup>

#### 4.1.3. Kenya Property Developers Association (KPDA)

The Kenya Property Developers Association is a representative body for the residential, commercial and industrial property development sector in Kenya. It is a membership organisation that works with policymakers, financial institutions and citizens to promote that "the property development industry grows rapidly but in an organized, efficient, economical and ethical manner." Membership is open to individuals, property development firms, real estate agents and managers, professional firms, industry suppliers, government agencies, institutional investors and managers and financial institutions.

KPDA's aims include: 1) promoting the role of the private sector and creating partnerships between industry players; 2) engaging in advocacy towards the government and other stakeholders around property development; 3) facilitating experience exchange amongst members; 4) conducting research into the sector; and 5) promoting ethical standards in the industry.<sup>124</sup> The latter appears particularly related to ensuring that the sector works within set laws and regulations.<sup>125</sup>

There does not appear to be a code of ethics for members. However, KPDA highlights its core values on its website, which includes several relevant to addressing illicit finance in the sector. This includes: Integrity and Honesty, requiring members uphold high standards of behaviour; and High Ethical Standards, ensuring that operations are carried out in accordance with the highest ethical standards and with full commitment to applicable laws.<sup>126</sup>

KPDA has a close working relationship with the Ministry for Housing through the State Department for Housing, Urban Development and Public Works. It worked with the government on the Big 4 Housing Agenda.<sup>127</sup> The KPDA is also part of the Kenya Private Sector Alliance (KEPSA), where it heads the Lands and Physical Planning Sector Board.<sup>128</sup>

Also of note is that the former CEO of the KPDA was nominated as a liaison to the Proposed Money Laundering and Terrorist Financing National Risk Assessment Exercise under the National Treasury in April 2019. 129

#### 4.1.4. Institution of Surveyors of Kenya (ISK)

ISK is an industry association for professionals in the land and real estate sector in Kenya, with a focus on surveyors. Their work covers education and professional opportunity identification for surveyors, promoting member welfare, promoting ethics amongst their membership, and setting "standards, ethics and guidelines for practice among members for enhancement of professional regulation." <sup>131</sup>

Part of their work is also on legal reform, highlighting that they "contribute to the development of international and national policies and legal frameworks, strategies and plans in land management in a manner that facilitates sustainable development." Its members also include other professionals involved in real estate. This includes valuers, land surveyors, geomatic engineers, registered estate agents, property managers, building surveyors, land administration managers and facilities managers. Current membership stands at over 6.500 across Kenya. 133

#### 4.2. Chambers of commerce

#### 4.2.1. Kenya National Chamber of Commerce & Industry (KNCCI)

The Kenya National Chamber of Commerce and Industry (KNCCI) is a membership-based organisation aiming to encourage trade with and investment into Kenya. It works to protect commercial and industrial interests of Kenyan business community, while "advocating for the creation of a favourable commercial, trade and investment environment that supports enterprise expansion." 134

KNCCI members include both small and micro enterprises (MSEs), as well as medium and large businesses.<sup>135</sup> Aside from its main office in Nairobi, it also has an office in Mombasa.<sup>136</sup>

One of its functions includes legislative reform, specifically promoting, supporting or opposing "legislations and ineffective bureaucratic measures that may be put in place by the government for the interest of the members." Within its functions, therefore, KNCCI could potentially interact with illicit finance in the real estate sector both through direct contact in their role promoting Kenya as destination for investment with actors looking to covertly launder illicitly acquired funds, and may also be involved in legislative reform that could strengthen or weaken Kenya's response to illicit financial flows.

#### 4.2.2. Nairobi and Mombasa Chambers of Commerce & Industry

The Nairobi Chamber of Commerce and Industry is a sub-branch of the Kenya National Chamber of Commerce and Industry. It works to protect SMEs in Nairobi, lobbies for a favourable business environment in Nairobi and promotes Nairobi as a national and international business hub.<sup>138</sup>

As part of this, it advocates for policies favourable to business in Nairobi, convenes business forums, and provides capacity building trainings. As above, it could interact with illicit finance in the real estate market both through actors it supports to invest in Nairobi and through legislative and policy reform work.

