The Financial Action Task Force recommendations on anti-money laundering: a case study of East African banks

BY

PROSPER K MBOWE

09004211

A **Thesis** submitted to the faculty of

BUSINESS & SOCIETY

In Fulfilment of the requirement for

Doctor of Philosophy (PhD)

At the

University of South Wales

2018

CERTIFICATE OF RESEARCH

This is to certify that, except to where the specific reference made, this project work is only the result of this investigation carried out by this Researcher and submitted by this Researcher in the University of South Wales and not by any other Researcher or any other candidate or submitted for any other award or part of it.

Researcher's Signature …………......................... **Date** ………………………...........

Director of study…………………………… **Date**……………………………......

RESEARCHER'S STATEMENT

This dissertation has been submitted as part of the fulfilment of requirements for PhD Degree at the University of South Wales and it may be kept in the library to be available for the borrowers under the strict rules and regulations of the University Library.

Quotes from this Dissertation are allowed without any enquiry or special permission from the Researcher, provided that accurate acknowledgement of the source is taken into consideration. Requests for further quotation or reproducing this piece of work must be made directly to the author for permission to be granted.

SIGNATURE .... **DATE**.....................................

Ethical Statement

The material obtained through the interviews undertaken in this research is held confidentially. No data will be directly attributable to the person interviewed either in the project report or in any correspondence or face-to-face contact between the researcher and the organisation, which employs the interviewees.

To respect the autonomy of those providing data, the interview transcripts will only be accessible to the researcher and those who will assess the PhD. Only anonymous extracts and summaries of the data will be included in the main body of the PhD and in any material which is to be used within the public domain (e.g. Conference papers and discussions in the research community

All respondents have the right to request access to the recordings, transcripts and notes, which relate to their individual contribution to the research including their completed questionnaires. All data will be stored in a secure location in the researcher home office and the data destroyed following completion of the assessment process of the study.

All participants in this study assured that their participation is purely voluntary. It will be made expressly clear, in the initial invitation to participate, that the fact that the researcher is a manager in their organisation does not mean that this request comes from the organisational management. The researcher will ensure that all participants recognise that this is a piece of personal research undertaken by him /herself in an individual capacity.

Signature: .... **Date**: ....

ACKNOWLEDGMENTS

I would like to take this opportunity to convey my deepest gratitude to the following people because I wouldn`t have made it this far without their kindness and continuous support that has made my PhD journey a success. First and foremost, my parents **Mr and Mrs Kiramuu Mbowe** who have unselfishly devoted their time, energy and finances to support me throughout my PhD journey and my university life. Secondly, my supervisory team **Dr Ricky Li, Brian Telford and Jonathan Evans,** they have been the stars of the entire journey from the start to finish. They have guided me through difficult times when I felt the pressure of being a research student, they gave me reassurance that everything would be all right, and I should just maintain focus. That alone has been the key to my achievement. Thirdly, my uncles' **Dr Omar Abdallah**, **Julius Mbowe**, my young brother **Praygod K Mbowe** for their support and encouragement throughout this Journey.

DEDICATION

I would like to dedicate this research project to my parents **Kiramuu Petro Mbowe** and **Mary Kiramuu Mbowe** for believing, guiding me and financing my academic journey throughout since the day I started kindergarten, until this moment, I would not have made it without them and may the almighty God continue to shower blessing upon them.

I would also like to dedicate this research project to my supervisory team, **Dr Ricky Li, Brian Telford** and **Jonathan Evans**, because they have made my PhD journey possible. I can boldly this is the best supervisory team I have never come across since I began my academic career; they have been very supportive, caring and always concerned about my wellbeing and research in particular. They have devoted most of their valuable time to arrange for meetings, which have played a significant role towards the success of this research work through their advice and comments on the areas that need immediate attention and recommend some improvements. Am aware that it is their duty to assist me; however, their contribution towards the success of this research work is much more than I expected. That is why I clearly say, they are the best supervisory team more than anybody can wish for, I have absolutely nothing to repay this team for their efforts but all I can wish for is for the almighty God shower them with blessing.

Table of Contents

Table of figures 8

List of tables 8

List of Abbreviations 9

Abstract 11

CHAPTER 1 15

1.0 Introduction 15

1.1 Background of study 23

1.2 Main aim of study 26

CHAPTER 2 28

2.0 Literature review 28

2.1 Money laundering issues in East Africa (Dimensions of money-laundering) 28

2.2 The National culture and how it has influenced money laundering in the organisations East Africa 38

2.3 The Financial Infrastructure and the nature of the economy 48

2.4 The FATF Anti-Money Laundering Recommendations 61

CHAPTER 3 120

3.0 The theoretical framework 120

CHAPTER 4 147

4.1.0 Research Philosophy 147

CHAPTER 5 156

5.0.0 Research Methodology 156

CHAPTER 6 188

Findings and Data Analysis 188

A. Money laundering awareness 190

B. Transaction Monitoring 208

C. Know your customer (KYC) 223

D. National and Institutional Culture 233

E. Financial Infrastructure 251

F. General perspective of Money laundering situation in East Africa 271

CHAPTER 7 290

7.1.0 Conclusion 290

7.2.0 Contribution to knowledge 302

7.3.0 The significance of this Research Study 306

7.4.0 Limitations and future research 308

REFERENCES 310

APPENDICES 352

Table of figures

FIGURE 4 SUMMARIES OF CONCEPTUAL FRAMEWORK 138

FIGURE 7 ASSOCIATION BETWEEN REGULAR ANTI-MONEY LAUNDERING TRAINING, AND EMPLOYEES' AWARENESS ON FATF, CURRENT ANTI-MONEY LAUNDERING ISSUES AND UPDATING ANTI-MONEY LAUNDERING POLICIES 198

FIGURE 8- ASSOCIATION BETWEEN INVESTING ON TRANSACTION MONITORING AND UPDATING THE TRANSACTION MONITORING .... ERROR! BOOKMARK NOT DEFINED.

FIGURE 9 ASSOCIATION BETWEEN INFORMATION SHARING AND DETECTING TERRORIST FINANCING 214

FIGURE 10 ASSOCIATION BETWEEN EMPLOYEES' AWARENESS TO KYC POLICIES AND REGULAR KYC TRAININGS 229

FIGURE 11 ASSOCIATION BETWEEN BANKS PREFERRED VEHICLE FOR MONEY LAUNDERING AND BUSINESS RELATIONSHIP WITH HIGH-RISK CUSTOMERS 240

FIGURE 12 ASSOCIATION BETWEEN CORRUPTION IN THE SOCIETY AND PEPS SOURCE OF WEALTH 247

FIGURE 13 FINANCIAL INFRASTRUCTURES 260

FIGURE 14 ASSOCIATION BETWEEN LEVELS OF CORRUPTION; CASH BASED ECONOMY, PEPS AND BANK SECRECY IN FACILITATING THE GROWTH OF MONEY LAUNDERING IN THE REGION 276

FIGURE 15 SUMMARY OF KEY FINDINGS BASED ON THEMES 291

FIGURE 16 SUMMARY ANTI-MONEY LAUNDERING RECOMMENDATIONS 292

FIGURE 17 SUMMARY OF CONCLUSION ON CULTURE OF COMPLIANCE 294

FIGURE 18 SUMMARY OF CONCLUSION OF FINANCIAL INFRASTRUCTURE 297

FIGURE 19 ASSOCIATION BETWEEN INFORMATION SHARING AND DETECTING TERRORIST FINANCES 300

List of tables

TABLE 4 SUMMARY OF FATF RECOMMENDATIONS AND THEIR CONNECTION TO THE THREE AREAS OF RESEARCH 65

TABLE 5 SHOWING THE SUMMARY OF ESTIMATED COSTS OF TERRORIST ATTACKS BOTH IN EAST AFRICA AND OF THE REST OF THE WORLD 99

TABLE 8 SUMMARY OF INTERVIEWS 189

TABLE 9 SUMMARIES OF THE RECOMMENDATIONS AND THE AREAS OF ANALYSIS ADDRESSED 190

List of Abbreviations

AML – Anti-money Laundering

AMLL – Anti-money Laundering Law

ADF - African Development Fund

AU – African Union

BCP - Core Principles for Effective Banking Supervision

BCBS - Basel Committee on Banking Supervision

BOT – Bank of Tanzania

EAC - East African community

ECOWAS - Economic Community of West African States

EDD - Enhanced Due Diligence

CFT - Combating the Financing of Terrorism

CODESRIA – Council of Development Social Science Research In Africa

CTITF - Counter-Terrorism Implementation Task Force

DEC - Drug Enforcement Commission

ESAAMLG - Eastern and Southern Anti-Money Laundering Group

FATF – Financial Action Task Force

FFIUs - Foreign Financial Intelligence Units

FIS - Future of Finance Council

FRC - Financial Reporting Centre

FSAPs - Financial Sector Assessment Programs

FSA – Financial Services Authority

FSRB – FATF Style Regional Bodies

FSSA - Financial System Stability Assessment

FIU - Financial Intelligence Unit

GDP – Gross Domestic Product

GFI - Global Financial Integrity

GPML – Global Programme against Money Laundering

ICA - International Compliance Association

IMF - International Monetary Fund

IGAD - Intergovernmental Authority on Development

ICRG - International Cooperation Review Group

KYC – Know Your Customer

ML – Money Laundering

OCC - Office of the Controller of the Currency

OECD – Organisation for Economic Cooperation and Development

PAC - Public Accounts Committee

PEPs – Political Exposed Persons

RMCs – Regional Member Countries

SFT - Suppression of Financing of Terrorism

StAR - Stolen Asset Recovery Initiative

TF - Terrorist Financing

UNECA- United Nations Economic Commission for Africa

UNODC – United Nations Office on Drugs and Crime

Abstract

Much have been written in the past regarding money laundering and its characteristics and its impact to the global economy. Nevertheless, minimum attention has been paid to how dimensions of money laundering, national and institutional culture, and financial infrastructure have caused a major setback in compliance with Financial Action Task Force (FATF) anti-money laundering recommendations in East Africa, (Kenya, Tanzania and Uganda). This research project explores how dimensions of money laundering, national and institutional culture and financial infrastructure have contributed to a struggle to comply with these anti-money laundering recommendations.

The literature is reviewed against the following themes; Money laundering issues in East Africa (dimensions of money laundering), The national and institutional culture and how it has influenced money laundering in East Africa (using institutional theory, has helped to guide an understanding of how National and institutions culture, are possible factors that determine management and institutional practices), The financial infrastructure and the nature of the economy and lastly, The FATF anti money laundering recommendations. Specifically, the seven objectives of this research study are: to assess money laundering awareness in East Africa; to assess the benefits of information sharing and how it can be used to detect the flow of terrorist finances in East Africa; to assess the benefits of training to Know Your Customer (KYC) in East Africa; to investigate corruption culture and how is has made it difficult to determine the wealth of politically exposed persons in East Africa; to investigate and analyse the nature of financial Infrastructure in East Africa; to assess the current money laundering situation in East Africa; and to assess whether the current FATF anti money laundering recommendations cater for the needs of East African countries.

This research study is designed to apply mixed methods specifically, convergent parallel mixed methods, using both questionnaire and interview methods to investigate and analyse the

compliance of FATF anti-money laundering recommendations among banks in East Africa. Using a sample of bank management officials and frontline staff, within three countries in East Africa, first, the research study applies the use of a questionnaire from a sample of 206 front line staff members and 103 management officials to explore the compliance of anti-money laundering recommendations. Secondly, using interviews with a sample of 10 top management officials in the banking sector in East Africa. The qualitative research also reports the findings on national and institutional culture, financial infrastructure and dimensions of money laundering as identified in the literature.

The findings from both quantitative and qualitative have helped to expand the understanding on the nature of these recommendations on how dimensions of money laundering, national and institutional culture and financial infrastructure have affected the compliance of FATF anti-money laundering recommendations in East Africa. The study identifies that effective compliance of anti-money laundering recommendations in East Africa, is dependent on the following issues being addressed: The issue of national and institutional culture, specifically the issue of corruption, Politically Exposed Persons (PEPs) and awareness of money laundering; The issue of financial infrastructure, specifically addressing the issue of cash based economy, accessibility of financial services, and formalities in opening and maintaining bank accounts: finally the issue of dimensions of money laundering specifically, cooperation among banks, information sharing and transaction monitoring.

This research study contributes to the body of knowledge in the area of money laundering specifically in the field of forensic accounting. Using convergent parallel mixed methods to explore the compliance of FATF anti-money laundering recommendations. Exploiting findings from both quantitative and qualitative have helped to expand the understanding on the nature of these anti-money laundering recommendations especially, how dimensions of money laundering, national and institutional culture, and financial infrastructure have affected the compliance of FATF anti-money laundering recommendations based on East African perspective.

Chapter One
Introduction and Background of study

CHAPTER 1

1.0 Introduction

In recent years, anti-money laundering regulation has emerged as a key part of international financial regulation, in terms of government involvement and media attention, and with regard to the effort by professionals in the banking industry, Maggetti, (2014). Moreover, Money laundering is increasingly becoming one of the great ethical alarms of modern days, Alldridge, (2008). Banks play a significant role in enabling money launderers to launder their illicit proceeds especially in developing countries Ping, (2010). Banks can facilitate the placement and movement of illicit funds through the financial system, (Gikonyo, 2018; Bidabad, 2017; Otusanya et al, 2011; He, 2010). The dirty money often enters into the banking system through money transactions going through intermediate organisations or brokers, this enables the source of money to be concealed, this makes money laundering criminals to achieve their goal, Bidabad, (2017). The susceptibility of the financial system has become more noticeable because money-laundering has become global, and the financial aspects of money laundering have become more complex, due to rapid developments in technology and the globalisation of the financial services, (Hendriyetty and Grewal, 2017; Otusanya et al, 2011; Imala, 2004; Imah, 2003).

Money laundering is used for illegal purposes as it masks the origins of illegal earnings, allows the organised crime to flourish through disguising the legitimacy around illicit funds and decreases the possibility of these funds from being traced, (Carlin and Lokanan, 2018; Young, 2013; Camp, 2009). The seriousness of money laundering is reflected by taking into account the volume of funds laundered; estimated by the International Monetary Fund (IMF, 2015), to be around 2-5 percent of the world gross domestic product. Occurrences range from the state corrupt officials that need somewhere to hide stolen money to other groups such as drug dealers and terrorist financers, (Global Witness, 2015; Ping, 2010; Johnson, 2001). Irrespective of the flaws and lack of accuracy of these estimations, the literature review provides strong evidence on the significance of the magnitude of money laundering at national and international levels, and the results still show significant amounts that cannot be ignored, Hendriyetty and Grewal, (2017). Nevertheless, the possible relief from the magnitude of money laundering comes from the current Anti-money laundering rules and regulations applied in most countries all over the world, which are formulated on internationally agreed standards. These include Financial Action Task Force (FATF), which compels banks and other financial institutions to perform a range of checks that helps to detect the proceeds of corruption and other financial crimes and money intended for terrorist groups Global Witness, (2015). Though, most banks tend to uphold these anti-money laundering rules and recommendations, the majority of banks do not. The reason is not that there are no anti-money laundering policies in place, but that a lack of willingness and the high costs involved in the implementation have seen most banks especially in developing countries turning a blind eye on these Anti-Money Laundering (AML) policies, Global Witness, (2015). The failure to implement these recommendations has led to banks and other financial institutions not having essential systems in place that can be used spot suspicious transactions. This means turning a blind eye to risky transactions, just because the transactions add towards the profits and the continuous survival of the institution. Consequently, this has resulted in too many banks leaving their doors wide open for corrupt people and other financial criminals to use banks and other financial institutions to launder their ill-gotten funds (Global Witness, 2015).

Money laundering and terrorist financing are the two types of financial misconduct with overwhelming effects that extend beyond supposedly harmless financial transactions, FATF, (2004). From the profits generated from the low-level narcotics /drug traffickers to the assets embezzled from State resources by deceitful and corrupt government officials, the illicit proceeds have the influence and power to corrupt and eventually weaken the communities or the economy of any nation, especially the developing ones, (FATF, 2004 and Johnson, 2008). The terrorist organisations are able to conduct their deceptive activities on a global scale even in places that were once considered immune to such acts through their unnoticed financial support arrangements FATF, (2004). In these cases, money laundering criminals and terrorists have succeeded in exploiting loopholes or other flaws in legitimate financial system to launder criminal proceeds and to support terrorist activities, (Johnson, 2008 and FATF, 2004). According to Unger et al (2006), although money laundering has received a considerable attention from high and respectable political and influential figures all around the world and international organizations, it has still not been given enough coverage in the news and in public debate. The reason being that, when money laundering is reported in the news, it is usually under the guise of offences such as terrorist financing or drug trafficking, rather than being reported as money laundering in its own right, (Rusanov and Pudovochkin, 2018; Unger et al 2006). This is the main reason why most countries especially the developing ones fail to regulate money-laundering crimes because they fail to distinguish which crimes are related to money laundering and which ones are not (Unger et al 2006).

All over the world, banks have increasingly become a main target for money launderers to execute their money laundering operations and financial crimes, (Shawgat, 2011; FSA, 2011; Ping, 2010). The reason being that, they offer a range of financial services and instruments that can easily be exploited to conceal the original source of money, (Shawgat, 2011; Vaithilingam and Nair, 2007; Bradley and Steward, 2002). Money Launderers attempt to disguise their real identity to the bankers with their refined, expressive and enchanting behaviour, as they convert their dirty money into clean money. Singh (2009), money launderers generally use the financial system in two stages to conceal the source of the funds. First, they place their illicit proceeds into financial system to validate the funds and introduce these funds in the financial system and secondly, after introducing the dirty money into the financial system, through a chain of transactions, they distance the funds from illegal source. Consequently, the financial institutions through which the dirty money is laundered become unsuspicious victims of this crime, Shawgat, (2011). Subsequently, money Laundering hinders the status of the financial institution and may lead to an increase in the operational risk of the banks. This occurs when the bank itself is involved with the money launderers or any other form of criminal activities, Bartlett, (2002). Therefore, without even participating in any other form of criminal offence, money laundering itself may be the reason for the failure of the banking /financial sector of any economy, (Vaithilingam & Nair, 2007, Singh, 2009; Simwayi & Guohua, 2011). This may result to people losing their confidence in the banking system; such loss of confidence may result into failure of the formal financial sectors such as banking and as a result, people might opt out, Ping, (2010). This may increase the activities of informal financial firms. The growth of such activities of the informal sector might again increase the likelihood of money laundering prevailing because most of them are not regulated, (Chêne, 2008, Ping, 2010). Further, the frequent absence of the required legislative framework, the lack of effective criminalisation of money laundering and terrorist financing, and the relative ineffectiveness of financial-sector supervision are all factors, which render financial sectors in Africa vulnerable to these criminal activities, (Moshi, 2007).

Over the past years the banking sector, financial institutions, and the financial services industry have continued to be vulnerable to abuse by criminals laundering illegally obtained profits and funds intended to finance terrorist activities, (Sarigul, 2013; FATF, 2003; Office of the Controller of the Currency, 2002). Throughout the world, as explained earlier, banks have increasingly become a major target for money laundering operations and financial crimes, (Reuter, 2012 and Johnson 2008). The reason behind this is that they provide a diversity of financial services and mechanisms used to conceal the actual source of money laundered. Money laundering is often identified as the contributing factor in the current global financial crisis and the source of instability in the global financial system, Reuter, (2012). Additionally, this has also been identified as the major obstacle to the growth and soundness of financial systems in developing countries, Reuter, (2012). Recent record fines imposed on major financial institutions again affirm that banks face extraordinary pressure to comply with anti-money laundering regulations, Boles, (2015). Regulators have managed to collect more than $10 billion in fines and settlements on banks over the last few years between 2012-2014, demonstrating the determination and ability of regulators to use civil and criminal law to enforce financial sanctions on a global level, (Boles, 2015; Proviti, 2014). Money Launderers bid to conceal their real identity to the banking institutions with their well-planned, articulate and enchanting behaviour, which enables them to convert their dirty money into clean money, (Shawgat, 2011; Ping, 2010). The flow of illicit funds via the banking system is fuelled by secrecy and non-transparency norms that are observed by large parts of the banking systems globally, Shawgat, (2011). The sums of money that vanish from poor countries are totalled in trillions of USD and are reported to be on the increase (Markovska and Adams, 2015; FATF, 2011). Africa Competitiveness Report, (2011) indicated that more than 80% of the population in East Africa do not use the formal banking system. This is due to the widespread cash-based economy that results in the lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail as to where the money comes from and where it is heading to, (Nantege, 2013; Africa Competitiveness Report, 2011).

According to Mumo, (2012), East African banks have reportedly lost Sh4.06 billion ($48.3 million) to money laundering in the eighteen months ended June 2012. Banks have a central role to play in curbing the threat of money laundering, but due to the existence of bank secrecy it makes the task of curbing money laundering even more difficult because information cannot be shared easily which gives room for money launderers to use the loophole to conduct their money laundering activities, (Carlin and Lokanan, 2018; Ejanthkar and Mohanty, 2011: Shawgat, 2011). Moreover, banking secrecy guarantees the safety and reliability of the banking system by avoiding the disclosure of information which could weaken public confidence in banks (Aspalella, 2014; Jawahitha, 2002). Much has been written in the past regarding money laundering and its characteristics and its impact on the East African economy and the global economy (Bartlett, 2002; Vaithilingam & Nair, 2007; Singh, 2009; Simwayi & Guohua, 2011; Hendriyetty and Grewal, 2017). In the process of developing this research study, the main emphasis has been placed on the use of primary information which forms the basis of originality of the research work and supported by references from secondary sources of information, if need arises, to support the primary sources gathered. Nevertheless, minimum attention has been paid to how dimensions of money laundering, national and institutional culture and financial infrastructure have caused a major setback in compliance with FATF anti-money laundering recommendations among banks in East Africa. This research project intends to explore how dimensions of money laundering, national and institutional culture, and financial infrastructure have contributed to a struggle for banks to comply with these anti-money laundering recommendations. This study hopes to fill this gap in the literature. The compliance of anti-money laundering recommendations comes with a hefty cost, and further it has contributed to banks' inefficiency because of high running costs involved to ensure that there is a proper implementation of those regulations. AML has also proved to be inefficient due to the increasing number of money laundering crimes such as terrorism, drug trafficking, human trafficking, armed military weapons smuggling, which have proved to be a major disaster, not only to the global economy, but also to the security of the entire world, (Masciandaro, 1998).

The following paragraph reviews the evidence on corruption in the three countries individually: Kenya, Uganda, Tanzania. First Kenya which has been revealed by The Corruption Perception

Index (2008 to be the most corrupt country in the East African region due to the high lack of accountability of government officials who have been enjoying the monopoly of their powers to swindle away public resources for their own gain. Further, according to Gikoyo, (2018); FATF, (2015); and World Bank, (2013); Kenya is considered as a channel to conceal the proceeds of crime, before being transferred to another jurisdiction, thus concealing the source of origins of the funds. Equally, the country could be a destination for laundered funds as a result of cross-border cash transfers (Gikoyo, 2018). Kenya is also considered as a transit point for international drug traffickers and trade-based money laundering, Gikonyo, (2018). Second Uganda, according to recent reports, was the only African nation on FATF's list of jurisdictions in 2016 with strategic insufficiencies on implementation of anti-money laundering recommendations, Getz et al, (2017). Third Tanzania, according to FATF annual report (2014), is still vulnerable to money laundering schemes and cross-border currency movements, which exploit the country's unregulated financial sector, as well as to deficiencies in currency transaction reporting.

