



REPUBLIC OF KENYA  
FINANCIAL REPORTING CENTRE  
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## FINANCIAL REPORTING CENTRE CIRCULAR NO. 4 OF 2025

July 9, 2025

TO: CHIEF EXECUTIVES OF REPORTING INSTITUTIONS

Dear Sirs/Madams,

### DUE DILIGENCE MEASURES FOR REAL ESTATE SECTOR BUSINESS RELATIONSHIPS AND TRANSACTIONS

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- 1 Background of Money Laundering and Terrorism Financing Risks in Real Estate
  - 1.1 The real estate sector in Kenya is significantly susceptible to both money laundering and terrorism financing risks. According to the 2021 National Money Laundering and Terrorism Financing Risk Assessment and its subsequent update in 2023, the sector has been assessed as posing a *High* risk for money laundering. Equally, the Updated Terrorism Financing National Risk Assessment of 2024 assessed the sector as posing a *Medium-Low* risk for terrorism financing, indicating a relatively lower yet still notable level of exposure to terrorism financing threats.
  - 1.2 The main money laundering threats identified include proceeds from abuse of office related offences such as procurement fraud and corruption, other forms of fraud such as false pretences and forgeries, as well as tax related crimes amongst others. Criminals tend to hide true ownership of the real estate using third parties, corporate vehicles or trusts to distance themselves

from the illegal activity that generated the proceeds. The assessments also indicated the involvement of intermediaries, such as legal professionals, who may knowingly or unknowingly facilitate transactions involving illegal proceeds.

- 1.3 The real estate sector is similarly susceptible to terrorism financing, as it provides avenues for financiers to store, hold, or invest terrorist-related funds, thereby facilitating groups such as Al-Shabaab, which remains the primary terrorism financing threat to Kenya.
- 1.4 Some of the inherent vulnerabilities that expose the sector to abuse include the large number of unregistered persons *practicing as estate agents*, the relatively large size of the sector (characterized by high transaction volumes and its significant contribution to Kenya's Gross Domestic Product), the use of cash and intermediaries in real estate transactions, and the sector's attractiveness due to its potential for high returns on investment. Weaknesses in current control measures hinder the effective mitigation of these vulnerabilities, potentially leading to the materialization of money laundering and terrorism financing threats.

## 2 Mitigating Money Laundering and Terrorism Financing Risks in the Real Estate Sector

- 2.1 As part of the national measures to mitigate money laundering and terrorism financing risks in the sector, competent authorities have adopted a progressive, multi-pronged approach to enhance existing control measures and reduce the potential abuse of the sector.
- 2.2 Some of the measures being implemented include ensuring that unregistered individuals do not *practice as estate agents*, whether as an individual, partnership, or body corporate, and requiring EARB-registered *estate agents* to register with the Financial Reporting Centre, thereby strengthening entry

controls and enhancing supervision of the real estate agencies for anti-money laundering and countering the financing of terrorism purposes.

- 2.3 Section 18 of the Estate Agents Act (Cap.533) prohibits unregistered persons from *practising as estate agents* and any contravention to this prohibition is an offence that can attract a monetary penalty or imprisonment. Estate Agents Registration Board (EARB), established pursuant to Section 3 of the Estate Agents Act (Cap.533), is therefore mandated with the responsibility of registering estate agents and ensuring the competence and conduct of practising estate agents as stipulated under Section 4 of the same Act.
- 2.4 Similarly, Section 47A of the Proceeds of Crime and anti-Money Laundering Act (Cap. 59A) (POCAML) requires reporting institutions, including *real estate agencies*<sup>1</sup> to register with the Centre (Financial Reporting Centre). Real Estate Agencies form part of designated non-financial businesses or professions, and therefore reporting institutions, required to comply with anti-money laundering and countering the financing of terrorism requirements as provided for in the POCAML.
- 2.5 To support this regulatory initiative and mitigate the money laundering and terrorism financing risks in the sector, all reporting institutions are called upon to apply risk-based measures in real estate-related business relationships or transactions. In particular, reporting institutions are required under Regulation 20 of the Proceeds of Crime and Anti-Money Laundering Regulations, 2023 (POCAML Regulations) to apply *enhanced due diligence* (EDD) measures to persons or entities that present a higher risk for money laundering or terrorism financing. This includes circumstances where higher risks have been identified at the national, sectoral or institutional levels, and such measures are necessary to manage and mitigate those risks effectively. In this case, regarding real estate activities or transactions and players, broadly

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defined to encompass all persons, whether registered or not, and professionals engaged in or involved with such activities or transactions.

- 2.6 Additionally, under regulation 14(2) of the POCAML Regulations, reporting institutions are required to conduct ongoing due diligence on business relationships and to scrutinize transactions throughout the course of those relationships. This is to ensure that the transactions are consistent with the reporting institution's knowledge of the customer, their business, and risk profile, including, where necessary, the source of funds. Where suspicion arises, a suspicious transaction or activity report should be filed with the Financial Reporting Centre.

### 3 Directive to Reporting Institutions

Accordingly, Reporting Institutions are hereby directed that: -

- i. As part of their due diligence measures, they should, in addition to other customer due diligence requirements, obtain a copy of "certificate of registration" issued by Estate Agents Registration Board (EARB) and proof of registration with the Financial Reporting Centre for customers (both existing and new) that *practice as estate agents*.<sup>2</sup> This is prescribed in accordance with Regulation 15 (1)(b) of POCAML Regulations which gives the Centre the powers to prescribe additional due diligence requirements in relation to natural persons, as necessary. Also note that, for a partnership or body corporate, the partners and directors must be registered agents, respectively.
- ii. They take note of their exposure to money laundering and terrorism financing risks associated with the real estate sector (i.e., from the

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<sup>2</sup> means the 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;

perspectives of products and services, customers, transactions, etc.) and adopt a risk-based approach to mitigate specific risks arising from the sector. The scope of assessment and application extends beyond individuals practicing as estate agents to include other persons involved in interactions, transactions, or functions related to the real estate sector, including construction and the buying and selling of real estate.

- 4 For any clarifications or further guidance, please contact the Centre through 0709858000 or [compliance@frc.go.ke](mailto:compliance@frc.go.ke).

Please be guided accordingly.



**SAITOTI K. MAIKA, MBS**  
**DIRECTOR GENERAL, FINANCIAL REPORTING CENTRE**

cc **The Governor**  
Central Bank of Kenya  
NAIROBI

**The Chief Executive Officer**  
Insurance Regulatory Authority  
NAIROBI

**The Chief Executive Officer**  
Betting Control and Licensing Board  
NAIROBI

**The Chief Executive Officer**  
Capital Markets Authority  
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**The Chief Executive Officer**  
Sacco Societies Regulatory Authority  
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The Chief Executive Officer  
Retirement Benefits Authority  
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The Chairperson  
Estate Agents Registration Board  
NAIROBI

The Chief Executive Officer  
Institute of Certified Public Accountants of Kenya  
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