While Mombasa has a chapter of the Kenya Chamber of Commerce and Industry, 140 no specific Mombasa Chamber of Commerce and Industry exists.

#### 4.3. Academia and research institutions

Several institutions and universities are likely to have an influence on illicit finance in the real estate sector, including departments of law, political science, and economics amongst others, and broad-based political think tanks. This part of the report highlights three selected institutions that have a particular specialisation in the real estate market and therefore may be particularly relevant to developments in addressing illicit financial flows into the sector.

# 4.3.1. University of Nairobi, Department of Real Estate, Construction Management, and Urban and Regional Planning

The Department of Real Estate, Construction Management, and Urban and Regional Planning at the University of Nairobi is closely connected to the real estate sector, in that it provides education relevant to future intermediaries within the ecosystem, as well as those developing and selling real estate. This includes study programmes such as: Bachelor of Quantity Surveying (BQS); Postgraduate Diploma in Housing Administration; Bachelor of Real Estate (BRE); Master in Construction Management; Bachelor of Construction Management (BCM); Master in Valuation & Property Management; and a Diploma in Estate Agency & Property Management. They are a large department, with approximately 1.300 students at any one time. Use Given the range of courses, the Department has the possibility to influence how new real estate professionals think about illicit finance in the sector and can provide students with the tools to address illicit investment. The research it produces could also influence the legislative and policy environment.

# 4.3.2. Technical University Kenya, Department of Construction and Property Studies (DCPS)

The Department of Construction and Property Studies (DCPS) at the Technical University Kenya similarly has a range of programmes that relate to the real estate sector and which provide training to future professionals. This includes: Masters of Real Estate Finance and Investment; Master of Construction Project Management; Master of Construction Technology; Bachelor of Quantity Surveying; Bachelor of Built Environment in Construction Management; Bachelor of Real Estate; Bachelor of Construction Technology; Diploma in Technology in Real Estate; Diploma in Technology in Construction Management; Diploma in Technology in Quantity Surveying; and Diploma in Building Construction. Similarly here, the Department is an influencer in that it has the possibility to influence how new real estate professionals think about illicit finance in the sector and can provide students with the tools to address illicit investment. Here too, research products developed by the Department also have the potential to influence the legislative and policy environment.

#### 4.3.3. Institute for Security Studies Africa

The Institute for Security Studies (ISS) is a research institute that works through partnerships on knowledge and skills building for sustainable peace, development and prosperity in Africa. Their work includes research, policy analysis, technical assistance and training. While headquartered in South Africa, it has a regional office in Nairobi. Their scope of work is broad, covering multiple research themes, however they have an interest in illicit finance in East Africa. Particularly relevant is work they have done on transnational organised crime, Including specifically looking at AML/CFT reforms in Kenya and whether these will sufficiently address illicit financial flows. As above, the research they produces has the potential to influence the policy and legislative environment with respect to the real estate sector and illicit financial flows.

#### 4.4. Civil society

As with the discussion on academic and research institutions above, many civil society groups have the potential to influence illicit finance in the real estate market. This part focusses again on a select number of civil society organisations (CSOs) that particularly focus on illicit finance and/or the real estate and land sectors.

#### 4.4.1. Transparency International Kenya

Transparency International Kenya (TI Kenya) is the chapter of Transparency International in Kenya. They are the most well-established anti-corruption CSO in the country and a key partner in addressing illicit financial flows and corruption in the country. TI Kenya does not have a specific work strand on real estate, 147 however has commissioned research into the anti-money laundering and broader legal framework in relation to the real estate sector. It also contributed to a Transparency International report on illicit finance outflows from Africa, which included the role of real estate. TI Kenya has a strong network amongst policymakers, civil society and the private sector in Kenya and regularly intervenes to advocate for legislation, policy and institutions to be strengthened to better fight corruption in Kenya, as well as to prevent illicit finance entering the country.