The East African community is increasingly concerned with the growing number of cases relating to money laundering in the region, which have left a huge hole in the economy of the region as a result, (Gikoyo, 2018: Dusabe, 2016). Alessandra et al, (2014) have argued that developing countries need to take urgent measures that help to strengthen their own anti-money laundering laws and regulations. This research helps to gain a deeper understanding on the reasons as to why money laundering keeps on increasing in the region, despite having various international and domestic measures in place to curb this problem. Illicit financial flows often leave East Africa and other developing countries via the banking system. According to a report by the US State Department cited by Gastrow, (2011), on money laundering, Kenya's financial system launders more than $100 million each year. This amount includes an amount relating to the proceeds of drug dealings and Somali piracy-related funds. The exploitation of the banking sectors for money laundering and terrorism financing by money launderers has successfully tarnished the image and the confidence of the public towards the banking sector in East Africa, Arasa and Ottichilo, (2015). The growing threat of terrorism, helped by corruption from political figures, has imposed a major threat to the security, peace and development of East Africa. The Eastern and Southern Africa anti-money laundering group (ESAAMLG) and other anti-money laundering organisations in the world have provided some AML recommendations and measures, considered effective for banks and other financial institutions, (Centre on global counter terrorism cooperation, 2012). These measures can be used to combat the growing threat of money laundering in the region. Further, both the ESAAMLG and financial action task force (FATF) have identified a number of states in the sub-Saharan region, which are displaying weak implementation of the anti-money laundering standards (AML) and combating of terrorist financing, (Centre on Global Counter Terrorism Cooperation, 2012). Some of those states, including Kenya and Ethiopia, have shown no sign of improvement, which has lead them to be placed under International Cooperation Review Group (ICRG) to be monitored. Moreover, if these countries fail to portray any improvement on implementation of AML regulations as instructed by ESAAMLG this may result in their exclusion or them being blacklisted. This may result in an increase in the costs of dealing with the international financial system that then causes a major setback in economic development and investment. Because Kenya and most of other African countries are dependent on foreign investors, in the case of a country being blacklisted because of money laundering, this could push away investors because they wouldn't feel secure in an environment where there are no proper regulations and policies in place to protect their interests especially from ML, (Centre on Global Counter Terrorism Cooperation, 2012).

Under the FATF regulations, all financial institutions have the obligation to ensure that they maintain vigorous internal AML measures and procedures that can help to prevent the institution used for money laundering activities, (McLaughlin, 2013 and Shawgat, 2011). Further, financial institutions are required to adopt intensive measures to ensure that they tighten their fiduciary safeguards by ensuring that all loans and transactions taken or made through banks are used for the intended purpose and not subjected to any financial crimes such as terrorism financing, (Furguson et al, 2015).

1.1 Background of study

Since the mid-1980s, some if in not most of the countries all around the world decided to expand the legal description of the term money laundering, (Unger et al 2006 and Fossen, 2003). This is to incorporate tax evasion, illegal capital flight, fraud, insider trading, misappropriation of public funds, bribery, corruption, racketeering, terrorism, arms trafficking, prostitution, and other growing crimes categorized as “predicate offenses” (i.e., offenses for which money can illegally be laundered), Fossen, (2003). Thus, governments and regulators have incorporated new crimes which they want and need to combat, beyond the original drug trafficking, into the umbrella term of money laundering, Fossen (2003), writing about the Pacific Islands, argued that the expansion of these wide range of offenses covered by the term “money laundering” has aided the production of endless reports showing that money laundering (especially for the non-drug crimes) was growing at a very high pace. Similarly, money laundering has had a major impact on the economy of East Africa and has affected and weakened the financial sectors (especially the banking sector) in the region. The war on money laundering has increasingly become a key element of concern in promoting the welfare and prosperity of financial institutions in East Africa, (Chatain et al, 2009).

According to International Compliance Association (2014), the term “money-laundering” is a generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have been derived from a legitimate source. Money laundering involves the hiding away of money or assets from the eyes of the law to avoid paying tax or confiscation by regulators. There is limited literature on the origin of money laundering. According to Morris, (2013), the history gives us a glimpse on how people used to hide their wealth by digging holes and burying them, witnessed when Chinese merchants used to hide their wealth from rulers 2000 years B.C. Apart from hiding them, they would invest the wealth acquired in remote areas far away from their land. This shows that money laundering existed since time memorial, but it was never given recognition unlike in recent times where it has received massive attention. Twenty years ago, not a single country had a policy against money laundering; currently, over 170 have very similar anti-money laundering policies in place, Sharman, (2008). The seriousness of money laundering is reflected by taking into account the volume of funds laundered; estimated by the International Monetary Fund (IMF, 2015), to be around 2-5 percent of the world gross domestic product. Further, money-laundering crimes have significant economic and social consequences for countries worldwide. It has weakened the financial systems, which are the main players for global financial transactions, which in turn will jeopardize the socio-economic development of countries worldwide, International Monetary Fund, (IMF, 2015). For money laundering activities to be carried out, a medium to facilitate the movement of illegal funds is required. The preferred medium chosen by most money launderers is financial institutions, especially the banking institutions, Masciandaro, (1999). Further, the reason for opting to use the banking institutions to aide ML is the efficiency in terms of time it takes to transfer a huge sum of cash, coupled by low costs of carrying out financial transactions, which have made banking institutions a major target for money launderers, (Masciandaro, 1999).

In 1986, money laundering was not a crime anywhere in the world. Currently over 170 countries have criminalized money laundering and most of these countries have set up specialized agencies to combat it, (FATF, 2012). A co-ordinated fight against money laundering was initiated at the 1989 G7 meeting in Paris (the Arch summit) that saw the introduction of FATF. In the 1990s the scope of the anti-money laundering regime, which at the start had targeted only proceeds from the drug trade, gradually extended to cover the financial transactions of criminal organizations. All transactions tied to any illegal activity were included in 1996, different professions were involved and the requirements of due diligence were increased, (FATF, 2012). Three European orders were enforced – in 1991, 2001 and 2005 - to promote the development of FATF (FATF, 2012). Today all financial transactions are closely supervised to ensure the transfer of elicit proceeds are minimized and the finance sector, particularly banks, plays a significant role in the implementation of the standards. In the East African community, (EAC) Kenya has been ranked as having the highest rate of cases relating to money laundering and has been named by FATF as one of the worst countries in East Africa for the failure to meet anti-money laundering standards. This is mainly caused by the high level of corruption that exists in the country (Migiro & Dawson, 2013). Kenya is followed by Uganda and Tanzania, Ngarambe. (2012). East African countries need to take more active measures to fight against money laundering, as recent money laundering incidents have affected their economy. This situation imposes a major threat to East Africa as far as economic development and moving from being a developing to a developed region is concerned. Foreign donors such as UK have threatened to withdraw grants and financial assistance unless improvements are made to ensure that there is an active implementation of anti-money laundering laws, Solomon, (2018). The former South African president Thabo Mbeki has commented on the issue of money laundering by saying Africa in general loses approximately $15 billion each year through the transfer of illegal money and adding, “Africans should be nationalistic if the problem of illicit financial flows is to be addressed”, (Chawe, 2013).

1.2 Main aim of study

The main aim of this study is to explore how dimensions of money laundering (information sharing and how it can be used to detect the terrorist finances), national and institutional culture (corruption and PEPS), and financial infrastructure (accessibility, cost and cash-based economy) have affected compliance with FATF anti-money laundering recommendations among banks in East Africa.

Chapter Two
Literature Review

CHAPTER 2

2.0 Literature review

2.1 Money laundering issues in East Africa (Dimensions of money-laundering)

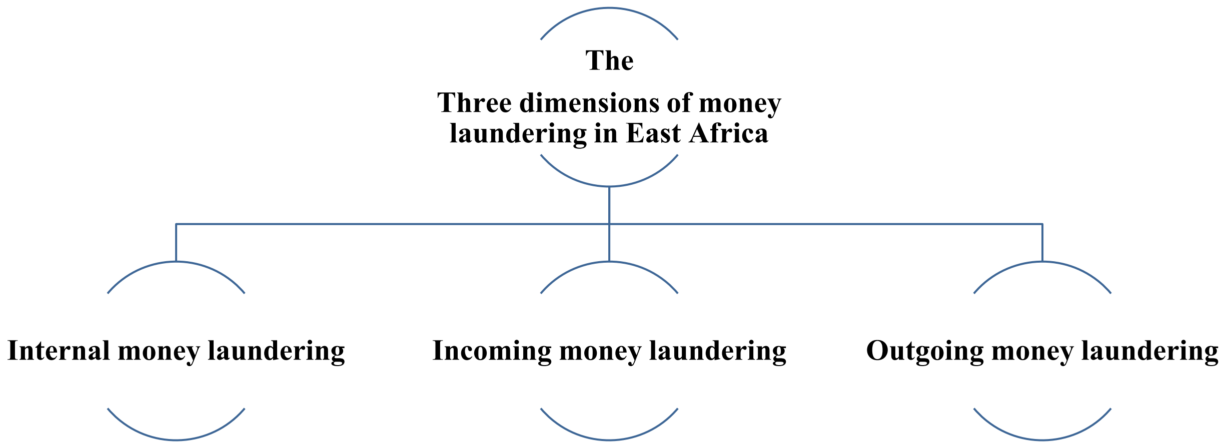
The concept of placement, layering and integration has been the basis for the most worldwide anti money laundering (AML) training, Murray, (2018). Enablers, in the form of corrupt financial institutions and expert gatekeepers, are able to develop ways of appearing to comply with AML regulations at the same time providing their criminal clients with money laundering schemes, (Murray, 2018). Money laundering criminals manage to carry out their laundering activities through depositing of illegal money into the financial institutions, mainly banks and subsequently, if it is assumed to be essential, the money launderers may decide to transfer the money to overseas bank accounts (money laundering havens) through wire transfers in order to conceal their origin, (Arasa and Ottichilo, 2015: Sohn, 2002). Having the capacity to launder the illicit proceeds through the use of banking system, according to Sohn, (2002), is considered to be vital for the success of any criminal or illegal operation that may require the concealment of its illicit proceeds. Increase in demand for integration of illicit proceeds into the world's financial system and the removal of barriers, which encourages free movement of capital, are two major factors that have contributed immensely to an increase in money laundering through the banking system especially in East Africa, (Sohn, 2002).

It is increasingly getting more difficult to actually identify suspicious money laundering transactions because criminals are becoming increasingly clever, therefore, they adopt new techniques every now and then in the process of cleansing their dirty money, (Lilley, 2006; Ping, 2010). Further, Illicit financial flows often leave East Africa and other developing countries via the banking system. According to a report by the US State Department cited by Gastrow, (2011), on money laundering, the report indicated that Kenya's financial system launders more than $100 million each year, this amount includes some amount relating to the proceeds of drug dealings and Somali piracy-related funds. Through this system, it has encouraged money launderers to conceal the origin of funds laundered, which has left Kenya vulnerable to money laundering crimes and on the brink of being blacklisted due to a number of money laundering incidents in the country, Gastrow, (2011). Equally, money laundering activities can be carried out either with in the country or outside the country and according to UNODC noted by, Katasonov, (2014) almost ¾ of dirty money is received from all other types of illegal activities and 2/3 of the dirty money is received thorough money laundering. This shows how serious money laundering is in today's world and the risk that is involved if such funds fall into the wrong hands, especially terrorist groups that keep on growing each day (Katasonov, 2014).

Kenya, Tanzania and Uganda have increasingly become transit countries for trafficking drugs to different parts of the world such as Europe, USA, China, and Turkey, (Gastrow, 2011: Warutere**,** 2006). In East Africa, Kenya is considered to be in a strategic location in the region of East Africa, complimented by having good connections to countries all over the world, thus making Kenya the centre for travel, business and other regional operations, Warutere, **(**2006). This has proved to be a disadvantage because apart from being an attractive centre for business operation it has also developed some growing links of money laundering, drug trafficking and international terrorism criminals that are also using the loophole to conduct their illegal activities in the region, Warutere, **(**2006). Further, as detailed earlier, East Africa has become the major platform for trafficking of illegal drugs compared to other parts of Africa, (United Nations Office on Drugs and Crime, 2010). Recent statistics show that Tanzania alone has seized 225 tonnes of cannabis herb, while Kenya reported seizures of cocaine with an estimated street value of US$ 85 million that was seized at the Kenyan coast town of Malindi back in January 2005, (United Nations Office on Drugs and Crime, 2010; Warutere, 2006). In addition, another incidence was 44 tons of cannabis herbs seized in 2007. This brings us to the question where are all the proceeds of crime have been hidden? Alternatively, how do these criminals conceal the origin of their illicit proceeds? The answer to these questions can be seen to be obvious from the evidence of recent fines imposed on banks for facilitating money laundering, (Boles, 2015; United Nations Office on Drugs and Crime, 2010; Warutere, 2006). This has brought major consequences not only to the banking institutions but also to the economy and to the society. Where according to Mugumu, (2010), approximately there are 1.2 million heroin users in Africa, more than 200,000 drug addicts in Kenya alone that means based on these figures Kenya has 17% of the total drug users in Africa. This shows that, the region is not only affected by proceeds of drugs but also increases the problems that are brought about due to the existence of such business in the region, Mugumu, (2010). Making the region not only a transit point, also a destination of the drugs due to vast number of users, with an estimated 24-25 tons used every year; (organised crime and trafficking in Eastern Africa, 2009). There are more serious consequences if the banks and government allow themselves to be used by these criminals; one of the obvious consequences is that investors and other grants flowing to the region will be cut off if no actions are taken to neutralize the situation, Goredema et al, (2003). According to studies conducted by IMF, money laundering can lead to unexpected changes in money demand and increased prudential risks to the welfare of the banking sector. It can lead to increased volatility of international capital flows and exchange rates, which will definitely affect the level of country's foreign investment, which might also prove to be a huge blow to country's present and future growth, (Goredema et al, 2003).

According to, Goredema et al, (2003); ESAAMLG have three dimensions of money laundering in the region;

Figure 1 Dimensions of money laundering



1) **Internal money laundering**; this involves laundering of illicit proceeds, which are then concealed and used internally without taking them across the border, Goredema et al, (2003). Money laundering does not necessarily require the use of international transactions; there are instances where money laundering is purely domestic. This means that the process of placement, layering and integration occur inside the country. The nature of this dimension of money laundering tends to be difficult to obtain accurate information on as to its scale and frequency, as most people tend to rely on indicators and unreliable evidence to draw some conclusions about the incidence of money laundering, Goredema et al, (2003). Although most of anti-money laundering laws and guidelines focuses on money laundered across the border, a significant amount of corrupt funds and other illicit proceeds often never leaves the country according to Pedro & Alessandra, (2012). In most cases, funds laundered that are used to finance real estates and extravagant life styles among money launderers often go unnoticed. Further, East African region is a cash-based economy region. Various studies that have been conducted by the central bank of Tanzania (BOT) have indicated that approximately; 82% of the total households have been keeping their saving at home and the remainder 18% of the household have been saving using appropriate methods, which includes

banks, and investing into shares, Bagenda, (2003). This shows that a lack of tangible and reliable financial services has resulted in people using cash to facilitate most, if not all their business transactions. In-support, Humprey et al, (1996); Wakamori and Welte, (2017), many consumers favour cash payments for its simplicity of use and speed of settlement. Houses are purchased through physical cash, and cash is later injected into registered banks to cleanse the dirty cash, with banks not able, to trace the origin of the funds because of the cash-based system, (Moshi, 2012: Warutere, 2006). The real estate market in East Africa is considered as a growing vehicle for facilitating money laundering in the region; this is due to the existence of the cash-based economy that has fuelled money laundering activities in the region thus making East Africa more appealing to money launderers from all over the world, (Moshi, 2012). This situation has led to a struggle in tackling money-laundering activities in the region. The existing circumstances encourage money-laundering activities to take place within the region without a trace.

Example 1, *Recent money laundering scandal involving Tanzanian Politicians who have managed to launder more than Tsh 300 billion ($200 million) by opening an account in the central bank of Tanzania that was intended to settle debts involving an electricity supply company. However, according to the investigation, the opening of that account was a ploy by some politicians to siphon government funds intended for settling some of the government debts. The money was later transferred to two different banks in Tanzania namely; StanBic bank and Mkombozi commercial banks used to clean up the money laundered before being withdrawn as physical Cash and distributed among politicians involved and other law enforcement personnel i.e. Judicial Judges. This has prompted the money laundering watchdog of Tanzania to blacklist and fine the two* *banks for encouraging money laundering crimes in Tanzania, (Public accounts Committee (PAC), 2014, Pg 6).*

This scenario shows vividly that money laundering does not necessary require cross border transfers in order to cleanse the illicit funds. It can be carried out internally, and the government and the banks need to keep a close eye on activities such as these and tighten the anti-money laundering policies to prevent money launderers from exploiting the system to launder their illicit proceeds, (Pedro & Alessandra, 2012 Goredema et al, 2003).

2) Incoming money laundering; this involves the illicit proceeds that have been laundered from outside the country and therefore are being introduced into the country's economy Goredema et al, (2003). This means that the process of placement and layering is done in the country. Although, integration is done outside the country or the country of origin this is mostly done through electronic transfer. Alldridge (2008) views about money laundering slightly disagrees with Cotterill (2001) in a manner that money laundering is when people make illegal money elsewhere and bring it to country and invest it rather than earning illegal money within country and investing it outside the country. Kemal, (2014), emphasised that It is not important to know which offence has generated dirty money, but how to curb it is what is important. According to, Dicta, (2014), East Africa is believed to be more exposed to money laundering due to its weak financial policies and structure and this has led to the region being used as money laundering haven.

Example 2; *A case that involved an Italian national Francesco Tramontano who was responsible for organising a plan to defraud the Belgian Development office with the sum of $1.8 million which was injected into the Tanzanian economy as a form of aid. Later it was revealed that the money acquired was though illegal means and it had been* *brought into the country as a method of layering in order to disguise the source. This case acts as a major alert to the country and region as most money launders find it easier to inject money into the economy using charity organisations in the region, Bagenda, (2003).*

The same applies to drug trafficking and other serious money laundering crimes that are the consequences of Eastern and Western drug cartels using the coast of East Africa as transit for their drugs to the European market (Simser, 2012; Gastrow, 2011: Warutere, 2006). This can be evidenced by a number of incidents that have happened recently in a time frame of 2013- 2014, where a Danish Navy impounded a boat full of cocaine at the coast of Tanzania and where the Canadian and Australian Navies also impounded illicit drugs worth about $100 million dollars in Zanzibar, Gastrow, (2011). This shows that East Africa is more exposed than most regions to foreign money launderers who use the region as the transit area for their illicit proceeds, hence exposing the region at risk of also becoming one of the money laundering heavens in the world due to weak financial and legal controls. Further, according to reports in 2010 an astonishing $2.1 billion has been laundered into the Kenyan economy without the government being able to determine or trace its source. This shows how vulnerable the financial system in East Africa is to illegal funds flowing towards the region. Moreover, as witnessed, several terrorists' attacks taking place in Kenya and this leaves so many questions as to whether the money laundered may be falling to these terrorist groups who have continued to grow and torment the region. In addition, if no action is taken there is a high possibility the region might be blacklisted which will dent any hopes of economic progression in the near future, (Gastrow, 2011).

3) Outgoing money laundering; this involves transferring of illicit proceeds to countries abroad; thus, the process of placement and layering is conducted outside the country of origin of proceeds of crime, Goredema et al, (2003). The techniques used for money laundering are correspondingly the same to those, used to disguise the sources. According to, Otusanya & Lauwo, (2012), huge sums of money are reported to be flowing out of developing countries into developed countries each year. Countless studies have tried to give an estimate on the amount of money laundered (Gilmour and Ridley, 2015; Schott, 2006; Biagioli, 2008; Walker and Unger, 2009; Zdanowicz, 2009). The difficulties related with determining actual figures have continued to be noticeable, even though many estimates represent successful indications of the magnitude of money laundering, Gilmour and Ridley, (2015). It has been estimated that the cross-border money laundering in developing countries is \$1- \$1.6 trillion annually. Moreover, most of these funds are being laundered using complex offshore systems that operate through the global banking system. Further, it is estimated that \$100- \$200 billion is laundered from Africa each year, this accounts for 10-20 percent of the total illicit flow out of the continent, (Transparency International 2004). That continent is reportedly producing only 3 percent of the world gross domestic product and this shows how serious money laundering is because the amount laundered is much bigger than the contribution towards the global gross domestic product. Evidently, this is a result of various criminal activities carried out in the continent Transparency International estimated that 10 of the most notoriously corrupt heads of state in developing countries may have, together, forcefully syphoned as much as US\$60 billion out of their countries during their respective terms in office (Transparency International 2004). Further in Baker, (2005), estimated that more than US\$540 billion flows out of developing countries each year thanks to a combination of tax evasion, fraud in international trade, drug trafficking, and corruption. This situation draws us to the politically exposed persons (PEPs), these people are required to be treated with special attention especially by banks when handling their transactions as we have witnessed that they have been responsible for money laundering crimes in the continent, (Gbenga, 2007).

Another technique used by money launderers in concealing the sources of money laundered out of East Africa is through terrorism financing. In East Africa, terrorism has been a major threat to the economy and security to the countries in the region Okoth, (2014). One of the fearful terrorist groups in East Africa "Al shabaab", that has recently caused huge damage to the economy and image (famous for its tourism attraction and vast investment opportunities and economy) of East Africa, through a terrorist attacks on Nairobi, Kenya, (Solomon, 2018; Okoth, 2014). This has led to the Anti-Terror Police Unit and other state security agencies in Kenya to start searching for any suspicious financial transactions and illegal cash dealings that have possible links to Al-Shabaab. The money trail flows out of Mombasa, Nairobi and the Northern Eastern part of Kenya suspected of financing the terrorist group in Somalia. The Kenyan police are also investigating individuals believed to be Kenyan citizens suspected of financing the terrorists in Somalia, Okoth, (2014). The recent attack on Kenya is not the only attack made by the group. Over the years, Uganda and Tanzania have been affected by similar attacks. Katasonov (2014), the table below shows the global pattern of money laundering both in and outside the country.

The nature of borders in most of the African countries contributes highly to the increase in money laundering, Katasonov, (2014). According to, Ansahfifi, (2013), African countries still embrace the cash-based economies hence it does not seem to be a problem when a travel or carry around physical cash of up to $50,000. This has proven to be a problem because money launderers have continuously used African countries to launder money without a trace, (Global Witness, 2015: Johnson, 2001). According to Dev & Joseph (2014), the recent estimate shows that the developing world lost $991.2 billion in illicit financial flows in the year 2011, This amount is ten times the amount of official development aid that is being given to the development world and equally greater than the amount of direct foreign investment received. Illicit outflows from developing countries increased at a trend rate of 9.4% per annum over a period of 2003- 2012. $6.6 trillion was laundered from developing countries in the same period. Equally sub-Saharan countries accounted for 8% of the total amount of money laundered from the developing countries in the period of 2003- 2012 this shows that money-laundering activities have become a major threat in the world more than any other illegal activities that were once thought to be a threat. This calls for more actions and measures taken by each individual country to ensure that this threat is tackled before it gets out of control (Katasonov, 2014: Dev & Joseph 2014: Ansahfifi, 2013).

The success of money laundering abuse has a far stretching impact on financial systems of many developing countries, i.e., in East Africa money laundered ultimately flows into the international financial system and in the course of this process countries incorporated into the global financial systems are then exposed to the occurrence of money laundering, Aluko and Bagheri, (2012). Also exposed are the financial institutions that rely on the ill-gotten capital drained off by corrupt political officials and other public office holders. Hence, these financial institutions are unable to endure the tests of market competition (Aluko and Bagheri, 2012 and McLaughlin, 2013). As a result, many of these financial institutions disintegrated thus, exposing the instability of the country's financial system now considered not to be investment friendly**.** This situation amounts to hindrance that hinders the flow of investments and economic development in the developing countries, Aluko and Bagheri, (2012). Developing countries having been finding it difficult to attract foreign investments that are contributory factors to economic development and financial stability. The negative damaging reputation attributed to money laundering activities reduces legitimate international opportunities and sustainable economic growth and, further, portraying international organised criminal groups with undesirable reputations and therefore weakening development and economic growth, (Hans & Oliver, 2007).