#### 4.4.2. Global Financial Integrity

Global Financial Integrity (GFI) is a global CSO focussed on addressing illicit finance in all its forms. In Kenya, GFI is active in advocating for a transparent and robust financial and trade system. This includes through producing research and running programmes on illicit financial flows, corruption and other issues that affect Kenya's financial

integrity. GFI particularly focusses on legislative and policy measures, such as beneficial ownership.<sup>149</sup>

While not directly engaged in the real estate sector, their focus on illicit finance and their strong record of work on this topic makes them a key influencer in efforts to address challenges within the property and land markets.

#### 4.4.3. Open Government Partnership

The Open Government Partnership promotes open governance through action plans to promote more open, accountable and transparent governments and through partnerships between national and local government and civil society. Kenya has been a member since 2011 and is on its fifth national action plan, lasting from 2023 – 2027. The most relevant commitment in the current plan to the real estate sector is a commitment to beneficial ownership transparency and strengthened AML/CFT legal framework.

The city of Nairobi is also part of OGP Local and has its own action plan for the period 2025-2027. Most relevant for the focus of this research is the commitment to create a centralized, accessible, and integrated open data system (KENMS0003), which includes an "Operational Open Data Portal -- A public platform for accessing key county data (e.g., budgets, urban planning, environment, and mobility)." 154

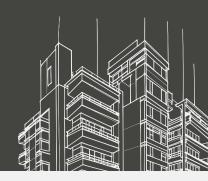
#### 4.4.4. Kenya Land Alliance

The Kenya Land Alliance (KLA) is an umbrella network of CSOs, Community-Based Organizations (CBOs), international NGOs, local NGOs, members of academia and other persons working on or committed to working on land governance.<sup>155</sup>

Particularly notable for the real estate and illicit finance sector is that they work on community and informally held land, which can also be subject to illicit investment and where there may also be other rights involved, beyond addressing illicit finance. A priority for their work is exposing and combating corruption within the land sector. They have been working on this through public petitions, litigation and conferences, amongst other activities. The KLA also advocates for secure land rights for the urban poor, particularly those living in informal settlements who may face illegal evictions of which could be directly linked to illicit financial flows.

The highest single number of their members are based in Mombasa, making them an important player there.<sup>158</sup>





Rule-makers within the ecosystem encompass all actors who are able to set and enforce laws, rules and policy relating to the real estate sector and particularly related to its ability to respond to illicit financial flows. Actors within this ecosystem may, as for other actors, also be part of other actor clusters. Several rule-makers are also influencers, for example, as they seek to influence legislation or the enforcement of legislation to the benefit of the communities they represent.

#### **RULE-MAKERS**

Rule-makers are also a large group within the Kenyan real estate sector. This group encompasses:

- Oversight and reporting bodies
- Law enforcement
- National Government Ministries and Agencies, Parliament and County Governments

Given the complexity of the real estate ecosystem, multiple actors are included within the section on rule-makers. These actors range from institutions capable of creating legislation, to supervisory bodies and law enforcement. To discuss these different actors, these have been further divided into several sub-categories: oversight and reporting bodies, government agencies, law enforcement and organs of state. However, there is not always a clear dividing line, and some institutions sit across multiple categories.

#### 5.1. Oversight and reporting bodies

Oversight and reporting bodies are those entities with direct responsibility for overseeing intermediaries in their role within the real estate market, and beyond, and those bodies responsible for receiving reports of potential money laundering from intermediaries.

#### 5.1.1. Estate Agents Registration Board

The Estate Agents Registration Board (EARB) is the regulatory body for real estate agents in Kenya. It derives its mandate from Estate Agents Act, 1984 Cap 533 which was operationalized in 1987.

The 2012 Estate Agents Act provides for the establishment of the Board, alongside the requirement for registration of estate agents. Specifically, it criminalises practicing as an estate agent without being registered under Section 18, requires the Board to establish a code of conduct under Section 21 and allows the Board to suspend, fine and completely remove an estate agent from the registry under Section 24.

As per the provisions of the Act, the Board is charged with the responsibility of registering estate agents and ensuring that the competence and conduct of practicing estate agents are of a standard sufficiently high to ensure the protection of the public. The Board includes a list of Members on its page<sup>162</sup> and, under its a guide to registering as an Estate Agent, it refers to a Code of Conduct for Estate Agents. 163

A challenge with the EARB's operation identified during interviews, however, is that many real estate agents operate outside of official registration. This was attributed to a feeling that there are difficulties for those working as a real estate agent in meeting the criteria for registering with the EARB, which involves training requirements, interviews and fees. According to the EARB, requirements included in 2023 educational certificates, recommendation from a registered agent who has provided at least two years of training to the applicant, a referee from a person in good standing, and a fee of KES 1000. Analysis of the members directory posted on the EARB website indicates no registration number higher than 2.000 as of the last update to the list in 2020. As discussed above, in an effort to curb this lack of registration, the Financial Reporting Centre has required all real estate agencies to register with the Centre by the 14<sup>th</sup> November 2025. Given the difficulties outlined with registering with the EARB, however, it seems unlikely that this will bring all real estate agents within the registered system.

#### 5.1.2. Law Society of Kenya

The Law Society of Kenya (LSK) is Kenya's bar association and is the oversight body for all practising advocates. It has over twenty thousand members. Its mandate includes both advising and assisting its legal professional members, as well as the government and the wider public, in the administration of justice in Kenya. As part of this, the LSK also gets involved in legislative reform.

Lawyers must join the LSK to practice as an advocate of the High Court of Kenya.<sup>171</sup> It also has the role of regulating the conduct of lawyers in Kenya and ensuring that they comply with relevant rules and codes of conduct.<sup>172</sup> The Advocates Complaints Commission is a statutory body established to hear complaints of professional misconduct against lawyers in Kenya, adjudicated against the Law Society of Kenya Code of Standards of Professional Practice and Ethical Conduct.<sup>173</sup>

As highlighted above (*see: Intermediaries*), lawyers and law firms are Reporting Institutions under POCAMLA and other legislation for the purposes of anti-money laundering, countering the financing of terrorism, and countering proliferation financing.<sup>174</sup>

The LSK is designated as the AML/CFT self-regulatory body for the legal profession under the First Schedule of POCAMLA. This means LSK is required to issue guidelines to lawyers, monitor compliance, and liaise with the FRC in issues related to money laundering. The AML/CFT (Amendment) Act 2023 added LSK to the list of supervisory bodies and envisioned LSK inspecting law firms for AML compliance and enforcing antimoney laundering requirements. Lawyers and law firms should therefore also be able to submit suspicious transaction reports to the LSK. However, interviews indicate that LSK has not been provided with the funds to fulfil this role and reports are still being transmitted to the FRC directly. 1775

#### 5.1.3. Central Bank of Kenya (CBK)

The Central Bank of Kenya is the supervisory authority for financial institutions. This includes commercial banks and mortgage finance institutions. The Its responsible for supervising and enforcing compliance with the Proceeds of Crime and Anti-Money Laundering Act, 2009 and its Regulations, with respect to financial institutions under its purview. It is designated as the supervisory body for anti-money laundering purposes for:

- Commercial Banks and Mortgage Finance Institutions
- Microfinance Institutions
- Foreign Exchange Bureaus
- Money Remittance Service Providers
- Digital Credit Providers
- Payment Service Providers. 178

The CBK conducts on-site and off-site supervision, including anti-money laundering checks on banks. It has issued detailed guidelines, such as CBK Prudential Guideline No. 8 (CBK/PG/08) on AML/CFT, which details POCAMLA's requirements for banks.<sup>179</sup> The Banking Act was amended to integrate POCAMLA compliance into banks' licensing conditions.<sup>180</sup> CBK has the power to impose sanctions on banks for non-compliance with anti-money laundering laws and regulations.