2.2 The National and Institutional culture, how it has influenced money laundering in the organisations East Africa

2.2.0 Introduction to National culture in East Africa

Culture as defined by Furguson et al, (2015) is "the ideas, customs, and social behaviour of a particular people or society." In addition, culture is the glue that binds individuals to an institution; it creates a consistent framework for behaviours and business practices. This means that the values embedded in people's lives that determine their behaviours and perception towards different situation, Furguson et al, (2015). Additionally, according to, Holbeche, (2005), culture is composed by many factors these includes the society in which the organisation is situated, market and competition, and technology. Culture is born through social interaction among individuals whom at the end form one agreement on how to interact and behave collectively. This interaction might form a positive or negative culture depending on the ability of the society to adopt behaviours that are suitable and beneficial to all members in the society, (Holbeche, 2005).

According to Rusanov and Pudovochkin, (2018); Mugarura, (2016), corruption and money laundering are connected to each other, therefore, they should be treated as crimes of comparable magnitude because at the moment corruption is not treated seriously as money laundering especially in Africa. Moreover, Corruption offenses are considered to be traditional predicate offenses for money laundering, Rusanov and Pudovochkin, (2018). Corruption according to (Markovska and Adams, 2015; Idowu and Obasan, 2012), is a big hindrance for the campaign against money laundering. In the modern world, corruption is considered as one of the most relevant indicators of quality of Governance. If corruption is high in the society, it will have a direct effect on the quality of good governance, Hillman and Ursprung (2000). Further, according to, (Minkov & Blagoev 2009; Husted, 1999); despite having various political, economic, psychological and institutional explanations about the existence of corruption, minimum attention has been paid to the question of national and institutional culture. The corruption culture has also rubbed off on the institutional culture that has led to the increase in financial crimes such as money laundering in East Africa. Pillay and Dorasamy, (2010), have focused on culture as the main pillar of corruption have treated corruption behaviour as a direct aspect of the micro dimensions of the culture that exists in the society. According to Kemal, (2014); Carr and Golby, (2009), money laundering activities, especially relating to the proceeds of corruption, normally take place through the money transfers channelled through the world's financial systems. That is why financial institutions are considered vulnerable as far as money laundering is concerned in East Africa; the situation further fuelled by the existence of corruption, which makes the task of detecting and fighting against money laundering a difficult task for regulators, (Mugarura, 2010; Carr and Golby, 2009).

In recent years the banking community as a whole, not only in developing countries such as the East African countries but also in the rest of the world has an urgent necessity to repair and restore the destruction done by failures in its values and conducts, Furguson et al, (2015). This calls for some urgent measures to confront and challenge its shortcomings especially on issues relating to financial crimes and their role in facilitating such crimes. To be accomplished through improved strength and determination to defeat these challenges and display some tangible developments in terms of outcomes and reputation, Furguson et al, (2015). To be achieved through the moulding of institutional culture and conduct which can be used to influence people throughout each bank, to guarantee that their actions are coherent with the guidelines, requirements and the bank's values, Furguson et al, (2015). According to Ogbodo and Mieseigha, (2013), the high level of corruption that exists among organisations and societies in East Africa has resulted to the emergence of several economic crimes such as money laundering that have adversely affected the level of economic development in East Africa. Not only has it negatively affected the economies of East African countries, but also it has seriously dented the image of the continent at the international Level. In East Africa, there is a complicit culture of corruption caused by greed and ostentatious life styles that cannot be sustained by people's daily incomes, (Ogbodo and Mieseigha, 2013). The greatest concern that Kenya and other East African countries are facing is the spread of corruption in the region, the Transparency International corruption perceptions index, (2011), ranks Kenya as 154th out of 182 countries with high level of corruption in the world. Moreover, In Uganda, corruption has sunk into the business community and the society as a whole, Mugarura, (2010). Corruption has translated into a form of moral hazard that is corroding the core of several societies in East Africa, (Mugarura, 2010; Alexander, 2009), corruption as culture varies from one society to another and is thus culturally relative. The action viewed as one of the factors that constitute corruption in one society may be viewed differently in another. In any case, corruption is perceived as an opportunity never to be missed. Whatever the opinion of corruption is, corruption is directly linked to ML and other forms of financial abuse, (Mugarura, 2010; Alexander, 2009).

A survey by, Saltmarsh, (2000); has indicated that one of out of ten senior managers is dishonest and one in two has had a bad proven record of accomplishment in his or her previous jobs. Another survey conducted by the World Bank, (World Development Report, 1997), which involved 3,600 firms in 69 countries across the world, provided further evidence that corruption has been a major problem to investors. 40% of the investors had to pay bribes in order to facilitate things to be done. Moreover, there is a close connection between money laundering and corruption, (Mugarura, 2010; Rose-Acherman, 1999). In addition, the growth of financial crimes, in many cases where money launderers cannot achieve their aims through the use or threat of the use of violence, corruption is considered as the best alternative, (World Development Report, 1997).

According to Rusanov and Pudovochkin, (2018), it is a difficult task when it comes to control of corruption. The effects of corruption are felt in the political and social, as well as the economic, spheres, although, the direct costs of corruption may be high in terms of lost revenue or funds diverted from their intended use, (Mugarura, 2010; Gbenga, 2007). For example, he World Bank has estimated that public officials worldwide have received more than USD1 trillion in bribes each year, (UNECA, 2008). There is increasing evidence that the social and economic cost of corruption disproportionately affects the poor, who not only suffer from the lack of services and inefficient government but who are also powerless to resist the demands of corrupt officials, (Mugarura, 2010; Ikejiaku, 2009; Gbenga, 2007). Figures show that between the years of 1980 and 2009 approximately $1.2 trillion and $1.4 trillion respectively have left Africa through illicit financial flows, which are currently equal to African's gross domestic product Makula, (2013). These figures surpass by far the amount of money that has been received from outside Africa in the same period this shows that money laundering is increasingly becoming a major threat not only in East Africa but to the rest of Africa mainly due to lack of accountability by both government and non-government officials, (Makula, 2013). The economic, social, political and cultural situation of most developing countries makes them more vulnerable to money laundering activities (Dion, 2015; Aluko and Bagheri, 2012). Developing countries have been more exposed and susceptible to the exploits of money laundering, money launderers tend to take into account various weaknesses of financial, political and judiciary systems in developing countries, when choosing countries for their money laundering activities, (Dion, 2015; Mugarura, 2010).

2.2.1 Institutional culture

According to Shawgat, (2011), having a Weak institutional culture, especially having a weak corporate governance system can be seen as one of the significant threats in the process of combating money laundering and terrorism financing in developing countries, Shawgat, (2011). Bartlett (2002) has argued that there is a strong relationship between anti-money-laundering policies and financial good-governance rules. The agency conflict between the managers and the shareholders, leads to moral hazard behaviour by the managers. Such behaviour may sometimes support or encourage money-laundering activities to generate higher free cash flow for the managers' in order to fulfil their own personal interest, Bartlett, (2002). This will be a consequence unless the managers are compensated by the owners or are ethically motivated in terms having a good ethical culture in the organization. This would promote good behaviours among managers and other staff members; otherwise a question mark will hang over the success of AML compliance. Over the past two decades, according to Furguson et al, (2015), there has been a loss of trust in financial institutions by their existing clients, especially banks, and in their supposed dependability and credibility. Customers and Clients were treated as colleagues to whom the bank owed no duty or loyalty. There was a big slippage in the general standards of customer and client service in a number of jurisdictions, of which the senior management, regulators and the board, were in many cases largely uninformed, (Furguson et al, 2015; The Financial Conduct Authority, 2014).

The work performed by the Group of Thirty (G30) and the Basel Committee on Banking Supervision (BCBS), has provided some highlight on how weak cultural foundations damaged the spirit of the financial system in the period leading to the 2008 financial crisis. Consequently, during the period of the financial crisis, cultural and ethical lapses have continued to be apparent. According to Furguson et al, (2015), Having a weak risk culture, the regulators have placed more focus and their attentiveness on the systematic features of risk management, compared to the management/interpretative interference measures, Furguson et al, (2015). These two issues have resulted in a weak risk culture, with management failing to invest significantly in the balances and checks that are required to deal with the inherent improbability of the risk models Furguson et al, (2015). By having unproductive checks, balances, and compensation models that does not replicate the fundamental risks taken, risk takers were able to increase advantage and trading activities to systemically unsustainable levels. The same issue is applicable to money laundering where most banks especially in East Africa are mainly focused on low risk areas of customers and pay less attention to high risk customers such as the PEP`s. According to the investigation conducted by FSA, (2011); indicated that more than half of the banks investigated proved failure when it comes to the application of enhanced due diligence (EDD) measures in the higher risk situations and consequently failed to properly recognize or record unfavourable information about the customer or the customer's beneficial owner. Further, approximately three quarters of the banks investigated have failed to respond appropriately in establishing the genuineness of the source of wealth and source of funds in question used as a bridge in creating a business relationship. This has proved huge concern particularly where the bank has proved to be aware of significant adverse information about the customer's or beneficial owner's integrity and the source of their funds; thus, making it difficult for these banks to tackle money laundering, which is increasingly becoming a major concern not only in East Africa but also on a global scale, (FSA, 2011).

Corruption aids money laundering by bribing the financial institutions and private people who regulate anti-money laundering (Kemal 2014; Chaikin, 2008). The existence of corrupt government officials enhances the organized crime, and, therefore, increases the occurrence of money laundering, Mendes and Oliveira, (2012). A more risk-based approach is required where PEPs direct, own or control respondent banks especially in East Africa. An investigation conducted by FSA, (2011); has revealed that there was a huge risk of some banks' respondents, influenced by allegedly corrupt PEPs, increasing the risk of these banks used as vehicles for corruption and/or money laundering. As we have seen for the case of StanBic bank in Tanzania which was used by politicians to launder a sum of $122 million (Tsh 207 billion) from the state account in the central bank that was intended to fund an electricity supply project. In the end, the money ended up in personal accounts of politicians, Mkinga, (2014). This proves that sometimes in countries where politicians have a great control over most aspects, i.e. Tanzania it becomes easier for banks to be influenced by these people to act as a corporate vehicle to launder their illicit proceeds and in the end, the bank will suffer the consequences on behalf Heilman and Ndumbaro, (2002). That is to say, a more risk-based approach is required in order to prevent banks used by money laundering criminals. Further, investigation conducted by FSA, (2011); indicated that in some of the banks, the general concept of AML culture was still a great concern with senior management and the people responsible for compliance. This challenge the whole point of having an anti-money laundering regime especially the need to identify the PEPs, who according to many banks are seen as the valuable customers and the need to segregate them might result to losing them completely Lishan, (2013). This scenario has given a true picture that most banks are not fully aware of the magnitude of money laundering and the danger these people can bring. It is a high time the management of the banks took serious steps to ensure that they embed a compliance culture to ensure that all the high-risk customers, especially the PEPs, are thoroughly reviewed. In such a way that they will not destroy the existing business relationship and at the same time making sure that all the transactions conducted are legitimate and there are no risks of money laundering, (Furguson et al, 2015; Lishan, (2013).

Godefroy et al, (2011), financial institution professionals were not destined for the purpose of managing and detecting any suspicious transactions. Undeniably, bankers are recognized for developing a professional culture of non- interference with the financial operations of their clients and enforcing a firm confidentiality rule for their clients, Godefroy et al, (2011). Based on this particular reason, they are often criticised for pretending to have a firm commitment in the implementation of AML/CTF activities, (Otusanya et al, 2011; Godefroy et al, 2011). Investigation conducted by, FSA, (2011); has indicated that in some banks investigated, the dominant culture has been shown to weaken the proper and effective implementation of the AML policies. Further, approximately half the banks used in the investigation, have been shown to have poor AML compliance culture and lack of strong leadership on issues relating to AML, this ranges from the senior management which is complemented by the lack of involvement of senior management in identifying PEP and high-risk customer and getting involved in the sign-off processes FSA, (2011). According to Global witness, (2014), *"If you are an important person, and you work for a big international bank, you won't be prosecuted even if you launder nine billion dollars. Even if you actively collude with people at the very top of the international narcotics trade, your punishment will be far smaller than that of the person at the very bottom of the world drug pyramid"*. Based on Matt`s quote it shows that some top bank officials especially the bank managers and directors can conduct corrupt business transactions and still walk away scot-free because the regulators are more focused on the penalties being imposed on individual banks rather than focusing on the people responsible for facilitating such transactions, as described by the (FSA, 2011).

Furguson et al, (2015), globally banks and banking today stand in "dishonour and shame". This is due to the poor cultural bases and substantial cultural failures that were major root causes of the recent financial crisis and remain the main contributing factors in the financial scandals. Subsequently, the situation has worsened due to staff with questionable behaviours and values that move from one bank to another with freedom, (Murray, 2018; Furguson et al, 2015). The existence and persisting harmful cultural norms, or subcultures within the large banks, incorporating in some cases criminal behaviour, has inflicted damage to the public, has caused reputational damage and loss of public trust, and has contributed to the hefty fines which have led to financial setbacks for these banks, lawsuits, and severe regulatory actions, Verhage, (2009). Money laundering has also proved to be economically costly to the society and has proved a major distraction for both the board and senior management, (Furguson et al, 2015).

Public confidence in financial institutions especially banks, enhances their stability. This can be improved by having sound banking practices that reduce financial risks to their operations Furguson et al, (2015). These risks include the probable fact that either individuals or financial institutions will experience loss as a result of fraud from direct criminal activity; lenient internal controls; or violations of the laws and regulations of customer identification and due diligence procedures the latter are also known as “know your customer” (KYC) rules and are part of an effective AML/CFT regime. Nevertheless, according to Furguson et al, (2015), a bank with an unstable or adverse culture (or sub cultures) will face serious consequences both to its reputation and trust. Furguson et al (2015) articulates this is due to the following reasons:

First, culture shapes the employees’ impression about their jobs and the industries they work in, and impact on how motivated staffs are and the way they work (job satisfaction, their efficiency, retention etc.

Secondly, culture has a major impact on public opinion, and therefore shapes the reputation of an individual bank and of the sector extensively.

Third, cultures can improve factors that weaken the goals and values of senior management, thus reducing the effective control the management and the Board have over the bank and its employees.

Future of Finance Council (FIS), (2013), several banks if not most, feel that the resources could be better deployed in propagating a culture of risk management in the financial crime area. The regulation does not necessarily achieve this and in practice deflects attention from the core problem. An inherent problem of the compliance culture is that all financial institutions tend to be treated in a similar fashion with little regard to transaction sizes or volumes. In reality, there are some fundamental differences. A company that is purely processing transactions for retail clients rarely encounters the issues that the regulations are in place to detect. For example, banks must monitor all transactions for politically exposed persons (PEPs) but for some banks, a PEP is a very rare occurrence especially in East Africa where these people are treated with respect and fear, (FIS, 2013).

The Financial Conduct Authority, (2014), stressed that failure to establish a good AML culture among banks may lead to poor overall AML sanctions, systems and controls. Further, (The 2011 AML review) found serious weaknesses in banks' risk assessments of individual and business relationships. Based on the theory it further explains that humans tend to give a genuine reason on taking on some bad things that appear to be of benefit to them. The lack of fear by most of the top politicians and other government officials in East Africa is due to the absence of penalties that govern them on their daily actions. Thus, most people tend to use their status to intimidate law enforcement agencies to commit financial crimes; i.e. Former Bank of Tanzania (BOT) Director of Personnel and Administration Amatus Liyumba, who is responsible for causing over Tsh 221 billion loss to the Tanzanian government, by redirecting the cost of building the bank's new headquarters. This is due to his monopoly power handed to him by the government, where he can make decisions without any questions, which according to Tanzanian Affairs (2010), has led to a disgrace to the Tanzanian government. Thus, sustaining and achieving a vibrant culture that is internalized, comprehended, and admired by everyone in and outside the organisation is a difficult task to achieve. Developing and sustaining an organisation culture is a continuous process that requires determination, commitment and continuous focus and monitoring by the entire management and the board, (Furguson et al, 2015).

2.3 The Financial Infrastructure and the nature of the economy

Banks have recently been involved in several money laundering scandals, yet they still appear careless and emerge even stronger and powerful and more risk taking, Global Witness, (2015). The reason behind this is that the amount of penalties and fines imposed to these banks is considerably less than the actual amount earned through conducting business transactions with these money-laundering criminals, Hitesh and Bharat, (2012). Moreover, Boles, (2015), equally, emphasised that, AML noncompliant banks are seemingly receiving "slap on the wrist" penalties with no jail time or fines for bank personnel. This has shed some light on how some of the senior management in the banking sector, have taken the issue of money laundering lightly and are even ready to face the real consequences despite the risk associated with such business commitments, Global Witness, (2015). What does this the suggestion indicate? Well only that a large number of banks around the world have intentionally left the door wide open for corrupt officials and other money-laundering criminals. They have looted state funds or have committed a wide range of other criminal activities, and therefore need to launder their ill-gotten gains. This is true especially in Africa where politicians have power and influence on several institutions. Banks are supposed to carry out checks on their customers according to the international anti-money laundering recommendations and guidelines in order to attempt to put an end to criminals from using banks to hide or use the sector as a vehicle to conceal and transfer their proceeds of crimes, (Global Witness, 2015).

Financial institutions as discussed on the previous paragraph are the most widely used route by criminals to launder their illicit gains, both in the developed and developing countries, Shawgat, (2011). The Detection of money laundering transactions in the financial sectors still remains a great challenge in the process of combating money laundering and terrorist financing that are continuously becoming a major threat on the survival of the financial institutions especially the banking sector in the developing countries, (Shawgat, 2011; McLaughlin et al, 2010). Most financial institutions in the developing countries are still in the development stage and characterized by the lack of proper laws and technologies to govern and identify the money laundering activities that might arise, Shawgat, (2011). Therefore, appropriate actions are required against these criminal acts in order to protect the reputation of the financial institutions and the economy of the given countries, (Shawgat, 2011; Vaithilingam and Nair, 2009). This shows that in order for countries to have a low incidence of money laundering they must have comprehensive legal, tax and financial systems. Further, the soundness of financial systems depends on the low level of Money Laundering and a sound legal system, (Shawgat, 2011; IMF, 2001). Hence it can be argued that soundness of financial system depends on low level of money laundering. Therefore, developing countries need to give importance to identify the impact of Money Laundering in their financial system, so that they can prepare appropriate rules and regulations to combat such a criminal act, (Shawgat, 2011; IMF, 2001).

Banks and other financial institutions are exposed to money laundering and terrorist financing activities especially in Africa. Most of these institutions lack enough resources to curb the money laundering threats and that is why they are urged to remain cautious Moshi, (2007). There has been no means or mechanism of measuring to what extent money laundering and terrorist financing activities are actually taking place within financial institutions in East Africa and how much criminal organisations outside the region and the continent as a whole are involved in this criminal activity, Moshi, (2007). Banks are seen as an essential part of the puzzle when it comes to illicit financial flows leaving the developing countries. Hence, more attention from the policy makers and donors has been concentrated on the supply side of services facilitating illicit financial flows, (Heggstad and Fjeldsstad, 2010; NOU 2009). The size of the banks appears to have a direct effect on the smooth compliance of KYC compliance due to the corresponding capital outlay, Arasa and Ottichilo, (2015). This has an influence depending on the level of accessibility to banking services. In this situation, it always shows the level and sophistication of investments in various resources, which in return illustrates the ability to manage KYC issues within their level group. The bank sizes also have an influence on a bank to have a higher competitive edge over any undue influence by influential customers due to the existence of well-established mechanisms, Arasa and Ottichilo, (2015). According to AUSTRAC, (2007), the risk-based approach of the Anti-Money Laundering and counter Terrorist Financing Act, significantly principles-based legislation, which aims at providing control to the banking institution itself to derive an AML/ CFT program that suits it. This transfer of control from the regulatory body to the governed entity provides some sort of flexibility, (Ross & Hannan, 2007).

The transference of control requires the banking organizations to be well informed of the risks imposed to them. Any slight misinterpretation of these risks may be construed as non-compliance, AUSTRAC, (2007). Further, the KPMG survey, (2008); suggested that the big banks in terms of the size of infrastructure are more than capable of affording these KYC compliance fees. Therefore, it would be fair to say that small banking institutions who are new to the anti-money laundering practices would significantly find it hard going to be compliant due to the costs associated. Small banking institutions seen to have limited finances and a risk-based approach are hence expected by the reporting entities to have full understanding of the

ML/TF risks involved, which may prove to be difficult to regulate. Additionally, the cost of complying with the KYC can be demoralising, Clarke, (2006). Some commonly known factors are likely to increase the vulnerability of banking and other financial institutions. Compared with other banking and financial institutions in other parts of the world, the institutions in most African countries offer less accessibility to the international or foreign market, hence they are probably less vulnerable to foreign attempts to launder money and move funds for terrorist organisations. Because most of these institutions are quite small and not well developed compared to the other parts of the world, they often struggle to maximise business opportunities in a competitive market, this causes them to be less selective in their business relationships and leaves them vulnerable to money launderers, (Moshi, 2007).

Kenya, Tanzania, and Uganda are the members of the East African Community and further, they have participated in the joint IMF-World Bank Financial Sector Assessment Program (FSAP) where all three countries were being assessed under the same umbrella, The Financial System Stability Assessment (FSSA), (2004). Nonetheless, the East African financial systems are different but concentrated in commercial banking and very small in relation to the economy, (FSSA), (2004). The Kenyan financial system regarded by far the largest compared to Tanzania and Uganda by total assets being about 3 1⁄2 times and 6 times the size of the financial systems in Tanzania and Uganda correspondingly. Measured relative to the economy, total assets of the financial system are equivalent to 56% of GDP in Kenya and approximately 30% in both Tanzania and Uganda. The larger size of the Kenyan financial system reflects the higher industrialization of the economy, the somewhat higher level of GDP per capita (about US$350 for Kenya compared with roughly US$270 in Tanzania and US$260 in Uganda), as well as the fact that the Kenyan system has been opened to private banks since independence. The Kenyan system is the most diverse of the three in terms of the types and numbers of financial institutions. In all three countries, banks account for 60–80 percent of total financial systems' assets and have by far the largest number of customers compared to any other form of financial system, (Cihak and Podpiera, 2005).

Most banks have values, ethics, mission, strategy, and conduct statements in place. Yet, the greatest challenge is making them dependable and constantly being compliant, Furguson et al, (2015). African banks are less efficient than banks in other developing regions of the world. Therefore, financial services are more expensive in terms of people's affordability and have access to the banking services; Thorsten and Robert, (2013). There are four specific characteristics that make banking in Africa more difficult than in other regions of the developing world and most of those apply to many, if not all, African economies (Honohan and Beck, 2007 and Beck et al, 2011).

First, the small size of many economies does not allow financial service providers to reap the benefits of scale economies, (Honohan and Beck, 2007 and Beck et al, 2011). The limited demand for savings, insurance, credit, or even simple payment transactions means that large parts of the population of African economies are not commercially viable customers. The dispersion of population in many African countries means that financial service provision outside urban centres is not cost- effective. Secondly, large parts of the economy and a large share of all economic agents operate in the informal sector and do not have the necessary formal documentation that facilitates financial transactions, such as enterprise registration, land titles, or even formal addresses, (Honohan and Beck, 2007 and Beck et al, 2011). This increases the costs and risks for financial institutions and excludes large segments of the population from formal financial services. Thirdly, volatility increases costs and undermines risk management. At the individual level, volatility relates to informality and the consequent fluctuations in the income streams of many microenterprises and households. This means these agents are less attractive for financial institutions. Finally, governance problems continue to plague many private and government institutions throughout the continent and undermine not only the market-based provision of financial services, but also reform attempts and government interventions aimed at fixing market failures, (Thorsten and Robert, 2013).

According to Hitesh and Bharat, (2012), the current global economy and integrated financial markets mean that the process of transferring of funds across the borders has never been easier and faster than in recent years. Numerous banks both local and across the borders have strict bank secrecy laws which encourages anonymous money transfer. Money laundering flourishes on secrecy, (Otusanya et al., 2011; Nellen and Lankhorst, 2008; Sikka, 2008). This situation has led to money launderers using banking institutions to launder their illicit proceeds due to the existence of bank secrecy laws that act as their shield, which also allows them to cleanse their dirty proceeds, Otusanya et al., (2011). This has seen several banking institutions land themselves in trouble and suffer hefty fines for encouraging money-laundering activities, Hitesh and Bharat, (2012). Nevertheless, according to Aspalella, (2014), the on-going advancement of the financial systems and their exposure to abuse by criminals require the secrecy rule to be lifted in order to reduce the ongoing threat of money laundering.