#### 5.1.4. Sacco Societies Regulatory Authority (SASRA)

SASRA is the supervisory body for Savings and Credit Cooperative Organisations and has the mission to "regulate, supervise and develop the SACCO industry through promotion of prudent practices to protect member's interests, enhance access to financial services and foster financial stability." <sup>181</sup>

SASRA has the power under the Section 49 of the Sacco Societies Act, alongside Reg. 66 of the Regulations 2010 for deposit taking- and Reg. 79 of the Regulations 2020 for non-deposit taking-SACCOs, to inspect the work of SACCOs. This includes to check for regulatory compliance with anti-money laundering and know-your-customer regulations. Inspections on site are expected to take place every three years at a minimum. However, SASRA reported in 2024 that it was only able to undertake 48 inspections, below the 115 that would be needed to ensure each SACCO was inspected every three years. It attributed this to a lack of resources. It attributed the section of the Sacco Societies Act, alongside Reg.

In 2020, SASRA established the SACCO Societies Fraud Investigations Unit to detect, prevent and apprehend perpetrators of fraud within the regulated SACCO system. The Unit can investigate and make recommendations to the ODPP for prosecution. As of 2024, 29 cases were at various stages from investigation to arrest and finalisation.<sup>184</sup> SASRA further issued a guidance note for SACCOs on money laundering risks in 2024<sup>185</sup> which included presenting the draft Guidelines to representatives of 165 deposit-taking SACCOs.<sup>186</sup>

SASRA also ensures Financial Reporting Centre circulars are sent to SACCOs and provides training to SACCOs. In 2024, four AML trainings were provided.<sup>187</sup>

#### 5.1.5. Capital Markets Authority

Established in 1990 by an Act of Parliament, Cap 485 A<sup>188</sup> (later renamed the Capital Market Act), under the National Treasury, the Capital Markets Authority (CMA) in a public agency in charge of supervising, licensing and monitoring the capital market and market intermediaries in Kenya.<sup>189</sup> Its stated aims are to "protecting consumers, enhancing market integrity, and promoting competition in the interests of consumers".<sup>190</sup>

As part of its regulatory mission, the CMA can grant licenses to market bodies to allow them to operate. Citizens and entities can apply for licenses directly through an online platform.<sup>191</sup> It oversees the public offer for bonds and the issuance of capital market products such as collective investment scheme – namely Real Estate Investment Trusts (REIT) for the real estate market (*see: Intermedigries*).

It provides the regulatory framework, research, guidelines and education for investors on its website. One can report fraud and abuses directly to the authority, which offers a whistleblower portal for anonymous reporting. It also has the role of ensuring the compliance of all market participants with the legal and regulatory framework. In addition to its direct objectives, the Authority may enforce policies and impose sanctions for breaches to the provisions or regulations withing the Capital Market Act, such as financial penalties. In addition to its direct objectives, the Authority may enforce policies and impose sanctions for breaches to the provisions or regulations withing the Capital Market Act, such as financial penalties.

#### 5.1.6. Financial Reporting Centre

The Financial Reporting Centre (FRC) is a government institution created by the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) 2009.<sup>194</sup> Lawyers, real estate agents and financial institutions, amongst others, are reporting institutions under the Proceeds of Crime Act and are required to report suspicious transactions to the FRC. Supervisory institutions are also explicitly noted, including the Law Society and the EARB.<sup>195</sup> The FRC has an online system in place to report suspicious transactions and other kinds of reports it is responsible for.<sup>196</sup>

The FRC has recently made some efforts to ensure real estate agents are compliant, initially by issuing a notice with the EARB requiring all real estate agents to register with the EARB by February 2025<sup>197</sup> and issuing the aforementioned regulation in October 2025, requiring registration by November 2025.<sup>198</sup>