It is estimated around 2.5 billion adults' worldwide, lack access to formal banking services. This is equivalent to 50% of the world population. Moreover, most of these people are from the developing countries, (FATF, 2013, Anti-money Laundering and Terrorist Financing Measures and Financial Inclusion). One of the issues that have been overlooked by the FATF recommendations is the criminal proceeds laundered through cash, Ardizzi et al, (2014). As it is well known, cash is different from any other form of payment because it guarantees anonymity; this allows banknotes to pass from hand to hand without a trace, impacting the degree of transparency of the banking systems (Ardizzi et al, 2014). According to FATF, (2015), despite the popularity of non-cash means of payment in developed economies, cash remains an important method of payment across the globe, with an estimated USD 4 trillion in circulation and between 46% and 82% of all transactions in all countries being conducted in cash, FATF, (2015). The economies of most of African countries especially in East Africa are mainly cash based, accompanied by having poor financial infrastructure acting as fuel for the growth of financial crimes in the region, (Moshi, 2012; Competitiveness Report, 2011). A cash-based economy is regarded as the one in which more than 50% of all transactions are conducted through the use of cash and where the majority of the population does not use any formal banking system Moshi, (2012). Africa Competitiveness Report, (2011) indicated that more than 80% of the population in East Africa do not use the formal banking system. This is due to the widespread cash-based economy that results in the lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail as to where the money comes from and where it is heading to, (Nantege, (2013). According to Imala, (2004), most Africans prefer to use cash for all forms of transactions including the purchase of high-value items such as real estate and motor vehicles and most dealers or sellers prefer this mode of transaction because of a lack of trust that exist among people and fear that the use of cheques or bank transfers might be fraudulent. This situation makes detecting the source of money difficult Masare, (2012). Further, (Gilmour and Ridley, 2015; Ping, 2010; Harvey, 2009) also in support that uncontrolled cash transactions, considered legal in many countries, are the key facilitators of Money Laundering.

The increasing widespread use of cash rather than other formal means of exchange is perhaps the biggest handicap to many banks in detecting and controlling money laundering in East Africa, Imala, (2004). Central banks and other stakeholders find it impossible to trace the origin of cash because people refuse the formal mode of payments. Only a small portion of population in East Africa uses banks and a good example is Tanzania where an estimated 10% of the entire population uses the formal banking system. Further even high-volume transactions that involves paying for real estate are mainly using cash despite having a provision under the Tanzania anti-money laundering act that requires real estate agents and other professionals involved to implement the anti-money laundering laws. The main focus by the authorities is not on the banking sector alone, as they believe money laundering is more likely to take place through banks than any other sector, Pedro & Alessandra, (2012). Nonetheless, Chatain et al, (2009), say that in most countries in the world, particularly developing countries, banking is considered as the most important part of the financial system. It is the main key in enabling domestic and international payments; it also serves as the intercessor for depositors and borrowers. It also provides other financially interrelated products and services, Chatain et al, (2009). Hence from this perspective any country's AML/CFT regime needs to start with its banks because of their vital role in the country`s financial system Banks that do not have effective anti-money laundering programs are the ones that are most likely to be exposed to the risks of money laundering. Therefore, can most easily be exploited by domestic and international criminals, in order to protect the integrity of its financial system a country must have an effective AML/CFT establishment that effectively meet the international standards. On the other hand; Chatain et al, (2009) suggest that some countries particularly developing countries must impose this establishment without consequently making banking access too difficult or costly for their poorer citizens.

According to Fulbright (2014), approximately 95% of banks in Africa are reportedly to have developed their own anti-money laundering regulations that are in line with the local anti-money laundering regulations, this is aimed at meeting the international standards for anti-money laundering compliance. Mumo, (2012), development of anti-money laundering regulations can just be on paper as security experts have warned that money laundering is on the rise especially in east Africa where banks have reportedly lost Sh4.06 billion ($48.3 million) to money laundering in the eighteen months ended June 2012, (Mumo, 2012) as they failed to keep pace with criminals, who use sophisticated technology in the process.

The three most common reasons to why East African banks fail to control the growth of money laundering in East Africa are as follows:

1) East African countries have a lower number of registered banks with a smaller number of branches across the region compared to developed countries. This can be elaborated through the table below

Table 1 showing the number of licenced banks and branches in East African countries

Country	Number of licensed Banks	Number of Branches
Kenya	45	494
Tanzania	14	170
Uganda	17	120

Sander (2001)

The table above shows how poor the financial infrastructure is in East Africa. This situation referred to as “Financial exclusion” which means inadequate access to the financial services may be temporarily or permanently, and this is caused by factors such as geographic isolation, illiteracy, and the costs of financial products or simply the restriction on access to such products, Kempson & Whyley, (1999). With financial globalization, financial institutions are investing in the emerging and developing economies in searching for profit. Although it is possible for developed economies and large institutions to check and monitor money-laundering activities, it is very costly for developing economies with smaller banking firms to properly monitor money-laundering activities. Consequently, this is seen as a challenge for the developing economies to adopt global anti-money laundering polices because of the costs associated with the compliance, Shawgat, (2011). Further, according to Sander, (2001) only the capital cities and regional trading centres have the highest availability of financial services.

This leaves other rural and undeveloped regions with limited access to financial services, thus encouraging cash saving among individuals. In many lower-income markets research shows poor people are enormously exposed to loss of savings through theft, they keep money under the bed, get robbed, the house burns down, or they bury money and someone else digs it up, Jozwiak, (2015). The situation of having cash as a form of saving and conducting business transaction leaves the region vulnerable to money laundering activities as most illegal transactions are made using cash as there is the smallest risk to leave no trace Friedrich, (2010). Further less than one in five African adults have access to a formal or semi-formal financial intermediary. This is a reflection of the low-income levels and infrastructure weaknesses across the continent, (Honohan, 2008).

2) Complicated requirements imposed by banks such as high minimum balance requirements, high ATM charges and bank charges prevent large portions of the population from accessing formal financial services in East Africa. Ouma, (2012), the average cost of ATM transaction is $1.8 to $2.3 per transaction proof as to why people prefer to save their money at home rather than having a bank account. This not only discourages saving but also can have complications in terms of accessing of funds. Further, according to the World Bank, (2005), The AML/CFT regulations impose even more serious effects to the financial institutions in East Africa, where most of the financial institutions serve a majority of low-income clients. Further, the additional costs associated with the compliance of anti-money laundering rules and regulations coupled with harsh restrictions may have a direct consequence to these institutions, especially driving away low-income clients from using the formal banking sector. But bear in mind that the region is still embracing cash-based economy that make it even harder for banks and financial institutions to keep track on the source of money and spot money launderers easily, World Bank, (2005). The challenge that faces the regulators

to support the developing countries is to be able to find the right balance that promotes sensible practices at a reasonable cost for financial services that that offer financial packages to its people the most of whom live on under 1 dollar a day. The AML/CFT regulations should be implemented in a flexible manner to ensure that they do restrict the easy access to formal financial services for low-income people, (World Bank, 2005).

3) The existence of a large number of illiterate people in East Africa discourages people from saving with banks or any other formal financial institutions. This is true because most of the documents are in foreign languages such as English and this proves a barrier among individuals' due to their lack of expertise in those languages. The only way people will be encouraged to use formal banking services is by having documents written in the local language which is being used in that particular area. The African Economist, (2013), gave an analysis on the level of illiteracy in Africa. Kenya had 15%, Tanzania 30.6% and Uganda 33.2%. This indicates that there is a high level of illiteracy in the region; hence banks need to adopt some measures to ensure that this population is encouraged to open bank accounts by educating them on their importance. The government also have a significant role to play to tackle this issue, (The African Economist, 2013).

Most of the East African countries struggle to deal with the expansion and liberalization of financial sector, ADF, (2007). They are urged to make a deep reform of the financial sector, by having strong prudential supervision and reconstruction of their financial systems in order to have an effective implementation of anti-money laundering measures. ADF, (2007). Banks are required to ensure that systems are secure against money laundering and financing of terrorists; seen to be of great importance to the law and policy makers across the globe. In addition, the best way to achieve such a goal is to ensure that there is an active assistance towards the banking industry particularly for key banking personnel who are responsible for running the daily activities of banks, KPMG, (2012), The interest concerning anti-money laundering (AML) has increased dramatically over the recent years among board of directors' different banks across Africa, according to KPMG, (2012).

The increase in significance of money laundering in East Africa have resulted in most financial institutions losing faith with their customers and as the rules concerning money laundering are being tighten up banks prefer not to take any chance that might jeopardize their status, Fulbright, (2014). Nevertheless, this does hinder their growth because most customers have decided to bail out and use other forms of financial services that has resulted in the development and the emergence of unregulated forms of financial systems in the region such as Mobile Money. This is one of the means of conducting day-to-day transactions and regarded as the easiest and efficient means of savings. This has resulted in people opting to switch from using formal banking services into Mobile Money known famously in East Africa as M Pesa. This decision of individuals to opt for Mobile Money rather than the formal banking system is due to the simplicity, easy access that most banks in East Africa are struggling to come to terms, The Economist (2013). This has proved to make it even more difficult to detect money laundering, as it does not encourage keeping of customer information. FATF demands banks to keep records and account books of all transactions for at least 5 years for the purpose of monitoring and supervision. Nevertheless, Dion, (2012), has highlighted that, for fact that banks undertake monitoring in order to detect suspicious transactions is not an assurance that control systems will be effective. Moreover, lack of a proper financial infrastructure especially in the developing countries has led to a failure to facilitate the compliance with anti-money laundering recommendations, Mugarura, (2013). In countries like Uganda, The KYC paradigm is one of the anti-money laundering recommendations used by banks but has proved to be ineffective as customer information that is being held by the banks is unreliable and the gaps in it restrict regulators in making accurate strategic decisions, (Nguyen, 2018; Mugarura, 2013).

According to "know-your-customer" (KYC) rule, there is a need for financial and banking systems to be transparent: every transaction within the system needs to be traced to an identifiable individual, (Nguyen, 2018; Ardizzi et al, 2014). Furthermore, the monitoring of customer accounts and cash flows in order to determine the original source of the income and in order to ascertain if there are any elements of money laundering has proved a failure. As has been said earlier, this is due to the lack of reliable customer records that makes it difficult for regulators to come to a concrete conclusion. As the majority of the population haven't got bank accounts also proves makes this a difficult task as most people save their money at home, According to Bester et al, (2008), only 19% of Kenyans had bank accounts through formal regulated institutions in 2006. This acerbates the risk that money laundering imposes in the region due to a small number of people using formal banking system, (Bester et al, 2008).

Few would have a reservation of the worthy aims of the Anti-Money Laundering (AML) rules, but they are possibly a great business inhibitor. Conversely, from a bank perspective, it means sorting through huge volumes of data that accumulate continually across all locations and dealing with potentially conflicting legal requirements, (Future of Finance Council, 2013). In this process bank customers are inconvenienced, as they are increasingly required to provide proof of identity when conducting certain money transactions. Apart from being an inconvenience for the customers, this increases the bank costs: there are no visible benefits, but at the same time, it is a task of great importance to society in general, Future of Finance Council (2013). Nevertheless, the KYC regulation mostly affects the public as stated earlier. It compels financial institutions to ensure that customers are really whom they claim to be, and they do this by requiring documentation and verifying the client's identity, Looney, (2012). Consequently, most people in East Africa, especially due to globalization and the advancement of technology have a need to use the financial system at some point in their lives. It is therefore important, that the socially or financially disadvantaged such as the elderly, the disabled, students and minors especially those who are in the rural areas should not be barred from obtaining financial services just because they do not possess evidence of identity or address where they cannot reasonably be expected to do so, Chowdhury et al, (2003). In these circumstances, a common-sense approach and some flexibility without compromising sufficiently demanding anti- money-laundering procedures is suggested. Internal procedures put in place must have room for this kind of situations and must provide appropriate advice to its staff members on how identity can be confirmed in these exceptional circumstances. The important point is that a person's identity can be verified from an original or certified copy of another document, preferably one with a photograph (Chowdhury et al, 2003).

Future of Finance Council (FIS), (2013), suggest that at a time of low business margins, banks need to find ways of providing great customer service and generating revenues. Banks are argued to do this while remaining within the law and keeping a watchful eye on suspicious transactions in order to avoid money laundering, (Future of Finance Council, 2013; Verhage, 2009).

2.4 The FATF Anti-Money Laundering Recommendations

The emergence of FATF has acted, as a valuable campaigner for having strong global AML/CFT controls and its achievement in raising and increasing awareness on issues regarding the dangers of money laundering and terrorist financing and in trying to persuade countries all over the world to improve their controls and supervision on these two key areas, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002). The initial role for FATF was to assess the mutual efforts regarding money laundering and to recommend additional preventative efforts, Looney, (2012). The recent fines imposed on major banks once again affirm that banks face extraordinary pressure to comply with financial crime regulations. Based on recent reports regulators have collected more than $10 billion worth of fines and settlements on banks over the last few years, demonstrating the determination and ability of regulators to use civil and criminal law to enforce financial sanctions on a global level, Proviti, (2014). The international community has long acknowledged that the problem of money laundering and terrorism commands a coordinated approach. For so many years, a number of international bodies have developed standards and guidelines for combating money laundering, terrorism, and terrorist financing. These standards are comprised of common ideas for promoting actions to deny criminals, terrorists, and those who assist them access to their funds and the world's financial services businesses, Office of the Comptroller of the Currency, (2002). Many international treaties and resolutions outline similar standards or build upon each other. The Financial Action Task Force on Money Laundering (FATF) is an important inter-governmental body that makes and promotes policies to combat money laundering mainly focused on

- Monitoring the implementation of its recommendations
- Spreading the anti-money laundering message to all continents and regions of the globe.
- Examining and publishing money laundering developments and measures to tackle them, Office of the Comptroller of the Currency, (2002)

FATF is an international anti-money laundering body that deals mainly on ensuring that the countries comply with anti-money laundering regulations aimed at fighting against money laundering, (Brandon, 2011; Leong, 2007). The purpose of FATF is to promote an effective implementation of any operational and legal measures aimed at combating and minimizing threats of money laundering and terrorist financing, which are currently major concerns in the world. In response to the growing concern about money laundering in the world, in the financial action task force (FATF) was first established at the G7 summit held in Paris back in 1989, (Brandon, 2011; Leong, 2007). After recognising the threats that are facing the banking system and other financial systems, the head of states of the G7 countries and the president of the

European commission started discussing the prospects of formulating FATF. The task force was handed responsibilities for reviewing the current techniques that were used for money laundering, and the regulations and policies that were available at the time for the aim of helping in setting out new regulations that could be used to combat money laundering and terrorist financing, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002).

Less than a year later, in 1990 the FATF issued a report that contains a set of 40 recommendations that provides a brilliant platform needed to help in the fight against money laundering. In 1996 the Recommendations were revised for the first time to reflect evolving money laundering trends and techniques, and to broaden their scope well beyond drug-money laundering. In October 2001, the FATF expanded its mandate to deal with the issue of the funding of terrorist acts and terrorist organisations and took the important step of creating the Eight (later expanded to Nine) Special Recommendations on Terrorist Financing, (Leong, 2007; Johnson and Lim, 2002). The FATF Recommendations were revised a second time in 2003 together with the addition of the Special Recommendations. The special recommendations have been endorsed by over 180 countries and are universally recognised as the international standard for anti-money laundering and for countering the financing of terrorism (AML/CFT), FATF, (2012). FATF works hand in hand with member countries in assisting them to identify national threats relating to financial systems and recommend best measures that can help to overcome such threats, FATF, (2013). It is necessary for the regulators to conduct an investigation in order to gain a deeper understanding into different types of FATF Recommendations and exactly what goes into building a strong domestic AML/CFT regime to match the requirements of the developing countries, Brandon, (2011). In recent years, there have been on-going incidences of serious ethical failures, professional misbehaviour and compliance failures at financial institutions. As a result, a long list of huge fines and penalties have been imposed on the financial institutions and to a lesser degree punishment and dismissals of employees. Since 2008, fines imposed on the largest banks have so far topped $100 billion, Dudley, (2014). Developing countries face much criticism based on the challenges that they are facing in curbing money laundering and terrorism financing**,** Ayodegi, (2011). Practically all developing countries have Anti-Money Laundering laws in place; though, they are not as advanced as those in developed countries due to the differences in the level of economic development, (Ayodegi, 2011).

The international anti-money laundering standards that are formulated and enforced by FATF could have a major impact on cost for both international trade and domestic institutions Brandon, (2011). Although, most banks have significantly invested in advancement and improvement in their ability to monitor the compliance process based on new requirements. Nevertheless, trying to address both types of behavioural requirements through the traditional "compliance-driven" approach can result in having unreliable outcomes and confusing compliance values across businesses in various jurisdictions, which has proved to be a challenge for global banks. Furthermore, compliance-driven tactics can result in ineffective utilization of resources, with staff members in banks spending much of their time on tracking and reporting rule non-compliance, which does not give a guarantee of delivering long lasting good behavioural effects, Furguson et al, (2015). Nevertheless, Moshi, (2007), has criticised the global initiative of FATF and other financial standards that are responsible for regulating financial crimes for not presenting more realistic and practical methods on how to detect and prevent money laundering and terrorist financing on the African environment. Further, according to Moshi, (2007:7), most of the standards do not sufficiently recognise that most of the African countries economies are; (i) largely cash based, (ii) there is a heavy dependence on a parallel informal banking system, and (iii) informal value transfer methods are considered as a normal trend or tradition. Moreover, researchers such as Christensen, (2009), have argued against those claiming that money laundering is a structural problem and placed responsibility on a lack of political will. In order to ensure that there are reliable financial systems, East African countries have sought to have effective anti-money laundering policies and procedures that are in line with international anti-money laundering standards, (Chatain et al, 2009). Given the economic, social, cultural and political situation of developing countries is quite different than that of developed countries Dion, (2015). According to Tang and Ai (2010), some developing countries either hand-pick the given AML international standards to be actually implemented or choose to implement international standards without any enforcement mechanism in place.

FATF recommendations set out the principles for action and allow countries a measure of flexibility in implementing these principles according to their particular circumstances and constitutional frameworks, Leong, (2007). Intended to be implemented at the national level through legislation and other legally binding measures. (Makin, 2017; Leong, 2007). The following are Key FATF recommendations explored in this research study together with their connection to various dimensions of money laundering, national and institutional culture, and financial infrastructure.

Table 2 Summary of FATF recommendations and their connection to the three areas of research

	FATF Anti-money laundering Recommendations	Summary of the Recommendation	Area addressing the recommendations
1	**AML/CFT policies and coordination**	The key objective of the AML/CFT regulations is to design an effective system of incentives and procedures. Anti-money laundering regulation should be designed of systems of procedures and incentives that encourages the financial institutions to act efficiently on issues regarding the keeping and production of necessary	**National and institutional Culture** Having strong AML/CFT rules enhances the stability and integrity of the financial institutions which in return helps to facilitate the country`s integration into the global financial system. Further, it helps to strengthen the fiscal administration and governance. The integrity of financial systems is vital to the

		information aimed at pointing out any suspicious activities especially money laundering criminals trying to abuse the system, (Ricardo, 2010).	survival of the financial institutions, (IMF, 2015)
2	**Money laundering Criminalization and confiscation**	According to this recommendation banks are obliged to follow particular procedures such as freezing customer accounts. This action may directly affect their customers, while at the same time the banks still owe some duties to them customers (i.e. to honour payments), (Beneficiario, 2012).	**Dimensions of money laundering;** The great mobility of capital nowadays makes it even more difficult to identify and freeze or restrain stolen assets long enough to initiate the recovery process with a reasonable and fair chance of recovering them, (Ayogu and Agbor, 2014),
3	**Preventative measures**	According to this recommendation, countries are required to modify secrecy laws to enable an effective implementation of FATF's Recommendations, but also paying attention to effective customer record keeping and due diligence, (Proviti, 2014).	**National and institutional Culture** Otusanya and Lauwo (2012), pointed that "we cannot avoid money laundering if there is bank secrecy". Further, (McLaughlin and Pavelka, 2013, Geister 2008); have also pointed that the application of customer due diligence measures is considered as one of the most effective ways of safeguarding against money laundering activities and other financial delinquencies.
4	**Politically exposed Persons**	Defined by FATF, (2013) as "Individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials	**National and institutional Culture/Financial Infrastructure** Otusanya and Lauwo, (2012), provided some evidence on the involvement of politically exposed persons in exploiting the weak financial infrastructures that exist in developing countries, to launder their money to offshore centres using the professionals and financial institutions
5	**Terrorist financing and proliferation**	This recommendation, requires countries to criminalize the financing of terrorists' acts, terrorism and	**Financial Infrastructure** It is difficult task to detect and prohibit the flow of funds to terrorist groups, and represents just

		terrorist organisations regardless of whether the funds are obtained legally or illegally, (The United Nations Counter-Terrorism Implementation Task Force, 2009)	one of the many challenges to combat terrorist financing especially among the financial institutions specifically the banking sector, (Brandon, 2011)
6	**Transparency of legal persons and arrangements**	According to, FATF Report, (2013), criminals would seek out the participation of legal professionals in their money laundering plots. Occasionally, legal professionals are involved in completing certain transactions and also in accessing specialised legal and notary skills and services that could be of great assistance in laundering the proceeds of crime and in the financing of terrorism.	**National and institutional Culture** Having weak legal system and political dishonesty remains as a significant issue in the process of combating and fighting against money laundering in developing countries especially in Africa, (Shawgat, 2011)
7	**Powers and Responsibilities of competent authorities**	Countries and competent authorities are urged to take into consideration the need to have an effective supervision of all bodies regulated and controlled under the AML/CFT requirements, (FATF, 2014, Risk-Based Approach, Guidance for The Banking Sector)	**National and institutional Culture** An investigation conducted by FSA, (2011); indicated that in some banks money-laundering risk seems to be treated as just a simple regulatory risk issue. Most of the senior management are seemingly eager to take on extremely high-risk customers because they are deemed to be profitable and contribute to the survival of the bank especially in today's world where there is a great deal of competition among financial services.
8	**Operational and Law enforcement**	FIU (Financial Intelligent Units) must have "sufficient operational independence and autonomy to ensure that it is free from undue influence or interference". (FATF, 2006).	**National and institutional Culture** The efforts of tackling 'dirty money' are mostly reliant on cooperation between law enforcement and various financial professionals, Godefroy et al, (2011). Moreover, the existence of a weak legal system and political dishonesty remains a significant issue in developing countries

			especially in the war against money laundering
9	**International Cooperation**	The main emphasis is to promote international cooperation and establishing a coordinated and effective international AML/AFT regime, (Moshi, 2007)	**Dimensions of money laundering/Financial Infrastructure** Money laundering can effectively be tackled through continuous and effective cooperation between countries and their organizations, with an emphasis on such issues as common laws, sharing of information and cooperation between police forces and other affected countries, (Lilley, 2006)

The conference on ways of countering the Financing of Terrorism, held in The Hague in March 2006, raised some concerns that most if not all the countries face some encounters in in the process of implementing the FATF Recommendations, (FATF, 2013). Further, financial and resource constraints facing most of the developing countries makes it particularly difficult for these countries to fully implement all the FATF recommendations, Moshi, (2007). Nonetheless, FATF has set anti-money laundering recommendations that each country should follow. The following are the key FATF anti-money laundering recommendations explored in this research study; as highlighted by (FATF, 2013).

2.5.1 AML/CFT policies and coordination

The on-going fight against organised crime, this has led to money launderers preferring means in regions and countries weak or ineffective at implementing and adopting anti-money laundering (AML) legislation or preventative guidelines, (Gilmour and Ridley, 2015; Koker, 2006). The Anti-money laundering regulations (AML) are facing difficulties in different sectors especially financial institutions, as one of the main organisation used in the fight against money laundering and terrorist financing, (Ricardo, 2010; Koker, 2006; Masciandaro, 1999). The key objective of the AML regulations is to design an effective system of incentives and procedures.

Also, to encourage financial institutions to act efficiently in the keeping and production of necessary information aimed at pointing out any suspicious activities especially money laundering criminals trying to abuse the system, (Nobanee and Ellili, 2018; Koker, 2006). Further, although there are a number of reasons as to why financial institutions may be the main focus of money laundering and terrorist financing, the main one is that most banks are only focused on making huge profits and neglect the principle of "know your customer", Ricardo, (2010). There has been some evidence in the last decade that points to the inability of financial institutions to perform proper checks on their customers. This has resulted in hefty fines being imposed to them, thereby creating an environment for money launderers to explore that weakness of financial institutions focusing on profits to launder their illicit proceeds, (Ricardo, 2010).

Having a strong domestic supervision and oversight system that efficiently monitors the financial institutions and banking entities is perhaps the most essential element for any country to have effective AML/CFT controls that work in practice Brandon, (2011). Ensuring that financial institutions have appropriate procedures and policies in place and that these procedures are, actually operating correctly is also considered key, Brandon, (2011). The initial process of developing a risk-based AML/CFT approach within the banking sector, aided by the consultations of the Basel II agreements entrusted the banking professionals with the obligation of evaluating the risks that they face in the implementation of AML/CTF approach (Pradier, 2006; Gallati, 2003). The same approach was later also endorsed by the Financial Action Task Force (FATF), which has urged all the financial players to implement a risk management process when it comes to dealing with money laundering and terrorism financing. The process comprises of undertaking an assessment of the risks, recognizing the existence of the risks and developing strategies to manage and mitigate the identified risks, Godefroy et al, (2011). The effective compliance with the AML/CFT international standard plays a vital role in enhancing the world's financial system integrity. As money laundering and terrorist financing can occur through many different avenues in different sectors of the individual country`s economy, the standard itself has become equally broad in scope. The scope and depth of AML/CFT assessments also reflect the natural evolution of the FATF's peer review process, which over the past twenty years has prompted the gradual expansion and refinement of the recommendation, (Gilmour and Ridley, 2015; Concepcion, 2011).

Ill-gotten Funds are often transferred to locations with weaker AML/CFT regimes because the activity is less likely to be identified, reported and investigated, while the proceeds are less likely to be confiscated and offenders less likely to be prosecuted, (Gilmour and Ridley, ,2015; FATF Report, 2010). Many countries in the world have very strict bank privacy or secrecy laws that prevent the effective implementation of FATF Recommendations. This is particularly true for certain investigations and disclosures that are essential for an effective AML/CFT regime, World Bank, (2009). Although most financial laws contain provisions protecting the confidentiality of information held by financial institutions, they should not act as an obstacle to access and disclosure by supervisors, FIUs, law enforcement, and other competent authorities. Supervisors and other competent authorities should have adequate and, in the case of financial sector supervisors, unrestricted access to customer information and all other relevant information required for the proper discharge of their functions. Such information should be handled with utmost care and caution by the recipients to preserve confidentiality and should be protected against unlawful use, (Dion, 2012; World Bank, 2009).

Having strong AML/CFT rules enhances the stability and integrity of the financial institutions which in return helps to facilitate the country`s integration into the global financial system, IMF, (2015). Further, it helps to strengthen fiscal administration and governance. The integrity of financial systems is vital to the survival of the financial institutions, IMF, (2015). Countries all over the world together with businesses and financial institutions are required to implement the set anti-money laundering measures. Currently most of the African counties are in the process of formulating or implementing the anti-money laundering laws and regulations (AML/CFT). The laws formulated are required to comply with the international anti-money laundering standards, drafted and enforced by FATF, Koker, (2006). Anti-money laundering recommendations require financial institutions to identify and verify the identity of its clients with the main aim of ensuring that the financial institutions understand and knows what they are dealing with in order to reduce the risk of perspective money laundering criminals abusing the financial services, Koker, (2006). Further, AML/CFT gives the authorities the ability and willingness to punish those institutions that violate the law or have sufficiently poor AML/CFT controls, in order to induce widespread adherence to laws and regulations and to create a culture of robust compliance. Achieved through having effective government supervision and oversight; It is not an easy task as one might think. It requires a certain minimum level of bureaucratic and authoritative capacity and political will, (Brandon, 2011; Koker, 2006).

Assessing the risk and National cooperation

FATF promotes the invention of a worldwide anti-money laundering network based on the development of regional anti-money laundering bodies, close co-operation with relevant international organizations, Office of the Comptroller of the Currency, (2002). Countries are required to identify and assess the risk of money laundering and terrorist financing and they are obliged to take necessary actions to make sure that appropriate measures taken in making sure that there is the right framework in place to tackle all situations relating to money laundering and terrorist financing. Not only in East Africa but in Africa as a whole there are bodies that have been established in order to guide and help in tacking money laundering (FATF, 2013). Countries have an obligation to protect the financial integrity of their financial systems in their respective jurisdiction. Countries have flexibility on how they can achieve this objective through adopting a risk-based approach, World Bank, (2005). For example, if the regulators decide that an institution's operations represent a low risk for money laundering and the financing of terrorism, they can exempt some of these financial service providers from compliance with AML/CFT regulations. If, based on risk analysis, the regulatory authorities decide that there is a need to implement AML/CFT regulations; they still have significant autonomy on how to implement the anti-money laundering measures. In order to establish a risk-based approach to anti-money laundering regulations, this requires an extensive analysis and an understanding on the nature and the risk imposed by money laundering and the financing of terrorism within the country, (World Bank, 2005).

The implementation of AML/CFT recommendation requires the creation of a specialized government unit, usually known as the Financial Intelligence Unit (FIU) as a central unit that is responsible for monitoring transactions and collecting valuable information concerning money laundering and terrorist financing, see (section 2.5.6) (FATF, 2013). Moreover, there is a FATF-style regional body, which coordinates efforts on AML/CFT in East Africa, conducting research, developing strategies and conducting mutual evaluation assessments of the AML/CFT frameworks in member countries.

Eastern and Southern Africa Anti-Money Laundering Group **(ESAAMLG)**

Founded in 1999, the group's efforts aimed at cooperation with other international organizations concerned with combating money laundering and terrorist financing as well as studying and researching regional typologies and coordinating technical assistance, Mullei, (2004), Pg-7. Member countries agreed on actions and strategies in order to curb the money laundering problem, this includes the establishment of Dar-es-Salaam Eastern and Southern Africa anti-money laundering group which is aimed at promoting and coordinating policies and measures that can help to eradicate money laundering. The group have made notable progress in its quest to establish proper anti-money laundering policies and regulations in the region. It has managed to put pressure on member countries to establish their national task force, which will work hand in hand with the group to ensure that anti-money laundering policies and regulations are properly implemented. Most member countries especially in East Africa have managed to establish their National Task Force but their efforts are yet to be noticed due to the on-going increase in money laundering cases in the region, (Mullei, 2004; Goredema et al, 2003)

Roles played

- Development and review of the implementation of national AML/CFT strategies
- Sustaining the evaluation and monitoring of ESAAMLG members' compliance with the international standards against money laundering and terrorist financing
- Undertaking research and analysis exercises to better understand money laundering and terrorist financing risks and vulnerabilities in the region and effectively contributing to regional and international AML/CFT policy formulation
- Expansion of ESAAMLG membership
- Strengthening regional cooperation among member countries
- Strengthening ESAAMLG cooperation and participation in the AML/CFT global environment
- Consolidating regional AML/CFT capacity building, training and awareness raising programmes

The AML/CFT framework in East Africa is not well established and it is yet to reach the level of other developed countries in the world. Both the Financial Action Task Force (FATF) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) have identified a number of states in East Africa demonstrating weak implementation of international standards on anti–money laundering (AML) and the fight against terrorism financing, (Mullei, 2004; Goredema et al, 2003). In East Africa, Kenya has been placed within the FATF International Cooperation Review Group due to their failure to adapt to FATF anti-money laundering policies. South Africa is the only African active member of FATF due to its active implementation of the recommendations; Nigeria has been removed from the FATF list of non-cooperating countries in 2006 Giancarlo, (2011). According to the interim findings by institute of security studies, research project has shown a significant large scale of money laundering carried out in the region of ESAAMLG. It is estimated around $22 billion was laundered in 1998 in the region and researchers are yet to provide a current figure that portrays the nature of money laundering in the region, (Goredema et al, 2003).

Economically Kenya is regarded as the major financial centre in East Africa; it signifies the major source of money laundering and terrorist financing risk in East Africa, along with Somalia, Herman, (2009). Money laundering in Kenya has led to several offenses being committed in the country, which includes political corruption, drug trafficking, wildlife (which involves illegal exportation of both elephant and rhino tusks) and tax evasion. Money launders in East Africa use several methods to cover up their illicit proceeds, including investing in real estate, charitable trusts and foundations, casinos, bureaux de change, election finance, and remittance companies. In Tanzania, corrupt politicians have been buying luxury houses in the UK, US, Dubai, South Africa and elsewhere as a part of the way used to conceal their illicit proceeds as a result of money laundering scam, Herman, (2009). The absence of effective AML controls has made majority of developing countries vulnerable to terrorist financing, (Leong, 2007; Koker, 2006). This is a major concern, given the presence of a terrorist group and their activities in East Africa, Karlon, (2012). Al shabaab (the terrorist group) use illegal poaching of elephants, where tusks are worth nearly 3500 Tsh or nearly US$50 per kilo as part of their methods of financing their terrorist group, (Solomon, 2018; Karlon, 2012). Taking into account that trade in ivory has multiplied in recent years as the price of this commodity has increased between two and fourfold in markets throughout the globe, The Hague (2007). This is a major concern because according to The UN Monitoring Group on Somalia and Eritrea gives a clear picture of the threat that the region faces from this terrorist group, example of a recent terrorist attack by Al shabaab group in Nairobi Kenya has led to the Anti-Terror Police Unit and other state security agencies in Kenya are trailing suspicious financial transactions and illegal cash dealings for possible links to Al-Shabaab, (Solomon, 2018; Okoth, 2014). The money that is being trailed is that which is flowing out of Mombasa, Nairobi and the North-Eastern part of Kenya are suspected of financing the terrorist group in Somalia and the police are also investigating individuals who are Kenyan citizens suspected of financing the terrorists in Somalia, Okoth, (2014). The Kenyan Parliament adopted a watershed AML law in late 2009 and by April 2012, the first real steps toward Implementation were starting to take place, Ali et al, (2012). The Financial Reporting Centre (FRC) established the Financial Intelligence Unit (FIU) in Kenya as a requirement in law. The FIU was never active and independent enough to have authority to seek power independently to look for evidence from foreign financial intelligence units (FFIUs). The anti-money laundering law (AMLL) does not include the definition of terrorist financing and it does not provide for asset seizure arrangements, Ali et al, (2012). Additionally, the financial sector supervision and law enforcement authorities have been unable effectively to investigate and prosecute money laundering and terrorist financing offenses. The private sector in Kenya, including the finance sector, is anxious to see Kenya acquire an effective AML/CFT system. Law enforcement authorities are also enthusiastic, but the slow pace of implementation suggests limited political will, Ali et al (2012). Perhaps partly because money laundering currently plays a significant role in financing electoral campaigns.

Given the atmosphere of uncertainty that currently pervades Kenyan politics, elites are unwilling to foreclose financing options.

The AML/CFT landscape in Africa is different and varies according to the region's threat towards money laundering. While all African countries have established some legal provisions relating to AML/CFT, these are usually not particular stand-alone laws because; they are built into general criminal offence frameworks that raise the problem of their compatibility with serious criminal cases, Koker, (2006). The same applies to the implementation of the measures; some countries of the African countries have active Financial Intelligence Units (FIUs) i.e. South Africa, while most countries especially in East Africa are still struggling with problems regarding capacity, law enforcement and resources to cope with the expansion of money laundering. Fragile political and governmental situations in many African countries especially in East Africa have influenced the money laundering crime to a great extent and government efforts towards AML/CFT, Koker, (2006). Due to the presence of informal financial services in many countries, criminal activities may simply move away from the official financial system into less regulated and supervised ones. A good example *according to Delloite, (2013), is that Tanzanian banks have lost a sum of 34.4 billion Tanzanian shillings (Tshs) which is the result of informal financial services in the period of October 2012 to October 2013. The report also added in the same period a sum of Tshs 471 billion has been declared lost by banks in East Africa*. One significant concern regarding AML/CFT in East Africa is the costs arising from AML/CFT measures taken. These are especially hard to bear for those institutions serving the poorest parts of the population, including microfinance institutions, cooperatives and rural/agricultural banks and may hence hamper financial sector development, (Koker, 2006).

2.5.2 Money laundering criminalization and confiscation

Customarily the task of fighting against crimes focused on solving the particular crimes. Nevertheless, in the early 1990s, people who deal with fighting crimes have also wanted to prevent criminals from enjoying the proceeds of crime through paying more attention to the confiscation of proceeds of crime, (Ayogu and Agbor, 2014; Beneficiario, 2012). Recent years has seen the introduction of unusual or suspicious transaction reporting by the regulated sectors, especially the financial sectors, where the flow of money is being investigated even before a criminal offence has been detected, (OECD, 2009). In relation to compliance with money laundering based on this anti-money laundering recommendation, banking institutions have found themselves in a situation where they failed to deal with the dilemma of meeting either their responsibilities towards their customers or their duties towards the Government. According to this recommendation banks are obliged to follow particular procedures, for example; freezing customer accounts, Beneficiario, (2012). This action may directly affect their customers, while at the same time the banks still owe some duties to their customers (i.e. honour payments). The Government order to freeze an account could prove to be costly to the bank, because banks will be liable for damages suffered for breach of contract with their customers in case the call for freezing customer account was a mistake, (Alexander, 2009; Beneficiario, 2012). Further; Ayogu and Agbor, (2014), the great mobility of capital nowadays makes it even more difficult to identify and freeze or restrain stolen assets long enough to initiate the recovery process with a reasonable and fair chance of recovering them. Nevertheless, FATF encourages countries to adopt a comprehensive interpretation of the confiscation of the proceeds of crime, in agreement with the Vienna and Palermo Conventions World Bank, (2009). In the past, confiscation was largely restricted to instruments used in committing a crime, i.e. the weapon used in a murder or attack, or the subject of the crime, such as drugs involved in drug trafficking, as opposed to the proceeds resulting from such a crime. Such an approach has proved insufficient in light of the use of the proceeds made from crimes and the ease with which these proceeds can be moved globally, World Bank, (2009). Further, criminals are likely to convert specific assets to another form to avoid an order, disguising particular proceeds and transferring the converted assets beyond the borders of the jurisdiction. This is why FATF, requires countries to extend confiscation measures and related provisional measures to property laundered, proceeds from money laundering or predicate offenses, instruments used in or intended for use in the commission of these offenses, or property of corresponding value, (World Bank, 2009).

The criminalization of money laundering should be done in agreement with the United Nations Convention against Transitional organised crime of 2000 (Palermo Convention) and the United Nations Convention against illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 (Vienna Convention), Schott, (2006). The relevant facts of these conventions are Article 6 section one of the Palermo convention and Article 3 section 1 b and c of the Vienna convention. The criminalization of money laundering and terrorist financing according to the Articles is considered as the first recommendation of FATF, (FATF, 2013). Most countries all over the world have signed for these conventions, even if they are deemed insufficient to comply with the recommendation. In addition, countries are advised to comply and implement domestically the relevant articles, Schott, (2006). The Vienna convention is only focused on Drug trafficking and does not use the money laundering terminology, the three categories of offence specified in the Vienna Convention form the basis of money laundering offences, (Schott, 2006). The following are the categories of offences under the convention;

i) The transfer or the conversion of any property with a clear knowledge that the property is as a result of drug trafficking offence for the purpose of disguising and concealing its origin or providing assistance to any person involved in drug trafficking offence to equivocate the legal consequences of his or her actions.

ii) The disguise or concealment of the true, source, location, nature, movement in respect to the ownership of the property with a clear understanding that the property is the product of drug trafficking offence.

iii) Possession, acquisition or use of any property with a clear knowledge that the property derived from the drug trafficking offence.

The first two sections according to the Vienna convention are compulsory and should be incorporated into the domestic laws of the country, Schott, (2006). The third section is not mandatory, and it is subject to the country's constitutional legal system and constitutional principles, (Schott, 2006).

The Financial Action Task Force Recommendations require the criminalization of Money Laundering. The present approaches to international crime and terrorist financing aim to keep terrorists from accessing funds and make criminal activities unprofitable, (FATF, 2013). These objectives cannot be accomplished without effective confiscation and having various laws in place to help the authorities to permanently deprive criminals and terrorists of their ill-gotten proceeds. FATF encourages countries worldwide to adopt laws authorizing a comprehensive interpretation of the confiscation of proceeds of crime in accordance with the Vienna (1996) and Palermo Conventions (1988). FATF specifically advises that banking secrecy laws, or other privacy protection laws are designed in such a way that, they do not create barriers to such disclosure or seizure for these purposes, (FATF, 2013).

In today`s world, funds can now be transferred out of a country with a keystroke on a computer. Therefore, the authorities should be allowed the power to take precautionary measures for example; the authorities should be able to, seize and freeze assets that might be subject to confiscation, Schott, (2006). This authority is a necessary condition for an effective law enforcement framework for preventing the laundering of money, Schott, (2006), estimated that 37% of Africa's assets are held abroad, Fapohunda, (2002). The recommendations call on countries to adopt legislative and other measures in order to freeze, seize and confiscate criminal proceeds. The proceeds of crime represent criminal income. They are marked assets and some of those assets are the objects of the crime, i.e. the stolen funds, criminals forced to launder the proceeds to hide the origins. There is always a link between the criminal's assets and their crimes and, in the joint report to establish Stolen Assets Recovery Initiative in (2007), the United Nations office on Drugs and Crime (UNODC) and the World Bank came to the conclusion that challenges are still encountered in locating and retrieving proceeds of crime. This is particularly true where there are proceeds of corruption by political leaders are involved or where the proceeds have moved across borders, (Mendes and Oliveira, 2012; Mugarura, 2010; World Bank, 2007; Heilman and Ndumbaro, 2002). Corruption cases are difficult to prove, using direct evidence because the culprits are skilled and tricky may exploit the services, of lawyers and accountants to cover the trace of the funds. The underlying principle of this law is that a person should never become unfairly rich because of criminal conduct. Therefore, people who have gained material advantage from the commission of serious offences will be deprived of this advantage. Anyone who uses the property or allows it to be used to commit a serious offence. Will have the property forfeited, e.g. the former head of state of Nigeria, Sani Abacha, had moved illicit proceeds to Switzerland in the sum of $700 million, which in 2009 was recovered by the Nigerian government with the help of Switzerland FIU's (RALIAT, 2013).

Once the measures mentioned above are incorporated into the legislation this will empower public authorities to question the sources of wealth and to detain any assets whose acquisition is the result of crime, RALIAT, (2013). A number of studies have documented that most developing countries had long been placing assets offshore and but recently has seen a significant increase in cases of assets being laundered through the use of offshore havens, (Watts, et al, 1994; Hampton, 1994). The Anti-money laundering measures will easily fit into and will secure existing laws that target the proceeds of corruption, Goredema, (2004). In 2001 Charter House Bank reported to the central bank of Kenya, the receipt of US$25 million into the account of a company known as Crucial Properties. This notification lead to the fraud investigation unit of the central bank of Kenya, to apply for the order from the magistrate court to freeze the account, crucial properties and warrants to search the company. This enabled the unit to investigate the account. The results from the investigation unit's investigation stated that it believed that the money is the results of proceeds of a theft (Case Republic v Crucial Properties Ltd, 2001).

It is vital as part of the wider anti-money laundering measures that East African states co-operate in ensuring that assets accrued from stolen wealth is recovered by societies where the money originally came from, The Global Witness report, (2009). Asset recovery is a vital approach to the global threat of money laundering. In developing countries, corrupt leaders steal almost 40 per cent of the money meant to fund national budgets, but also 70 per cent of the population live on less than US$1 a day, Transparent International Report, (2009). These countries would have been ultimate beneficiaries of the laundered money, and moreover, are rightfully entitled to it. Organisations such as the World Bank Stolen Asset Recovery Initiative (StAR), aimed at providing technical and financial assistance to requesting nations, are thriving. While the fact that these asset recovery efforts exist is a testament to the fact that corrupt money ends up in banks through loopholes in the regulatory and enforcement system. The Global Witness report, (2009), supports these asset recovery efforts though it believes that it would be far easier, cheaper and more effective to place more emphasis on tightening up the holes in the system that allows dirty money into banks in the first place.

The major obstacles and limitations in the process of recovery of the stolen assets are thought to be the lack of enough interest shown by most of the developing countries in assisting in the process of reimbursing the recovered assets back to the countries of their origin, and also the existence of complex negotiation formalities and legal issues involved in the process, (Heggstad and Fjeldsstad, 2010; Chaikin and Sharman, 2009). The process of recovery of illicit proceeds of crime requires the cooperation of banks and other financial institutions in different countries all over the world to allow the information to be shared among the authorities and most importantly, restraining the concealment and easy movement of proceeds of crimes from one account to another undetected. Further, the investigators argue that the related banks should exchange some basic information required initially to facilitate the investigation. Also stalling or freezing the process of the money transfer, to allow their clients time to relocate their assets (Heggstad and Fjeldsstad, 2010 Goredema, 2009) concludes that effective strategies and laws to trace illicit financial flows are still inadequate in the region.

2.5.3 Preventive measures

Money laundering is difficult to uncover, investigate and prosecute, consequently allowing huge sums of ill-gotten gains to move through the international financial system without fear of the law by the money launderers. It is often found that there are insiders within a financial institution who compromise the institution`s financial system by significantly facilitating money laundering plots, Lacey and George, (2003). According to this recommendation, countries are required to modify secrecy laws to enable an effective implementation of FATF's Recommendations. Carlin and Lokanan, (2018); Otusanya and Lauwo, (2012), pointed out that money laundering cannot be avoided if there is bank secrecy. Also, to facilitate information sharing between appropriate authorities and further outline several measures or controls for financial institutions to relieve risks and prevent money laundering and terrorist financing, (Proviti, 2014; Ping, 2010). This includes having an effective customer record keeping and due diligence. According to Lanier et al, (2015), considering the difficulty of uncovering complex money laundering schemes, a bank's failure to discover a financial crime does not necessarily mean that the bank has a weak anti–money laundering program. The Under Secretary of the US Treasury Department have acknowledged, it is not possible or practical for a financial institution to detect and report every single potentially criminal transaction that flows through the institution. In most cases banks and other financial institutions fail to uncover money-laundering activities due to inappropriate measures or anti-money laundering programmes in place used to deter money launderers from using the financial institution channel, (Lanier et al, 2015; Ping, 2010).

Customer due diligence and record keeping

The Customer due diligence (CDD) procedures are designed for helping banks to understand who their customers are. In addition, demanding them to gather information through filling forms and attaching relevant documents detailing why they require banking services and what kind of job or business they do to determine whether their source of income is genuine or not Simser (2012). CCD objective is to conduct ongoing due diligence on the business relationship and enquiry of transactions undertaken during the course of that relationship, by guaranteeing that the transactions being undertaken are coherent with the institution's knowledge of the customer and the nature of their business, Nguyen, (2018). During early stages of the CDD procedure is designed in such a way as to help banks evaluate the money laundering and terrorist-financing risks connected with the anticipated business association. Banks should be able to establish the level of CDD to be applied and discourage persons from establishing any business connection, which is related to illegal activities, (FATF, 2014, Risk-Based Approach, Guidance for the Banking Sector). Additionally, according to Nguyen, (2018); Williams, (2009), "know your customer" (KYC) and "customer due diligence" (CDD) checks must continue even after the bank has accepted the client by conducting checks of transactions to, inter alia, ensure the legitimate provenance of funds being held or moved through the bank. McLaughlin and Pavelka, (2013); Geister (2008), have noted that the application of customer due diligence measures is considered as one of the most effective ways for safeguarding against money laundering activities and other financial delinquencies. This is particularly true due to a number of reasons. First and foremost, money laundering activities are considered by nature as illegal and discriminating, thus making those institutions with ineffective or weak internal controls on customer due diligence to be exclusively exposed to exploitation and to become a major target to money launderers to use such institutions for money laundering activities. If the financial institutions are not well situated to prevent and recognize the illegal activities at the beginning, the likelihood of detecting money-laundering arrangements decreases (McLaughlin and Pavelka, 2013; Geister 2008).