In its 2023 annual report, the FRC indicated that 86 real estate agencies and 1504 real estate agents were registered with the FRC. 199 It also indicated that it conducted institutional ML/TF risk profiling of the 80 real estate agencies that had registered with the Centre. From this it identified that 24 real estate agencies were identified as posing high risk, 27 were medium risk and 29 were assessed as low risk. They also indicated the results of the exercise translated into the development of a risk-based inspection plan for assessed real estate agencies.200

Under the Proceeds of Crime and Anti-Money Laundering (Amendment) Act of 2017, the FRC was given the power to revoke licences for financial and real estate institutions used as conduits for money laundering activities and to bar individuals from working in these reporting institutions.<sup>201</sup>

Important to note is that in practice, professionals in or related to the real estate sector are not reporting suspicious transactions (STR). In the 2024 Annual Report of the Financial Reporting Centre, it's recorded that of the 7287 STRs received in 2024, only 1 came from real estate, with zero from lawyers. Similarly in 2023, of the 6131 reports, no reports came from lawyers or real estate firms.<sup>202</sup>

The FRC is advised by the Anti-Money Laundering Advisory Board (AMLAB), which was established under Section 49 of POCAMLA. AMLAB provides advice to the Director General of the Financial Reporting Centre their functions and the exercise of their powers, as well as advising the Cabinet Secretary on "policies and best practice on combating money laundering".<sup>203</sup>

#### 5.2. Law enforcement

#### 5.2.1. Ethics and Anti-Corruption Commission

The Ethics and Anti-Corruption Commission focusses on combatting and preventing corruption, economic crime and unethical conduct through the enforcement of laws, as well as through preventative measures and the promotion of anti-corruption and integrity.<sup>204</sup>

While the EACC does not directly prosecute criminal cases, it investigates and makes recommendations for prosecution to the Director of Public Prosecutions (ODPP – see below) and initiates and conducts proceedings in court for the recovery or protection of public property, including freezing or confiscation of the proceeds of corruption or proceeds related to corruption, payment of compensation, and or other punitive and disciplinary measures.<sup>205</sup>

The latest annual report for 2023-2024 published on their website lists several concluded cases relating to the real estate sector (*see: Buyers*). This includes a case that the EACC passed on and that the ODPP prosecuted, where there was irregular procurement in the purchase of land in Kisumu County,<sup>206</sup> proactive investigations that prevented the irregular acquisition of land,<sup>207</sup> and several cases pending and concluded before the courts involving land irregularly acquired.<sup>208</sup>

Land cases are particularly prevalent in cases that the EACC reports related to unexplained assets, with multiple accusations of unexplained land acquisition listed in their 2023/2024 report.<sup>209</sup> Preservation and confiscation proceedings directly carried out by the EACC are also heavily land focussed, with multiple listings in the report for land, including multiple of public land unlawfully assigned to private ownership.<sup>210</sup>

#### 5.2.2. Assets Recovery Agency (ARA)

The Assets Recovery Agency (ARA) was established under Section 53 of the POCAMLA as semi-autonomous entity under the office of the Attorney General (AG). It is mandated with combating money laundering, terrorist financing and proliferation financing through identification, tracing, freezing, seizure and confiscation of proceeds of crime. The mandate of the agency also includes criminal forfeiture, civil forfeiture, administering the criminal assets recovery fund and international assistance in the investigations of related offences.<sup>211</sup>

The ARA's role in the law enforcement architecture includes identifying and tracing the proceeds of crime, instituting court proceedings for the freezing, seizure, and confiscation of the proceeds of crime, and managing assets preserved and forfeited under POCAMLA.<sup>212</sup> The ARA also administers the Criminal Assets Recovery Fund established under Section 110 of POCAMLA and the monies collected from this fund subject to successful recovery are paid into the consolidated fund for re-allocation as public revenue.<sup>213</sup> As seen above in the case analysis, the ARA has been involved in several cases related to land, money laundering and the misappropriation of public funds.