Recent evidence suggests that most banks are all more than willing to turn a blind eye to dirty money and do not perform enough checks to identify the beneficial owners of their customers, Global witness, (2014). The reason being that most banks stand a greater chance of making huge profits from accepting to have a business relationship with the dodgy rich customers. Despite the existence of rather strict and sound anti-money laundering laws. The potential risks faced by banks for taking tainted assets are very small, and these banks have rarely been caught and even when caught, the punishment is small compared to the magnitude of the crime. The fines may seem large to members of general public, Often, only a fraction of the bank's profits generated from such business dealings; and there is very limited, if no personal responsibility from individual bankers, Global witness, (2014). A good example; is the recent scandal involving StanBic bank in Tanzania which saw more than Tsh12 billions of public funds being laundered by political figures and other high-profile government officials with the help of the bank. In return, the bank has been fined Tshs3 billions because of such crime. When you compare the fine and the actual amount involved it shows why banks are more than willing to take such risks. The fine is only 25% of the total amount of money laundered, Daily News, (2016). This shows that the regulators need to step up their game in terms of increasing the penalties in order to discourage banks from getting involved with high risk customers and also improve customer checks before the bank decide to enter into any kind of business relationship. According to (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008), Banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border. This poses a great deal of challenges because most customers' needs are rather self-contradictory. Protection and Privacy often demands extra controls while well-organized global access demands less. Banks are motivated to assist their wealthy customers with managing their wealth irrespective of the origin of the funds, because of the nature of banking business, which makes the large customers more attractive due to their contribution towards the survival and future prosperity, (Heggstad and Fjeldsstad, 2010, Palmer, 2009). Global Witness has documented that high-ranking politicians have been helped by banks to transfer large amounts of public funds into secret or hidden offshore private accounts, (Global Witness, 1999; 2009a; 2009b). Conversely, FATF, the Basel Committee on Banking Supervision and the Offshore Group of Banking Supervisors argue that banks put themselves in a high-risk situation if KYC routines are not followed. Serious banks should therefore not engage in business transactions when the legitimate origin of the funds is unclear, (Heggstad and Fjeldsstad, 2010).

Having a comprehensive customer due diligence program is considered by banks as the most effective artillery against money launderers and terrorist financing, Otusanya et al, (2011). Effectively knowing your customers, which includes depositors and other users of bank services information, requiring appropriate identification, and always being alert to unusual or suspicious transactions can help prevent and detect money laundering and terrorist financing schemes through banks, Ping, (2010). Further having an effective due diligence system is also fundamental to help ensure compliance with suspicious activity reporting regulations. These regulations require banks to report transactions that have no apparent lawful purpose or are not the sort in which the particular customer would be expected to engage, (Ping, 2010: Office of the Comptroller of the Currency, 2002).

The UK Financial Conduct Authority, (2014), revealed serious weaknesses in the level of enhanced due diligence carried out on high-risk customers and PEPs among banks. The quality of enhanced customer due diligence has remained the weakest area for most banks. Many banks struggle to understand what, and how much, enhanced customer due diligence information they are required to collect and how they should use such information. Further, banks have shown lack of will to ask for information from prominent PEPs customers and were therefore unable to carry out adequate enhanced customer due diligence. According to Asian Development Bank, (2003), under this recommendation banks are required not to keep any anonymous accounts in apparent fabricated names. All banks are required to establish the identity of their customers on the basis of reliable or official documents and always maintain records of their customers on a frequent basis when establishing business relations or carrying out transactions, Asian Development Bank, (2003). In order to have efficient customer due diligence and record keeping. Financial institutions need to take necessary measures:

1. To verify that any person claiming to act on behalf of the customer is given, the authority and the identity of that person verified.
2. To verify the legal existence and physical look of the customer by obtaining records either from a public register or from the customer or both. Also proof of incorporation, including information concerning the customer's name, legal form, address, directors and provisions regulating the power to bind the entity.

The public confidence and the stability of the financial institutions, the customer identification and due diligence procedures, also known as Know Your Customer (KYC) rules, are part of an effective AML/CFT regime, Schott, (2006). These rules are vital for enhancing consistent, safe operation of the banks. These policies and procedures are effective tools for risk management. A good example is in situations where a given individual or corporation may own several business ventures that are seemingly separate entities and a Bank has a complete knowledge of that particular customer's business ventures by performing KYC procedures, Schott, (2006). The particular bank can limit its exposure to that borrower and thereby, it is lending risk. Because of the risk management benefits of KYC procedures, the Basel Committee on Banking Supervision incorporates a KYC policy as part of its Core Principles for Effective Banking Supervision, aside from the AML reasons, (Schott, 2006).

According to Pedro & Alessandra, (2012), most people in developing countries have limited or no access to the bank accounts. Physical closeness is one of the first challenging factors that come to mind, nevertheless sometimes, the main reason why most people in the developing world fail to have a secure place to store their saving is as simple as not having a paper that identifies or proves who they are. Banking regulations varies between countries and some countries allow banks to set their rules on what proof of identity is required when opening a bank account. According to Pedro & Alessandra, (2012), most of the banks in Tanzania have tried to overcome the problem of customer identification through accepting the use of driving licences or the letter of identification from the local government authority if an individual does not have any form of identification. Proof of residence is still an obstacle because the formal address system covers just a fraction of the entire country and so it is difficult for an individual to obtain any form of proof of address Pedro & Alessandra, (2012). These contradictions or obstacles are less likely to affect the international banks operating in Tanzania than the domestic banks, which are more inclined to serve less profitable clients, and they cannot afford to reject a customer on the grounds of lack of proper proof of ID or residence. This can have two possible effects that are all negative. Banks may be violating the KYC anti-money laundering guidelines which requires banks to have enough information about the customer in order to minimize any difficulties for the banks to account each customer`s account when the need arises. In addition, lack of proper sanctions and penalties for noncompliance with the anti-money laundering laws and standards has led to local banks in Tanzania feeling relaxed about having proper customer data, (Pedro & Alessandra, 2012).

The Basel Committee issued its Core Principles for Effective Banking Supervision in (1997) where Banking supervisors must determine that banks have adequate Practices, policies and procedures in place, including strict "know your customer" rules, that promote high ethical and professional standards in the financial sector and prevent the bank from being used; intentionally or unintentionally, by criminal elements, (Otusanya et al, 2011; Schott, 2006). There is a need to ensure that those financial institutions and all other designated non-financial institutions and professions should carry out proper customer due diligence before creating any business relationship with the customer. This includes; understanding the source of wealth and the sources of funds and finding out the information if the customer might be a politically exposed. Further, according to, Chatain, (2004) each country is required to enact laws to institute a comprehensive domestic regulatory and supervisory regime for financial institutions, including banks, in accordance with Article 7 of the Transitional Organised Crime Convention. The Financial regulatory authorities in each country are required to play a vital role in the supervision of banks and non-bank financial institutions. A regulatory and supervisory regime should guarantee that these institutions are complying with record keeping, customer identification procedures, reporting of suspicious transactions and making efforts to prevent money-laundering criminals using banks and other financial institutions for the purpose of money laundering and other unlawful transactions, (Chatain, 2004).

The failure of banks to detect money laundering through customer due diligence on the early stages, it significantly increases the possibility that the money launderers will never be caught. Secondly, lack of complex customer due diligence policies in tackling money laundering, signifies the failure of the financial institutions to keep pace with the increasingly dynamic and complex environment in which they function, thus increasing the likelihood for money laundering activities to flourish in such financial institutions, McLaughlin and Pavelka, (2013). Historically, money launderers have injected dirty money into legitimate financial institutions using common means such as the cash bank deposits. In today`s world due to the advancement of technology in the banking system, other less evident means such as loaded credit cards are increasingly used by money launderers to avoid detection. The main ways to deal with such developments is to ensure that customer due diligence is well enforced and compel financial institutions to report any large and suspicious monetary transactions and to flag them to authorities (McLaughlin and Pavelka, 2013; McLaughlin et al, 2010).

In order to have effective KYC programs, they must take into account new money laundering and financial crime threats brought about due to the advancement in technologies Deloitte, (2015). Given this dynamic, the regulatory difficulty is to create more mature KYC programs. Guaranteeing against costly regulatory actions, a national security threat, reputational risk, and shareholder lawsuits, financial institutions should allocate the resources necessary to improve their KYC and AML programs. Optimizing a KYC program can be a complex task, but the seven dimensions, necessary characteristics, vulnerabilities and action steps, and key considerations outlined in this paper are designed to suggest a path forward, (Deloitte, 2015).

2.5.4 Politically exposed persons

Defined by FATF as “Individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. Otusanya and Lauwo, (2012), provided some evidence for the involvement of politically exposed persons in exploiting the weak financial infrastructures that exists in developing countries, to launder their money to offshore centres using the professionals and financial institutions. It has been noted that most corrupt PEPs have certain advantage when it comes to laundering of their funds that is not available to other ordinary money launderers, Lishan, (2013). The PEPs illegal conduct of laundering proceeds of crime is mainly motivated by greed or a desire for increased power within the position he/she holds. He/she seeks to remove funds from public or business sectors for personal benefit. In the case of PEPs from unstable countries such as the East African countries, they look to move their proceeds of crime to another location where they will be safer, (FATF Report, 2010). Further, it has been argued that poverty and lack of education can be seen as an opportunity for politicians to enrich themselves, (Markovska and Adams, 2015; Omekwu, 2006; Olagoke, 2004).

According to the United Nations Office of Drug and Crime and the World Bank (2007), it was estimated that the corrupt money received by public of officials in developing and transition countries ranges from \$20 to 40bn per year, a figure equivalent to the annual gross domestic product of the world’s 12 poorest countries, Chhina, (2017). Over the last 25 years, the whole world has become aware on how corrupt politically exposed Persons “PEPs” have been utterly abusive of the national resources, and several scandals have been unfolded involving PEPs, which involves looting of state assets, giving and accepting of bribes and corruption, (Mugarura, 2010; Theodore et al, 2009; Heilman and Ndumbaro, 2002). They use their powers to access domestic and international financial systems to launder their proceeds, (Mendes and Oliveira, 2012; Mugarura, 2010; Theodore et al, 2009). Public assets stolen by prominent public office holders, commonly referred to as “grand corruption” are commonly laundered through financial institutions, particularly through banks. Efforts to estimate the sums of money laundered by PEPs is hampered by the fact that it is considered as the most hidden crime due to the nature of people involved. The overall information that is available on corruption and bribery offenses help to give a glimpse of the order of magnitude and according to the World Bank estimates there are more than $1 trillion paid in bribes each year. The proceeds of corruption laundered from developing countries alone range from $20-$40 billion per calendar year. This is equivalent to the Gross Domestic Product (GDP) of 12 of the world’s poorest countries with more than 240 million people, (Mendes and Oliveira, 2012; Theodore et al, 2009). Further, according to Levi, (2013). Huge sums of money are often reported as laundered by public officials, especially in Africa. Nevertheless, only a fraction of the money laundered was detected in the overseas accounts and an even smaller amount recovered. This indicates that money laundering is a problem in the continent and urgent efforts are required in order to neutralize the situation. The main reason why this problem is increasingly becoming a threat in Africa is due to the fact that most of the financial institutions, especially the banks, simply feel intimidated or owe loyalty to their country`s political leaders. These are from the same ethnic group which may benefit from the “trickle down’ symbolized by the title of Wrong (2009)’s book it’s Our Turn to Eat” cited by Levi, (2013). The Global Witness report, (2009); shows that available evidence leads to one clear conclusion and that is the banks have in one way or another conducted business with high profile customers famously known as “PEPs” who might be involved in some way with the capture of the state's resource revenues. This casts immediate doubt over the bank's ethical decision-making.

While the international anti-money laundering laws and regulations can be useful in bringing high profile political figures to be held accountable for money laundering acts, Chaikin, (2010), this situation is unrealistic based on domestic anti-money laundering regulations in East Africa. The institutions involved in implementing anti-money laundering regulations domestically might be under pressure due to the powers possessed by PEPs, Pedro & Alessandra, (2012). Efforts to establish effective anti-money laundering regulations were/ are delayed and compromised by these people. "Slow progress in the region is not only about lack of resources, but also lack of will to institute a functioning system", ESAAMLG, (2009).

Major financial scandals have broken out in East Africa without resulting in any sort of prosecutions or other legal actions taken as a result of the allegations. For example, the former prime minister of Tanzania, Edward Lowassa, resigned in Feb 2008 after the parliamentary Committee carried out an investigation which at the end showed that he was involved in the bidding for an electricity contract which was awarded to the Texas based Richmond Development Company (RDC). According to the findings the parliamentary committee came up with the contract costs Tanzania's taxpayers approximately $140,000 a day in terms of payments remitted to RDC. Further, the findings also revealed that the company had no legal registration neither in US nor in Tanzania at the signing of the contract back in 2006. Moreover, the company had no expertise or experience to execute the power generation project in Tanzania. After he resigned, no case was brought against him or legal action taken up to this moment (BBC News, 2008). In another case, a recent scandal broke when there was a parliamentary debate on the disappearance of more than $200 million from the central bank of Tanzania. In addition, according to the investigations, the money was wired to several accounts in the local banks and several high profile political individuals were involved in this scandal.

Was it the fault of the Central bank personnel whom would have prevented money laundered from the bank? Not necessarily, it may be because of the influence of politically exposed persons that simplified the transfer of the money without any questions asked. It is difficult to answer these questions because in end no action taken against these political figures, (Athuman, 2015). Similar cases have also been experienced in Kenya, The Kroll Report, (2011), has also suggested that relatives and other close associates of former President Moi siphoned off more than $1.8 billions of governments money into banks abroad. The government decided to ignore the allegations. The Charterhouse Bank scandal involved prominent businesspersons and politicians, but none have been prosecuted or had their accounts frozen amid allegations of massive tax evasion, fraud, and money laundering, including massive transfers into different accounts abroad, (Kroll Report, 2011).

The fact that prominent businesspersons and politicians involved in money laundering appear to enjoy immunity and have not been called to account for fleecing and laundering billions of dollars in the region thus undermines the economy and international integrity, Choo, (2008). Illegal acts in East Africa are so embedded that having tough legislation that curbs money laundering could impose a heavy cost on the East African economy that might hamper its growth. Corruption in government and private sectors, cross border money transfers, tax evasion and funds from undisclosed sources, plays an important role in damaging the economy of East Africa. Choo, (2008), has argued that customer due diligence measure may be inefficient when it comes to political exposed persons as most financial transactions, even business relationships are regarded to be of high risk to money laundering, hence a great deal of enquiry or examination is required before making any financial transactions or building relationships with such people.

Money laundering activities carried out by PEPs have been going on for such a long time that citizens question why these people are not criminalized up to this moment. Apart from banks conducting customer due diligence it is advised that financial institutions should ensure that they have more appropriate management system that can be used to determine whether a customer is PEPs. Senior management should be contacted in order to approve to establish any form of relationship or conduct a financial transaction with such individuals and make further enquiries to ensure that the sources of wealth and funds for such individuals are clearly known (Choo, 2008. Pg375). Ndikumana and Boyce, (2008), have further stressed the impact of money laundering in Africa that has resulted in the continent being a creditor to the developing countries. A few greedy individuals have caused the majority of people to suffer. That some of the funds laundered in the region are used to finance terrorist groups' e. g. Al-Shabaab in Somalia is due to the amount of wealth laundering. It is a high time these politically exposed people take responsibilities for their actions, and various law enforcement bodies should make sure that no matter the status of a person, actions are taken in order to save the Economy of East Africa.

PEPs are considered as high risk in today's regulatory environment. In East Africa because of their political powers they have easy access to those who have the powers and influence over the banking institutions. If the PEPs chose to abuse their powers they can accept bribes, embezzle money, or even receive kickbacks and may use their powers to disguise their proceeds, Walker and Unger (2009), Hitesh and Bharat, (2012). Many PEPs in developing countries such as East African countries accumulate their wealth through illegal means and use their status as a means to move their proceeds across the border through the banking systems. Most banking institutions are currently taking PEPs to be of higher risk and they are required to apply enhanced due diligence to the accounts and transactions associated with these people. Financial institutions are faced with a tough challenge with regards to maintaining proper checks and risk-based procedures while dealing with PEPs.

According to an investigation conducted by FSA, (2011); have indicated that at least a third of banks investigated the management of customer due diligence records deemed insufficient and some of the banks were unable to give a summary of their high-risk or PEP relationships easily. This show how seriously impeded these banks are in terms of their ability to assess money-laundering risks on a continuous basis. Moreover, nearly half the banks failed to review high-risk customers or PEP relationships regularly. The reason being that the relevant review forms often contained recycled information used year after year without conducting any reviews. This leads to one conclusion that these banks are not taking their obligation to conduct enhanced monitoring of PEP relationships seriously and that's why as days goes by more and more banks are being fined millions of monies for their failure to fully implement the required anti-money laundering guidelines.

2.5.5 Terrorist financing and financing of proliferation

A further factor which accounts for the increased focus on money laundering and its regulation is the current surge of international terrorism activities, Chong and Lopez-de-silanes, (2015). Terrorists are not really troubled with disguising the origin of their money, yet, they are more concerned with disguising its destination and the purpose for collected the funds collected. Terrorists and terrorist organizations therefore employ techniques similar to those used by money launderers to hide their money, O'Halloran et al, (2018). Terrorists use the formal financial system as channel for financing of terrorism due to its variety services and products by which terrorists can move their funds, and due to the "speed and ease" with which funds can be transferred "efficiently and effectively between and within countries" (Tofangsaz, 2015; Runder, 2010). Financial institutions face a great task in identifying patterns that would differentiate terrorist criminals from other legitimate clients, especially in the context of billions of transactions being conducted, Simser, (2011). According to Brandon, (2011), there has been a common misunderstanding in regard to the issue of terrorist financing on what it usually looks like and what is done in reality and academics and the media have done very little to provide an insight on this issue. When an average person is asked to explain the true meaning of terrorist financing through an example, their typical answer might be: “It involves the transfer of funds to a terrorist’s bank account, which are then used to carry out deadly attacks.” Brandon, (2011). Terrorist financing is a complex issue, this is due to the fact that some of their money might originate from legitimate sources, mixed with illicit proceeds, making the process of detection even more difficult, Leong, (2007). The terrorist-related money laundering process is sometimes acknowledged as “reverse money laundering” which means to the use of “clean” money for “dirty” ends (Leong, 2007; Graham et al., 2003; Cassella, 2003; Aufhauser, 2003). While the distinct acts of terrorism are definitely among the possible activities conducted through terrorist financing, these activities are occasional and though they inflict serious harm to properties and innocent people nevertheless, the groups behind such despicable acts must have some money available to finance their day-to-day activities, (Brandon, 2011; Leong, 2007). The overhead costs for things such as training, food, transportation; rent, etc. sum up a significantly larger portion of terrorist organizations’ operating costs than the amount used to carry out the actual terrorist acts. Without the availability of enough financial resources to cover their daily operating expenses, the terrorist group’s continued existence, not to mention its ability to carry out attacks, would be in great danger. That is to say, the large portion of funds raised and sent to terrorist groups are used to finance their own personal needs and not to carry out terrorist acts. It is clearly a difficult task detecting and prohibiting the flow of funds to terrorist groups and represents just one of the many challenges of combating terrorist financing especially among the financial institutions, specifically the banking sector, (Brandon, 2011). It has been debated that drying out the monetary flow from terrorist financers to terrorist groups can fundamentally hinder terrorist abilities to conduct attacks (Tofangsaz, 2015; Krieger and Meierrieks, 2011).

Irwin and Slay, (2010), make an important point that not all terrorism financing comes from illegal means i.e. black market, human and drug trafficking etc. Significant terrorist funds raised through legitimate businesses, fund raising efforts and donations that make the task of identifying the funds intended for such criminal organisations difficult to trace especially by banks through which most of these funds are believed to pass. The current trick of following the money trail is a sound counter-terrorism tactic, Irwin and Slay, (2010), Croissant, and Barlow, (2007). Following the money trail can help to identify donors, intermediaries, recipient cells, and their members, which can help to curb and put an end to this growing crime. Though, there is no significant evidence to suggest that cutting and destroying the money channels of the terrorists' groups would likely put them out of business however, (Irwin and Slay, (2010), Nacos, (2008) and Bosworth-Davies, (2007), all maintain that, "in order for these groups to support themselves, operate training facilities, acquire weapons, and travel, terrorists need substantial financial resources to cover all these costs".

The process of channelling of funds to finance terrorist activities often takes place via formal financial institutions. Nevertheless, informal financial networks are also commonly proffered means of channelling of illicit proceeds especially in East Africa where the cash-based economy is still widely embraced. These are systems where formal rules and guidelines required in the medium of exchange are not adhered to; (Heggstad and Fjeldsstad, 2010, Passas, 2003, 2006). Further, the preferred means of transfer of illicit proceeds of crime to finance terrorist activities is using underground (hawala) banking system used for legal transfers between countries. According to Kochan, (2005), the significance of the role of banks in the war against terrorism especially terrorism financing could not have been explained more clearly than by George W Bush, shortly after September 11th, 2001 terrorist attack. He said, "We're putting banks and financial institutions around the world on notice, we will work with their governments and ask them to freeze or block the terrorist ability to access funds." Kochan, (2005). The message was clear: banks were given the responsibility to be in the front line as government agents on war on terror and terrorist financing. Nevertheless, years later, a draft report on the financial institutions' success on the war on terror can be prepared and the results are not looking very promising due to the number of high profile cases and fines that have fallen upon the financial community, Kochan, (2005). Moreover, terrorists have developed an understanding on the way anti-money laundering systems operate and how to bypass them. Still the question remains as to whether the financial institutions have understood the terrorists and developed a financial system that understands terrorists enough to monitor and finally confiscate their money, (Whitlock 2008, Brzoska, 2009). The September 11th attack undeniably triggered a massive clampdown on loose practices especially among the banks. This resulted in the strengthening of internal controls on customers, and identity checks imposed routinely for new customers and determining their source of income. Financial institutions and Banks have invested heavily, contracting large numbers of anti-money laundering (AML) professionals to work hand in hand to curb this ever-growing threat, (Kochan, 2005).

The aftermath of the September 11th terrorist attacks, led to the introduction of Financial Action Task Force's Special Recommendations on Terrorist Financing, aimed at intercepting financial flows towards the terrorist organisations. Later it extended into international framework and became part of the FATF`s special anti-money laundering recommendation, aimed at fighting money laundering and terrorist financing, (Matsuoka, 2018; Krieger and Meierrieks, 2011). The FATF Surveillance Survey, (2009), has indicated that globally, the physical movement of cash within jurisdictions and the cash smuggling across the borders are constantly used to move the proceeds of crime and play an important role in financing of terrorism. As more AML/CFT controls have been placed on the financial sector in recent years, criminals look at different means to move their illicit proceeds intended to finance such a criminal act, FATF Report, (2010). The table below shows some examples of terrorist attacks and the estimated costs incurred to undertake such acts,

Table 3 showing the summary of estimated costs of terrorist attacks both in East Africa and of the rest of the world

Location of the attack	Year of the Attack	Estimated costs
US embassy bombings in Kenya and Tanzania	1998	$30,000- $70,000
9/11 attacks in New York and Washington	2001	$400,000- $600,000
7/7 attacks in London	2005	15,000-17,000

Sources; Krieger and Meierrieks, (2011), Whitlock (2008), Brzoska, (2009).

The terrorist attacks completely transformed the scope of AML measures of every country and of the FATF, Matsuoka, (2018). The United Nations Global Counter-Terrorism Strategy (General Assembly resolution 60/288), adopted according to the agreement by all Member States on 8 September 2006, highlighted the importance of addressing the financing of terrorism and the need for Member States to implement comprehensive measures that meet all international standards, (The United Nations Counter-Terrorism Implementation Task Force, 2009). According to this recommendation, it requires countries to criminalize the financing of terrorists' acts, terrorism and terrorist organisations regardless of whether the funds were obtained legally or illegally. Each country in the world is required to implement measures that freeze the funds or any other assets of terrorists or those who finance terrorist organisations in accordance to the UN declarations. Further, it requires countries to take actions that authorises the competent authorities in a country to confiscate and seize any property that were obtained as a result of or used in financing terrorism acts, Schott, (2006). According to Kumar and Campbell, (2009), based on Sheik Saeed, one of the top key al Qaeda leaders in Afghanistan, was asked in an interview in May 2007 “What are the most important needs of a successful Jihad in Afghanistan?” His response was that, “the most important need is money, and added that there are hundreds wishing to carry out martyrdom seeking operations, but they can’t find the funds to equip themselves”. This response has revealed the main significance of financing terrorist operations. The money is required to carry out a terrorist operation is directed to training camps, weapons, travel and propaganda, (Kumar and Campbell, 2009).

Detecting suspicious transactions that may be suggestive of terrorist financing activity is a relatively new and difficult task. Traditionally, anti-money laundering programs have focused on large, suspicious cash and non-cash transactions, both domestic and international, (Office of the Controller of the Currency, 2002). Terrorist financing may also involve smaller amounts that enter the country, and the funds often be utilized in a usual retail consumer way. The risk imposed by terrorist financing may exist in a variety of bank products and services. The danger of terrorist financing activity may be higher in larger institutions and domestic branches of foreign banks, because of the international nature of their businesses and size and breadth of their international branch and affiliate networks, (Office of the Controller of the Currency, 2002). In most countries in the world, money laundering and terrorist financing has raised a significant concern with regard to detection, prosecution and prevention. The sophisticated techniques that are used by money launderers and financing terrorism has added a new dimension in the complexity of the money laundering issues IMF, (2015). The sophisticated techniques used by money launderers involve the use of various financial institutions. Achieved through several financial transactions, made through different institutions and other entities such as shell corporations and financial advisors, these seem to be the main tools for concealing the money laundering proceeds, by aiding the transfer of funds to different countries. Money laundering and terrorist financing frequently exhibit similar transactional features and the most common one is the concealment of illicit proceeds. Money launderers often inject illicit proceeds through legal channels in order to conceal their origin. A similar story can be told about terrorism financing where those who finance terrorist activities always conceal the origin of legal or illicit proceeds in order to prevent the authorities from tracing the source, (IMF, 2015).

FATF has not specifically defined the term of terrorism financing. Though, it has emphasised to countries that they have to comply and implement the UN international convention in 1999, in the process of fighting against terrorism financing, Moshi, (2007). The international convention for suppression of financing of terrorism which was first drafted in 1999 and came into force late 2002 requires countries to criminalize any act which involves financing of terrorism and terrorist groups and the convention also put into force some provisions concerning the role of financial institutions in reporting and detecting any terrorism financing.

International Convention for suppression of financing of terrorism (The SFT Convention, 1999)

This convention requires countries all over the world to criminalize terrorist organisations and any terrorist acts. This applies to the offence of complicity or direct involvement in unlawful and international collection or provision of funds to terrorists. This may be either actual or attempted, with knowledge or intention that part or all of the money or funds used in carrying out terrorist offences, as described by the convention or act intended to cause serious bodily harm or death to any person or a group of people. This convention requires each country to adopt appropriate measures in accordance with their domestic legal principles for detecting and freezing any funds that are intended for terrorist offences, (World Bank, 2009).

The East African region is considered as the most vulnerable when it comes to terrorism in Africa, Bashir, (2007). The reason why money laundering and terrorist financing are major concerns for the international economic community is because it may threaten the integrity of global financial institutions and add more risks to financial transactions, Kumar and Campbell, (2009). East African countries have been victims of various terrorist acts, these acts have been carried out against the country's nationals for an internal cause or they have focused on extra-national or extra-regional targets, such as the targets allocated by the Western countries in the region (Rosand and Ipe, 2009).

Terrorism financing is much more difficult to detect compared to other common money laundering activities, Goredema et al, (2003). Terrorism financing often involves clean money that is used to finance illegal activities such as the acts of terrorism. In addition, terrorist financiers transfer funds through sophisticated means; this is beyond the use of traditional bank methods and the use of wire transfers (still the most preferred method). They also use other methods such as investing in securities and the movement of money through related transactions, which is difficult to detect, Goredema et al, (2003). Financial institutions that have any suspicions or reasonable grounds to suspect that funds or moneys are linked or in any way related to, or are to be used for terrorism, terrorist acts or by terrorist organizations should report them straight away to the competent authorities, (Schott, 2006)

2.5.6 Transparency of legal persons and arrangements

Money laundering is continuously becoming a serious global threat. The countries flooded with illicit funds are more vulnerable than ever, to the breakdown of the rule of law, the corruption of public officials, and weakening of their economies, (Bureau for International Narcotics and Law Enforcement Affairs, 2015; Heilman and Ndumbaro, 2002). The emergence and the development of new technology and the prospect of linkages among illegal activities that generate considerable proceeds, transnational criminal organizations, and the funding of terrorist groups only aggravate the challenges faced by the financial, law enforcement, supervisory, legal, and intelligence communities, (Bureau for International Narcotics and Law Enforcement Affairs, 2015). According to, FATF Report, (2013), criminals would seek out the participation of legal professionals in their money laundering plots. Occasionally, legal professionals are involved in completing certain transactions also access specialised legal and notary skills and services that could be of great assistance in laundering the proceeds of crime and in the financing of terrorism. Although not all legal professionals are actively concerned in providing these legitimate legal services that may be abused by money laundering criminals, the use of legal professionals to provide a layer of decency to the client's activity, and access to the legal professional's client account, is attractive to criminals, (FATF Report, 2013). Often Money laundering occurs through corporate entities or "legal persons." According to FATF legal persons is defined as any "bodies corporate, foundations, partnerships, or associations, or any similar bodies that can establish a permanent customer relationship with a financial institution or otherwise own property", World Bank, (2009). The perception of a legal person or corporate liability for crimes varies significantly among different countries; FATF recommends that, all related entities should be subject to criminal liability. In the alternative, significant civil or administrative sanctions could be a sufficient substitute in cases where the legal or constitutional framework does not subject corporations to criminal liability. Any measures taken against the legal person should not preclude criminal action against individual officers, employees, agents, or representatives of the legal entity, (World Bank, 2009).

This recommendation provides proper guidance on measures that are supposed to be taken in order to prevent the misuse of legal persons or legal arrangements i.e. trusts for money laundering and terrorist financing, including bearer shares or bearer share warrants, by facilitating the collection of and access to beneficial ownership and control information, Proviti, (2014). FATF Recommendations require all countries to ensure that there is no unlawful use of legal persons and arrangement by the money launderers. By ensuring that there is adequate accurate information on the beneficial ownership and control of funds, skilled individuals who are engaged in illegal activities and have a strong incentive to cover their identity. One of the ways to do this is to launder money through hiding behind corporate vehicles or other legal structures, which includes partnerships, limited liability companies and trusts. Major corruption cases that have occurred in different developing countries especially East Africa indicates that the misuse of corporate vehicles to hide ownership or to disguise illegal activities is increasing (Star, 2011; FATF, 2006b). The practice of using client accounts is one of the most important services that lawyers can provide to money launderers to launder their dirty proceeds. The reason being, it is quite easier for money laundering criminals to introduce funds into the banking system through an intermediary such as a lawyer. The lawyers may receive cash deposits on account, issue or cash cheques, which assist them with the purchase or sale of stock and send or receive international funds transfers. Lawyers may also provide advice on how to avoid leaving a money trail, or how to avoid raising any suspicions in the institutions through which funds go through, (Crime and misconduct commission, 2005).

Criminals rely on a variety of legal structures to conceal the proceeds of their crimes, but transparency by those legal entities helps to create difficultly for criminals to conceal their identities or hide their assets behind legal persons and arrangements, (Van der Does de Willebois et al.. 2011). FATF anti-money laundering recommendations require the existence of reliable information about the beneficial ownership and control of trusts, companies and other legal persons or arrangements. The recommendations also contain tougher requirements that are used for electronic funds transfers to reduce the loophole of transferring illicit proceeds abroad. The above measures will help to increase transparency to a greater extent for the ownership and control of legal persons and legal arrangements and parties to electronic funds transfers and this will strengthen global anti-money laundering efforts (FATF Annual Report 2011/ 2012). Hence, East Africa Member countries are required to adopt various measures that will help in preventing unlawful use of legal persons by the culprits of money laundering. By recognising that preventing the misuse of legal persons is a core element of the fight against money laundering in East Africa member countries. Nobanee, and Ellili, (2018), stressed that in order to combat money laundering more effectively and efficiently, the responsibility should not be shouldered by the government alone, but there should be a solid establishment of AML awareness. Another example of corporate vehicles used by money launderers apart from lawyers, are auditors and accountants, (Crime and misconduct commission, 2005). These professionals may use their expertise (on banking procedures, sophisticated international financial instruments, investments, company structures, trusts etc.) to advise criminals how to launder their money; or the professional advisers may arrange paperwork and conduct illicit transactions themselves, (Crime and misconduct commission, 2005). A good example, for illustration, is the case connected to the Kenyan auditor Peter Odhiambo who managed to expose billions of Kenyan shillings that were the results of tax evasion and money laundering at his former employer Charterhouse Bank, where he used to work as an internal auditor of the Bank. Another money laundering case involved a group of major companies partly owned by one of the famous businessperson John Mwau and Member of Kenyan parliament William Kabogo. On 20th July 2003, Odhiambo briefed the law enforcement agency on the details of the crime that came to his attention and revealed that he had received several death threats and a frightening attempt by some of the Kenyan police officers who even issued out a bogus warrant of his arrest. The people involved in the in the scandal are dangerous and have a huge influence and protection from the Government of Kenya, (Kenya Stockholm Blog, 2011). This case shows that the legal personal have a challenge in upholding the law. East African Countries should consider measures that facilitate access to beneficial ownership and control information for financial institutions undertaking the requirements set out in Recommendation 5. This recommendation states that; financial institutions or designated non-financial businesses and professions should take actions to implement the anti-money laundering recommendations. These references require countries to take measures that will oblige financial institutions or designated non-financial businesses and professions to comply with each recommendation (FATF, 2004).

2.5.7 Powers and responsibilities of competent authorities and other institutional measures

Money laundering has a significant impact on the economy of East Africa and it hinders the economic development of the countries in the region. The issue of money laundering and the finance of terrorism has weakened most of the banks and other financial institutions and has threatened the reputation of the financial sectors in the region, (Verhage, 2009; Brent, 2002). Nonetheless, supervision has a strong role to play in improving the banking culture. Supervision is not regulation, which is rule making and which has a limited role in the area of values, conduct, and culture. The Supervisory Function and organisations need adequate resources to perform the monitoring role, (Furguson et al, 2015). An investigation conducted by FSA, (2011); indicated that in some banks money-laundering risk seems to be treated as just a simple regulatory risk issue. Moreover, most of the senior management seem eager to take on extremely high-risk customers because they deemed to be profitable and contribute to the survival of the bank, especially in today's world where there is a great deal of competition among financial services, FSA, (2011). Banks investigating money-laundering risks had given as much weight to the investigations as they are supposed to then it might be a different story. A clear bill of health tends to be given as long as the credit risk is within risk tolerance and the business relationship between the customer and the bank is likely to be profitable, regardless of the nature of the customer or business involved. Banks tend to focus only on regulatory, reputational, and credit risks rather than money-laundering risk which is unfavourable to banks' understanding and successfully managing their money-laundering risk, (FSA, 2011).

Kimani (2011), many bank officials tend to rely on the belief that people are honest and cannot commit any financial crime. Biegelman, (2009) has acknowledged that identity theft is one of the fast-growing financial crimes in the world, so banks in East Africa should stop making assumptions about people just because they are famous in order to reduce the increasing growth of money laundering in the region.

According to Gladwell, (2013) audits and investigations covering the period 1999 – 2006 that was conducted on the Charterhouse Bank in Kenya indicated that; the bank had violated the central bank of Kenya rule of know your customer (KYC) procedures. Over 80 percent of its customer accounts were missing basic details such as the customer's name, addresses, ID photo, or signature cards, Gladwell, (2013). This increases the loophole for money launders to do their job well and leads to the continuing increase in financial crimes in East Africa. In terms of the governance of finance and banking, Williams Wechsler, former Special Adviser to the Secretary of the US Treasury, has argued that having weak banking systems and poor supervision are the main growing threat to any country`s interests, Williams, (2001), not only in terms of their contribution to financial crises but also in terms of the problems and challenges that global financial abuses present to law enforcement agencies and the national security in general, Williams, (2001). The Basel committee on banking supervision, formed in 1974, states that the main purpose of the committee is to ensure prudential supervision of banking. This committee has no formal intentional supervisory authority of force of law; still, it formulates broad supervisory guidelines, standards and recommendations on best practices on a wide range of supervisory issues in banking institutions. The Basel committee issued a statement on prevention of criminal use of the banking system for the purpose of money maundering in 1988, this statement outlines the basic principles and procedures that bank managements should ensure they are in place to succeed in crushing money laundering through the banking system, both domestically and internationally, (Schott, 2006).

Apart from having KYC procedures and other banking policies in place, countries and competent authorities are urged to take into consideration the need to have an effective supervision of all bodies regulated and controlled under the AML/CFT requirements, Otusanya et al, (2011). Further, this will render some support in providing an equal playing field for all the banking service providers and help the banks to avoid higher risk activities and possibly shift the risk to other institutions with inadequate or insufficient supervision, (FATF, 2014, Risk-Based Approach, Guidance for The Banking Sector).

2.5.8 Operational and Law Enforcement

The increasing incidents of the abuse of the financial system for illegal activities, such as money laundering and terrorist financing, is increasingly a growing concern for the government agencies and the law enforcement agencies all around the world, Rees, 2010). This apprehension has resulted in significant international and academic debates concerning the issue of finding the right balance between the two conflicting priorities, which are; to safeguard the financial system and ensuring it remains easily accessible, (Rees, 2010).

The efforts of tackling ‘dirty money’ are mostly reliant on cooperation between law enforcement and various financial professionals, (Godefroy et al, 2011; Otusanya et al, 2011). Moreover, the existence of a weak legal system and political dishonesty remains a significant issue in developing countries especially in the war against money laundering, Godefroy et al, (2011). By using laundered money, delinquents try to influence the weak regulatory administration of these developing countries, i.e. East African countries. It is not always easy for the developing country's financial institutions to conduct appropriate checks and take legal actions against all the fabricated transactions, if they are not having full support by the regulatory authorities' example; legal system, central bank and government administrations, etc. Consequently, even though there are in existence rules and regulations, challenges remain in implementing these rules and regulations by the financial institutions in developing countries, Shawgat, (2011). Although the legal system in many countries all over the world provides a strict non- secret outer structure in which the financial institutions must function, such institutions continue to operate as either aware or unaware accomplices in illegal money laundering activities. Further, management within the financial institutions sometimes overlooks apparent signals of the possible illegal source of deposits of huge sums of money from their customers in order improve their profit margins in the expense of reporting such illegal transaction, (Lacey and George,2003).

FIU (Financial Intelligent Units) must have "sufficient operational independence and autonomy to ensure that it is free from undue influence or interference". FATF, (2006). A good example; is when FIU might be subject to undue influence by more powerful (and corrupt) officials rendering it open to charges of abuse of function, FATF Report, (2010). According to Schott, (2006), each country is required to provide some effective mechanisms which are put into place in order to help the policy makers, the law enforcement authorities, FIU`s and other relevant authorities to corporate with one another under the country`s enforcement systems and laws. This requirement further extends into coordination and implementation of various anti-money laundering and terrorist financing policies. This recommendation ideally emphasises that country's laws and policies should be conducive to and encourage cooperation among competent authorities as well as facilitating coordination among them. Most importantly, a country's laws and mechanisms should not be barring or restricting such cooperative efforts. The financial intelligence units (FIU's) are agencies that are established for the aim in dealing with reports of suspicious transactions that are made by people, financial institutions and other entities, which are then analysed and publicized to the local law-enforcement agencies and foreign FIUs in order to take further actions against the party involved, Musonda and Muhammed, (2012). Most of FIU's are independent organisations that are formed or established by the government for the purpose of combating all financial related crimes especially money laundering. The FIU initially came into existence in Tanzania, in September 2007, operating under a certain department in the ministry of finance, Ministry of Finance, (2012). While the Kenyan financial intelligence unit also known as the financial reporting centre (FRC) was established under the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA) and came into operation on 28th June 2010, Laws of Kenya (2012).

Presently there is no financial intelligence unit in Uganda, but The Ugandan authorities are waiting to enact their financial intelligence unit after the approval of the Anti-Money Laundering Bill, No. 13 of 2009, by the Ugandan parliament, IBA anti-money laundering forum (2013). Kenya is the only country in East Africa that is currently under FATF's watch list due to its weak anti-money-laundering laws and enforcement policies, Irungu, (2012). For East African countries to accomplish their goals of minimizing the risk of money laundering, the FIU's have a tough role to play and the governments have to make sure that there are enough resources to aid the units. This will give a major boost towards the success of any Anti-Money Laundering (AML) reporting system. The success will depend on the authority that is enforcing the system. Due to corruption being at the heart of all activities in East Africa, member countries face a major challenge to ensure the implementation of money laundering regulations, (Irungu, 2012).

The difficulty in combating money laundering originates from the information asymmetry in principal-agent relationships between the State (the principal) (charged with implementing the fight against money laundering) and the financial sector (the agent), because it is the only entity that has the data on illegal transactions, Thony, (2000). The struggle lies in the fact that the authorities responsible for implementing policies to combat money laundering, have the authority to act but do not have reliable access to information that would allow them to act, Thony, (2000). The international standards to combat money laundering and terrorist financing provide that the supervisory body responsible for anti-money laundering in the jurisdiction should have enough powers to monitor and ensure proper compliance by banks which includes the authority to be able to compel the banks to produce any information which is relevant in monitoring compliance. To fulfil this obligation, the supervisory body must have free access to complete bank information. The supervisor must not be obstructed by any kind of bank secrecy laws that could limit any access to relevant information (Chatain et al, 2009).

According to Paragraph 14 of Article 16 of the Transitional Organised Crime, convention provides the protection against the extradition of any person for the sole purpose of prosecuting or punishing the person because of his/her "political opinions". Nevertheless, such safeguard should also be applicable only when the requested country has "considerable evidence" for believing that, that is the case, and should not be misused, taking into account the gravity of economic crime which causes or risks causing substantial loss to a country. Haynes, (2004). Further, each country should be able to afford to one another the measure of mutual legal assistance in investigations, prosecutions and judicial proceedings in relation to economic crime including money laundering in accordance with Paragraph 1 of Article 18 of the Transitional Organised Crime convention. Each state is required to take into consideration the possibility of concluding bilateral or multilateral agreements or arrangements as provided in Paragraph 30 of this Article, FSA, (2006). In a case where a country does not have such agreements or arrangements, the law enforcement authorities of that country should attempt to explore all possible measures, including using diplomatic channels, to request and obtain assistance from a foreign country in relation to money laundering investigations, (Gill and Taylor, 2004).

According to Furguson et al, (2015), the current disciplinary list of the judiciary and regulatory authorities and the relentless political pressure are unlikely to diminish unless there are demonstrable improvements in overall conduct and culture. This is particularly true because without looking at and improving the existing customs and culture in the organisation, it is difficult for the law enforcement to work effectively to eradicate money laundering especially in the banking sector.

2.5.9 International cooperation

International cooperation and national strategies to address money laundering are challenged because countries have different legal description of specific acts such as money laundering, Schlenther, (2013). The international community has acted on many fronts to respond to the growing complexity and the international nature of rapidly evolving methods of laundering money and financing terrorism. The main emphasis is to promote international cooperation and establishing a coordinated and effective international AML/AFT regime, (Moshi, 2007, Ping, 2010). Money laundering is considered as a worldwide activity. Criminals have embraced the 21st-century global economy rather more effectively and quicker than governments and lawmakers have. Most countries still think of money laundering problems in a national perspective rather than international terms. Money laundering can effectively be tackled through continuous and effective cooperation between countries and their organizations, with an emphasis on such issues as common laws, sharing of information and cooperation between police forces and other affected countries, Lilley, (2006). Further money laundering is increasingly becoming a major global threat because of the convergence of several changes in world markets (i.e., the globalization of markets). The increasing growth in international trade, the lowering of barriers to international travel, the expansion of the global financial system and the surge in the internationalization of organized crime have altogether provided the source, opportunity, and the means for changing illegal proceeds into what appears to be legitimate funds, (Ping, 2010; Chowdhury et al, 2003). Baker, (2007), estimated that dirty/ illicit money ranges between 1.0 and 1.6 trillion dollars a year. The World Bank has also approved this estimate; Further, Baker, (2007) estimates that half of the estimated amount, (500 to 800 million dollars) a year, originates from developing and transitional economies Which are considered to have the weakest administrative structures, legal structure, and far too often, economic and political elites who want to take their money out by any means possible.

Effective implementation of Anti-Money Laundering guidelines and recommendations rests on the cooperation of countries around the world, Ayodegir, (2011). Further, this cooperation is dependent on other factors other than the ideal of preventing money laundering. It is also subject to political pressures as well as differences in national legislation and regulations, Ayodegir, (2011). Further, according to The United Nations Counter-Terrorism Implementation Task Force (CTITF), (2009), some being politically justified by their goals and intention observe terrorism financing. This insight tends to erode the political will to address terrorism financing, impedes the effectiveness of international and national efforts to combat terrorism and its financing, and distracts attention from the fact that it is a criminal act.

The international community has given as a priority the fight against money laundering and terrorist financing; recently the International Monetary Fund (IMF) has raised concern on the possible impact that money laundering and terrorist financing has on the stability and integrity of the financial institutions, IMF, (2015). These criminal activities can cause instability to the financial institutions and its systems and as a result affect the foreign investments and distort international capital flows, IMF, (2015). The banks that are located in the secrecy jurisdictions exposed as playing a significant role in enabling the concealment of laundered money from Africa due to the existence of bank secrecy that exists among banking and other financial services, (Carlin and Lokanan, (2018); Heggstad and Fjeldsstad, 2010; Ping, 2010; Murphy, 2008; Kapoor, 2007). Due to the increasing number of money laundering cases and penalties imposed on the banking sector, banks argued that more transparency and cooperation is required in both banking and financial sector in these jurisdictions. They are required to do everything possible to limit criminals, business and PEPs, i.e. high-level politicians and their associates, from finding ways to hide their ill-gotten money, (Shawgat, 2011; Arasa and Ottichilo, 2015; Furguson et al, 2015).

Efforts taken in order to ensure international cooperation includes; a global programme established to fight against money laundering (GPML), established in 1997 under the United Nations drugs control programme (UNDCP). The aim of this programme was to raise public awareness about all aspects of money laundering and terrorism financing played a major part in strengthening the government measures on anti-corruption policies. It also acts as a centre of anti-money laundering expertise and countering of terrorism financing. It provides training and advice to regional anti-money laundering groups and governments all over the world on issues concerning money laundering (GPML, 2011). Further establishing an efficient confiscation system for domestic purposes only is not the only solution towards eliminating the profitability at the heart of so many international money-laundering activities. One key attribute to the overall success of confiscation effort is creating cooperative mechanisms for enforcing cross-border confiscation orders. Countries may enable the relevant authorities to implement confiscation requests from other countries, employing such measures as identification, tracing freezing, and seizure. As a motivation for international cooperation, countries may consider establishing asset-sharing arrangements. The general principle in the disposal of confiscated assets is that the disposal should be subject to the domestic laws and regulations of the country that performed the confiscation order, (Schott, 2006).