#### 5.2.3. Office of the Director of Public Prosecutions (ODPP)

The Office of the Director of Public Prosecutions (ODPP)<sup>214</sup> is the Kenya public prosecutor. It has the authority to conduct criminal prosecutions with respect to POCAMLA and other legislation relevant to the real estate sector.

As discussed above, criminal proceedings related to corruption that are identified and investigated by the Ethics and Anti-Corruption Commission are passed onto the ODPP for prosecution. Within the reporting period of the EACC's 2023-2024 report, 126 corruption cases had been passed on to the ODPP.<sup>215</sup>

## 5.3. National Government Ministries and Agencies, Parliament and County Governments

#### 5.3.1. Land registry (Ardhisasa)

Starting with the 2009 Kenya National Land Policy, the government of Kenya began efforts to standardise land registration across the country, harmonising land registration statutes and providing for the digitisation of processes relating to registration.<sup>216</sup> A Central Land Registry was established in 2022.<sup>217</sup> Ardhisasa is a government run web portal that allows "citizens, stakeholders and interested parties to interact with land information held and processes undertaken by Government".<sup>218</sup> It allows users to search for land titles, transfer ownership, search for information about land plots. It also offers services such as adjudication, surveys, mapping, and valuation.<sup>219</sup> A title deed search costs KSh 1500<sup>220</sup> (approx. USD 12). Lawyers will often perform the land search for clients purchasing real estate.<sup>221</sup> An important step during the sale of real estate will be the assessment of value and payment of stamp duty.<sup>222</sup>

Registration has has two stages:

- 1. Presenting documents to the relevant Land Office for assessment of property value. This is usually done by the buyer's lawyer. A site visit is then carried out by the Land Office to assess the value and Stamp Duty must be paid.
- 2. Registration of the transfer. This is usually done by the seller's lawyer. This involves presenting the relevant documents to the Registry Office. Importantly, there is also a requirement to declare the beneficial owner of the land.<sup>223</sup>

Ardhisasa was not nationwide at the time of this report but was being progressively rolled out across the country.<sup>224</sup>

#### 5.3.2. State Departments

Two State Departments are particularly relevant for the real estate sector. The State Department for Lands and Physical Planning sits under the Ministry of Lands, Public Works, Housing and Urban Development. Its mandate covers land policy and management, physical planning for land use, land transactions, and land registration and valuation, amongst several others.<sup>225</sup> Particularly relevant here is that it manages the national land registries, including Ardhisasa.<sup>226</sup>

The State Department for Housing and Urban Development (SDHUD) is tasked with providing policy direction and coordinating all matters related to housing, urban planning, and development. Its functions include housing policy management, development and management of affordable housing, setting building and construction standards, housing upgrading, managing civil servants' housing, and registration of contractors and architects.<sup>227</sup> The SDHUD also lies within the Ministry of Lands, Public Works, Housing and Urban Development, which oversees it and provides the political and strategic direction. Some institutions are also under the SDHUD as per various acts of parliament and they include; National Construction Authority, National Housing Corporation (NHC), Kenya Building Research Centre and the Rent Restriction Tribunal (RRT).<sup>228</sup>

#### 5.3.3. Parliament

Parliament clearly has an important role when it comes to regulation of illicit finance in the real estate market. Two Departmental Committees most relevant to the real estate sector generally are the Housing, Urban Planning and Public Works Committee<sup>229</sup> and the Lands Committee,<sup>230</sup> both of which correspond to the respective ministries. The role of parliamentary committees is to review legislation, budgets and expenditures, scrutinise government activities, conduct investigations on particular issues, vet and approve appointment, and provide a platform for participation by members of the public.<sup>231</sup> No specific committee focusses on illicit financial flows.

Another relevant informal group are parliamentary members of APNAC Kenya – the Kenyan chapter of the African Parliamentarians Network Against Corruption.<sup>232</sup> Their strategic plan 2024-2028 seeks to strengthen anti-corruption legislation in Kenya, including through engaging in and providing oversight of legislative processes, and strengthen stakeholder engagement and collaboration in support of anti-corruption reforms.<sup>233</sup>

#### 5.3.4. County governments: Nairobi and Mombasa

Nairobi and Mombasa are county governments within Kenya's constitutional system, responsible for several services within that mandate. This includes Physical Planning, Social Services and Housing, Public Works, Environment Management and Public Service Management, as well as several further covering Primary Education, Inspectorate Services and Agriculture, among others.<sup>234</sup>

Nairobi's Built Environment and Urban Planning Sector has several sub-sectors with responsibilities relevant for the real estate sector and illicit finance. This includes within the Lands sub-sector: County valuation services, Land administration and Property management and Land registration. It also includes functions within the Urban Development and Planning sub sector: County urban development planning and Urban design, County urban development control, County urban development research and statistics, Planning Compliance and Enforcement, and Urban Policy and Research.<sup>235</sup> The City Council has an anti-corruption policy, which sets out responsibilities for staff to counter and report corruption, as well as policies for whistleblowing and training requirements.<sup>236</sup>

Mombasa has similar functions within its Department for Lands, Housing & Urban Planning. This includes overseeing land administration, urban housing standards, provision of a mass housing plan, and ensuring that development plans conform to established procedures and guidelines for urban development.<sup>237</sup>

Mombasa's Third County Integrated Development Plan (2023-2027)<sup>238</sup> includes plans to operationalise corruption prevention committees,<sup>239</sup> as well as ensuring corruption prevention and integrity mechanisms are in place in the County Public Service Board<sup>240</sup> and training staff on corruption prevention.<sup>241</sup>

# CONCLUSIONS



## CONCLUSIONS



Overall, while this paper focuses on describing the ecosystem as a whole and is not explicitly focussed on the challenges faced in preventing illicit finance entering the real estate market, which will be the subject of a further paper in this series, it is nevertheless apparent from the information that has been gathered that several conclusions can be drawn.

Firstly, the real estate ecosystem is **extensive and complex**. Multiple actors are involved in even a simple transaction due to the split responsibilities between agents, lawyers and authorities. Each of these actors has their own industry association that represents them, as well as formally overseeing them and, at times, acting as a reporting institution. Further associations represent these actors but without formal roles. With more complex transactions, many more actors involved, who also may then wear multiple hats. Developers will be involved in new construction projects, where they will also operate in some instances as sellers, for example, while law firms can act on behalf of buyers as a legal purchaser and as an intermediary. Responding to illicit finance in the sector therefore requires a solid understanding of the different roles these actors play and reflection on how to engage them at each part of the process when wearing their different hats.

Secondly, the ecosystem is **stronger on paper than in reality**. While our 2025 paper Anti-Money Laundering Rules & Reporting: Kenya Real Estate Sector identified that obligations to prevent and report and rules around reporting have strengthened, several issues became clear in this review of the ecosystem that undermine the effectiveness of those roles and procedures. Resourcing issues were identified for several of the bodies supposed to provide oversight in the AML/CFT context, resulting in challenges for rule-makers to fulfil their roles. In other instances, particularly real estate agents, the issue is coverage, with actors working outside of formal supervisory structures. While then there are clear roles and responsibilities in law, reality is likely to undermine AML/CTF procedures.

### CONCLUSIONS

Thirdly, there is also a challenge that even if property resourced, **direct or perceived pressure** is likely to prevent the ecosystem from operating at full efficiency. While the research paper identifies that knowledge is limited, our look into who the buyers of real estate using illicit finance are indicates the close connection between political figures and the real estate sector. While illicit finance also appears to be coming in from overseas, particularly regionally, the politics of land ownership and corruption in Kenya likely makes it hard for the system to act. This is likely to be the case even against money coming in from abroad.





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