According to Chong and Lopez-de-silanes, (2015), this recommendation allows banks and other financial institutions, and international law enforcement agencies to cooperate among each other in order to control and monitor the flaw of currency across the borders by providing details and disclosure of the source of money. Kenya has established various forms of international cooperation. The cooperation involves law enforcement agencies such as Interpol that works hand in hand with the Kenyan police and other law enforcement agencies for the purpose of recovering of stolen assets and alerting the Kenyan authorities about a possible terrorist attack. Kenya has also established good relationship with the neighbouring countries, Uganda and Tanzania; where they cooperate to ensure peace and security maintained in the region and this helps to trace any stolen assets shipped across the neighbouring countries (Fighting Terror through Justice, 2012). There are several plans that are in progress for the purpose of providing training to bank Personnel, law enforcement agents, prosecutors and judicial officers to detect and fight money laundering and terrorist financing (World Bank and IMF, 2003). With regards to the sharing of information, the Basel Committee released principles, which are applicable to all banking superiors. These principles are founded in the Customer Due Diligence paper, issued by the Basel Committee in October 2001. Specifically branch superiors of banking groups should not be compelled to share consolidated reports concerning to customer deposits or notification of funds under management if the home country superior needs this information. The host authority should give permission to foreign home-country superiors or auditors to carry out on-site check-ups to confirm whether they comply with home country Know Your Customer (KYC) procedures and policies at the local branch level and among other affiliates of foreign banks. This procedure will require viewing customer files and random sampling of accounts. Managers should have measures in place to safeguard information regarding individual accounts obtained through cooperative arrangements to make sure it is used exclusively for lawful supervisory purposes, and that it can be safeguarded by the recipient in an adequate manner, (Schott, 2006).

An effective AML/CFT regime obliges that the supervisors of financial institutions, law enforcement authorities, prosecutors etc. should be able to cooperate among each other and, subject to the country's legal system, organize their efforts regarding AML/CFT issues. Recognizing this, the FATF makes inter agency cooperation a requirement under this Recommendation. Countries should ensure that there are mechanisms in place to enable its agencies to collaborate and coordinate their policies and activities to combat money laundering and terrorist financing World Bank, (2009).

Having cross-border corresponding banking relationships is another source of possibly of challenge among financial institutions. Having such relationships could be a way for persons or entities from countries with negligent arrangements to gain access to the global financial system without enduring proper due diligence procedures, Schott, (2006). Nevertheless, before entering into corresponding banking relationships with a cross-border banking institution, the following are the requirements according to, Schott, (2006).

- Establish the nature of the respondent bank's business, its reputation, and the quality of its supervision.
- If "payable-through-accounts" are to be a report of the business relationship, assure that the respondent bank verifies the identity and conducts on-going due diligence of its customers
- Assess the AML/CFT controls of the respondent bank
- Obtain senior management approval for the relationship, Schott, (2006).

FATF further stresses that the corresponding banking relationships with institutions located in countries classified by FATF as “non-cooperative countries and territories” should be avoided as much as possible. No transactions should be accepted or conducted with “shell banks” which is a good example of a bank that is incorporated in a jurisdiction in which it has no physical presence and that is not associated with any regulated financial group. In addition, it is seen to be of a high risk to have any relationship due to its association to anti-money laundering and terrorist financing groups, (Schott, 2006).

Since the financial systems have become global, national boundaries are now considered to be irrelevant as far as money laundering is concerned, much of which takes place through financial institutions especially in banks and the links between them, Carr and Golby, (2009). In recent years strong efforts have been made to internationalise the fight against money laundering through the application at State level of international AML standards. The worldwide AML network therefore can potentially make a significant contribution in locating assets, which originated from the proceeds of corruption, which is a first step towards their recovery, Carr and Golby, (2009). An effective domestic AML/CFT regime requires that certain structural elements be in place, such as a good regulatory framework, appropriate measures to prevent corruption, rule of law, and government effectiveness, culture of compliance, an effective judicial system. The lack of such elements, or significant weaknesses or shortcomings in the general framework, may significantly impair the implementation of an effective AML/CFT framework Concepcion, (2011). To successfully combat money laundering and terrorist financing also requires collaboration in a variety of areas among countries and international organizations (Banks, et al, 2007). Diplomatic efforts seem to be essential in the maintaining, strengthening and implementation of international money laundering and terrorist financing laws and to persuade more countries to give their support to international treaties and organizations responsible for money laundering crimes. For that reason, different forms of cooperation and building of coalitions among countries is seen as a vital move, to making the international money laundering system work well and assist in taking care of both global and regional money laundering problems, (Marquina, 2009).

Therefore, it is reasonable to put forward the following research objectives of this study:

1. To assess money laundering awareness in East Africa.
2. To assess the benefits of information sharing and how it can be used to detect the flow of terrorist finances in East Africa.
3. To assess the benefits of training to Know Your Customer (KYC) in East Africa.
4. To investigate corruption culture and how is has made it difficult to determine the wealth of politically exposed persons in East Africa.
5. To investigate and analyse the nature of financial Infrastructure in East Africa.
6. To assess the current money laundering situation in East Africa.
7. To assess whether the current FATF anti money laundering recommendations cater for the needs of East African countries.

Chapter Three
The Theoretical Framework

CHAPTER 3

3.0 The theoretical framework

According to Smith, (2015), without having proper theoretical foundations in any research work it might result into difficulty in solving the research problem. Further, there must be some theoretical justification for the question addressed and the research approach adopted. On the other hand, the theory will not always come first in the research process but often be led by the interesting ideas or some confusing observations by the researcher. Nevertheless, a theoretical framework is still a necessity in explaining the relationship between different ideas under the investigation. This research project aims at investigating FATF anti-money laundering recommendations among banks in East Africa. The main function of theoretical framework is to help in research design, which is useful in informing the rest of the design by assessing the research objectives, which in return will help in developing realistic and relevant research questions and appropriate research methods, which might also be an advantage in identifying potential validity threats to the conclusion, (Maxwell, 2013). According to Smith, (2015), without having proper theoretical foundations in any research work it might result into difficulties in solving the research problem. Further, there must be some theoretical justification for the question addressed and the research approach adopted. This research adopts convergent parallel mixed methods research design, where, the researcher merges qualitative and quantitative data in order to provide a more comprehensive analysis of the research question, (Smith, 2015; Johnson et al, 2007). With this design, the researcher usually collects both set of data at around the same time, and then incorporates the information collected in the interpretation of the general results. Any contradictions in findings are explained in this design. This research design fits this research study as it combines both methods in the process of data collection and analyses the results using both methods. This is essential because due to the nature of this topic it is very difficult to use only the survey to arrive to a conclusion because some crucial information would be left out. Thus, the use of both methods can help to bridge the gap left from the use of one method at the expense of the other. Further, it helps to increase the credibility of the information acquired that is not analysed or judged based on bias. Based on this research work, which looks at the compliance of FATF anti-money laundering among banks in East Africa, will require the use of a survey that will be distributed across different banks in East Africa. The reason being that due to the time constraints and the nature of the topic the use of a survey will help in acquiring the majority of the information needed for this research work. Similar studies that have used surveys in the process of data collection include: Cihak and Podpiera, (2005), KPMG Survey, (2012) and KPMG survey (2014). The use of qualitative research is also helpful for this research work because it will promote further discussion for the research questions, which will enable the researcher to come to a reasonable conclusion. Some similar studies that have used mixed method in the process of data collection include, Modell, (2010 and McNabb, 2008).

3.2.1 Institutional theory

The existing field of institutional theory in the area of organisations stretches back more than forty years. This describes the so-called new institutionalism, which is used as a theory to provide sociological views on institutions. These terms are in contrast to the earlier theories of organisations in cultural and social aspects all together called old institutionalism, Hirsch & Lounsbury, 1997). In the earlier days, the institutional theory went through a period where people paid minimum attention towards its contributions but later in the early 1970 it started receiving recognition in the field of organisations and their social cultural aspects by emphasising the dependence of organisations to their environment, (Meyer, 2007).

Institutional theory according to (Scott, 2007) has been portrayed in different ways but generally it refers to the systems of social beliefs and socially organised practices that are associated with the dynamic functional areas of the social systems example: politics, religion, work, and laws. Scott (2007); provided a further realistic picture that reveals the major concepts and relationships that are involved in the institutional theory. According to Scott (2007), three levels help to analyse the institutional theory. The first level is the highest where there are global and community institutions. Here the models are formally proposed to be injected into the society or organisation informally. This provides the institutional framework more acceptance and legitimacy.

The next level consists of governance structures that consist of organisations and organisational fields. The organisational fields are simply defined as the organisations that are operating in the same industry. The organisational level of study is also important as most organisations vary in terms of size, function, field, culture, and lastly the capacity for change Scott (2007). All these are mainly the above-mentioned factors influenced by institutional environments and organisational fields. Further every economic imperative needs a minimum institutional infrastructure for it to function effectively. The importance of such institutional infrastructure has repeatedly placed more emphasis on business pursuits in emerging or developing economies such as East Africa, (Khanna and Palepu 2006). Nonetheless, Mahoney et al. (2009) was clear in asserting that there are circumstances in which public institutional environments impact positively on value creation in the private sector. Banking industry union or reform in response to institutional crisis represents a typical example. In support, Naim et al, (2012), stated that the first step that is required is to successfully combat money laundering in the fight against financial and administrative corruption, and this implies that the real fight against money is not just professed but also put in action. It is appropriate that the set of anti-money laundering legislations has been re-written in order to enable central banks to extend their control more effectively over private banks and monitor their application and their implementation to all banking sectors, without exception (Naim et al, 2012).

Finally, there are actors in the institutional setup, which may consist of groups, or individuals. Each of these actors can influence and be influenced by the powers of diffusion and imposition of the institutional norms, Hartley, et al. (2002). Institutional theory considers the processes by which different structures, which include norms and rules, become trusted guidelines for social behaviours Hartley, et al. (2002). The institutional theory seeks to understand how these structures were created, integrated and adopted in the organisations over a period and how they might have an impact, Scott (2007). Institutional theory tends to address the question on why almost all organisations tend to behave and look the same. The main concept or idea of institutional theory is to understand how organisational structures and processes tend to gain their own meaning and manage to achieve their own stability without being reliant on their efficiency and effectiveness in achieving their objectives, (Miles, 2012).

Furguson et al, (2015), state that good or bad culture means for the behaviour of bank executives might seem spontaneous, culture impacts on other serious factors such as reputation, trust, ethics, values, mission, purpose and conduct are not as direct as one might believe. The reason being that the concept of culture is vague. We need to detect and comprehend how culture spreads and that means looking at what the transmission mechanisms are that aid the implant of the desired values and conducts in both small and large banks.

The creation of a reassuring and positive culture of money laundering compliance is an important, yet often overlooked, aspect of having an established and well-designed anti-money-laundering program especially on issues relating to KYC. Further, major risk-based assessments are conducted throughout the organization, frequently on a daily basis, Deloitte, (2015). Although the anti-money laundering compliance programs helps in facilitating some of these assessments, promoting a good, open and friendly atmosphere may be of great help in promoting “risk intelligent” behaviour in the organisation, this includes:

- Persuading other employees to follow proper standards
- The understanding and ability to apply the organization's risk approach
- Taking personal responsibility to manage risk in the organisation

The obstacles surrounding compliance of anti-money laundering programmes may have increased as most financial institutions want to achieve growth in revenue through having bigger and possibly in some cases, more global and complex organizations. Nevertheless, the organisations can still achieve their compliance duties through outlining and implanting a risk-aware culture, which can play a great role in strengthening major compliance priorities, which includes accountability, information accessibility, information accuracy, information integrity, security, and standardization. Further ensuring the organization values and places more emphasis on KYC as an important risk management tool, as opposed to a mere compliance requirement, will help build a more effective program, (Deloitte, 2015).

Most organizations especially the banking sector are prone to yielding to forcible and normative pressures arising from their institutional context (for example banks adhering to capital base requirements or to a corporate governance code) as these are due to deliberate social privileges from their stakeholders, Olushola, (2014). The use of institutional theory has helped to guide an understanding of how national culture and social institutions are possible factors that determine management and institutional practices, (Pillay and Dorasamy, 2010). The nature of the institutions and their controls over activity in social scientific thinking: the theory states that organizations will take on structures that are of similar structure with the institutional environment in which the organization exists, and by doing so discusses the rightfulness of resources and a survival advantage to these organizations (Glynn and Azbug, 2002). A good example is the banks where the bank supervisor customarily does the supervision and compliance of anti-money laundering regulations in the banking sector. Understood to be the most credible organisational model, Chatain et al, (2009), it has several advantages; one of the advantages is that money laundering and terrorist financing risks are monitored just like any other types of compliance risks for which the bank supervisors are responsible. Another, advantage is that the supervisory personnel in the banks are considered highly skilled and knowledgeable about different risks that may affect proper functioning of the bank, (Chatain et al, 2009).

Effective KYC procedures comprised of practices for proper management, oversight, systems, controls, segregation of duties, training and other related policies, are the board of directors' duty, Arasa and Ottichilo, (2015). But lower staff motivation can be dented due to poor working conditions, which is more likely to have a substantial impact on the performance and the quality of work, which in turn results in money laundering being more likely to occur. The study conducted by Mamontov, (2007) has found that instructions on the organization`s legal and reputation risk management systems in most of the banks place more emphasis on risk management with the main focus on the risk of trailing reputation. Consequently, it results in non-compliance with the KYC legislation and non-cooperation with the anti-money laundering regulators; additionally, it leads to fruitless internal control rules and divergence from involvement in the KYC regime, (Mamontov, 2007).

The institutional theory goes further in that existence of certain norms in the organisation will influence directly the behaviours of its people, Masciandaro, (1999). This brings us to the reasons as to why money launderers prefer to use financial sectors in their money laundering activities. This is due to the efficiency that the financial institutions provide and the willingness of the bank officials to help in the process considered a normal practice among banks in East Africa (Masciandaro, 1999). This has led to an increase in money laundering crimes within the banking sector because there are no proper customer checks conducted to ensure the legitimate source of their customer income verified. Most of the times the bank officials in the region tend to form relationships with the customers that have jeopardized the whole process of eradicating money laundering by the fear of losing them to their competitor. In most cases bank supervisors, because of practical concerns may not give anti-money laundering regulations the priority the government wants and in other circumstances may not have the right resources to fully implement the anti-money laundering regulation. As a result, the compliance of anti-money laundering regulations may not get the attention that it deserves. Hence, money laundering and terrorist financing is likely to occur, Chatain et al, (2009). Further, the traditional concern of institutional theory mainly focuses on the protection of the legality and standing by groups and organizations through conformation to rules and norms in their institutional environment, (Scott, 2007). Nonetheless Zucker (1987) perceived that normative pressures from within or outside an organization (e.g. government or other organizations) could have a great influence or limit managerial action. A good example is that politically exposed persons might have a certain influence that might intimidate senior managers in banks into abiding by their demands. Yet, senior managers authenticate such pressures through a close association between the organization and its institutional environment. Institutional theorists generally find some comfort in the belief that the structural forms (together with dominant values and identities) of relevant external institutions impose themselves unto entities dependent on them for the purpose of legitimacy, staffing or resourcing (Child 1997:45). While the organizational structure surrounding AML/CFT supervision may differ from country to another, the AML/CFT supervising authority, whether it is the bank supervisor, the FIU, or some other government agency, must have independence, Pierre et al, (2009). Unless provisions are already in place to guarantee this, such independence for the AML/CFT supervisor should be made clear in the mandate of responsibilities, possibly with a specific grant of authority, (Pierre et al, 2009).

Despite making some progress in developing money laundering controls and improving the financial regulatory organisations, several scandals involving banks opening and maintaining accounts for politicians and heads of corporations by diverting illicit proceeds proves that banks continue to be a key enabler of money laundering in Africa, Mailey, (2015). Based on Customer Due Diligence for Banks, according to the Basel Committee on Banking Supervision paper (2001), the concept of PEPs introduced by banking supervisors are a special group of individuals who expose a bank to significant reputational and legal risks. The paper further recognized the significance of providing proper guidance on the prudential risk presented by PEPs, stating it is clearly unethical, detrimental and inappropriate to the fit and proper conduct of banking operations, to accept or continue a business connection if the bank is aware or has some doubts that the funds originate from corruption or misuse of public assets, (Theodore et al, 2009).

In support of institutional theory, Nel et al, (2004), come up with some general assumptions which are: the way in which tasks of an organisation are to be done, setting appropriate organisational goals which also encourages personal goals for each employee. All mentioned assumptions are the things that create some sort of psychological contract among members of the organisation. Which leads to the future success of the organisation only if the tasks set are manageable and can be encouraged in the organisation. This concept is particularly true because most organisations tend to set goals for their employees without thinking how those goals will enhance their inner desires to achieve their own objectives Nel et al, (2004). On that note, most of the banking institutions and other institutions in East Africa have a tendency to issue out instructions on what is supposed to be done but not explaining the reasons as to why the employees are required to do a particular task KPMG, (2014). This is similar to anti-money laundering recommendations developed by FATF that banks and other financial institutions are required to implement. The implementation has been below average as indicated on KPMG, (2014). The Global Anti-Money Laundering Survey states that most banks are still facing difficulties to ensure that its employees effectively implement these recommendations. Moreover, the problem does not lie on the proposed recommendations, but on how well the culture that exists in the organisation has promoted or encouraged employees to take an initiative to ensure that they implement the required recommendations for the benefits of the organisation. Institutional theory has also been used to describe both institutional and individual actions together with management and institutional practices (Dacin et al, 2002).

One of the aspects that cause money laundering to flourish is the existence of the culture that exists especially among financial institutions in East Africa countries that believes that the best possible way to succeed in business and make money is through investing in the capital cities and town areas, Dacin et al, (2002). This culture has also affected the banking sector and other financial institutions where most of them have established their headquarters in the town areas and have completely ignored the rural areas. This has resulted in money launderers using that loophole to launder money due to weak financial infrastructure. In support, Furguson et al, (2015), finds that most banks may choose not to pursue any social outcomes and build a culture solely consistent with profit maximization and satisfying shareholders, objectives that dominate most banks to date.

Sander, (2001), indicated that only the capital cities and regional trading centres have the highest availability of financial services in East Africa. This leaves other rural and undeveloped regions with limited access to financial services, thus encouraging physical cash to be saved at home by individuals, a practice that has contributed to the failure of banks to have control over the money laundering. There is a lack of reliable financial services in the rural areas as a result of existing culture that discourages doing business or investing in the rural areas that has left institutions vulnerable to money laundering risks.

Shaw, (1997), further supports the institutional theory that the institutional culture consists of ethical values shared across the organisation and they tend to have a great influence on the behaviour of the employees. These ethical values tend to stick with the organisations for generations to come even if there are changes of personnel running the organisation. A good example of behaviour that exists among East Africans is people embracing the use of the informal banking system which system has turned out to be a major obstacle in the process of minimizing money-laundering activities in East Africa. (Competitiveness Report, 2011) indicated that, more than 80% of the population in East Africa do not use the formal banking system. This is due to widespread cash-based economies that results in a lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail at to where the money comes from and where it is heading to, (Nantege, 2013; Ping, 2010). The main aim of this research study is to investigate and assess the compliance of FATF Anti-money laundering recommendations by banks in East Africa. Looking at different factors that might affect and influence or affect compliance, some of these factors are the different ways money laundering is being carried out, national and institutional culture and lastly the financial infrastructure in East Africa. Additionally, (Chong and Lopez-de-silanes, 2015 and Becker, 1968) provided some valuable ideas regarding the role that different money laundering regulations can play in order to increase the probability of bringing the money launderers to justice. Having clear disclosure and liability rules on money laundering can create some incentive to the key participants who are devoted in the fight against money laundering and ultimately reduce the cost of compliance.

The key participants are the financial institutions because most of the money laundering activities are carried out through banks and other non-bank financial organisations. Thus, bringing us into the main purpose of this research project, which is to determine to what extent banks in East Africa have adopted various measures to reduce the risk of money laundering and ultimately to reduce the cost of compliance to ensure that there is efficiency. Having proper regulations in place will ensure that that all bank employees adapt to such regulations, which later create some sort of a tradition that, the whole organisation follows. As a result, money laundering activities would be reduced to a minimum because of having such a tradition and ultimately reduce the cost of compliance which most banks find it difficult to keep up with.

Other theories such as Hofstede builds up and provides a substitute and deeper understating of culture that relates the differences between institutional functioning, Pillay and Dorasam, (2010). This theory refers to the extent to which less powerful members in the organizations and institutions accept the fact that power is evenly distributed. Power distance is an important aspect in corruption and growth in financial crimes this is because power distance implies no questions asked to the top authorities. In the country concerning their actions, (Hofstede and Hofstede, 2005) nonetheless, according to Lund, (2003); a good organisational culture is the one that allows the management to recognise the aspects of corporate culture and its effect to the behaviour of the employees. any country's national culture is being shaped by variables different which includes level of discretion, hierarchical system, decision making powers and social economic factors, (Pillay and Dorasam, 2010). Nerveless the use of institutional theory has helped to guide and gain a deeper understanding of how national culture and social institutions are possible factors that determine management and institutional practices, (Pillay & Dorasam, 2010). The nature of the institutions and their controls over activity in social scientific thinking: the theory states that organizations will take on structures that are of similar structure with the institutional environment in which the organization exists, and by doing so discusses the rightfulness of resources and a survival advantage to these organizations (Glynn and Azbug, 2002). Unlike Hofstede which focuses only on power distribution and less on nature of institutions and how they can influence management and institutional practices.

Theoretical framework and Hypotheses

A. Hypotheses relating to money laundering Awareness

The concept placement, layering and integration has been the basis for the most worldwide anti money laundering (AML) training, Murray, (2018). The fundamental weaknesses of the concept appear to hamper the process of tackling money laundering as it occurs. As a consequence, this situation has opened up opportunities for deliberate blindness on AML systems due to the practice of money laundering being understood in incomplete and misleading ways, Murray, (2018). According to Shawgat, (2011), the reason to why banks are increasingly becoming a main target for money launderers to execute their money laundering operations is that, they offer a range of financial services and instruments that can help to conceal the original source of money. Banking institutions also provide an easy means of transferring of assets or money into other banking institutions whether with in the country or outside the country with simplicity. Institutional theory considers different aspects such as, norms and rules, and how they can become trusted guidelines for social behaviours in the organisation, Hartley, et al. (2002). The institutional theory seeks to understand how these structures were created, integrated and adopted in the organisations over a period and how they might have an impact, Scott (2007). Shaw, (1997) adds to the institutional theory that the institutional culture consists of ethical values shared across the organisation and they tend to have a great influence on the behaviour of the employees. According to scholars, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002) The emergence of FATF has acted, as a valuable campaigner for having strong global AML/CFT controls and its achievement in raising increasing awareness on issues regarding the dangers of money laundering and terrorist financing and in trying to persuade countries all over the world to improve their controls and supervision on these two key areas. Moreover, Nobanee, and Ellili, (2018) stress that in order to combat money laundering more effectively and efficiently, the responsibility should not be shouldered by the government alone, but there should be a solid establishment of AML awareness. World Bank and IMF, (2003), also emphasised that, there is a need of providing training to bank personnel, law enforcement agents, prosecutors and judicial officers to detect and fight money laundering and terrorist financing. Therefore, reasonable to put forward the following hypotheses:

A.1

H1 – An employee's awareness of FATF anti money laundering recommendations is associated with regular anti money laundering training.

A.2

H2 – An employee's awareness of current money laundering issues is associated with regular anti money laundering training.

A3

H3 – An organisation's ability to update its current anti money laundering policies is associated with regular anti money laundering training.

A4

H4- There is a difference in regular AML trainings conducted between local and international banks

B. Hypotheses relating to Transaction monitoring and Detecting Terrorist Financing

Transaction monitoring is one of the most essential weapons used to fight against money laundering especially in East Africa McLaughlin and Pavelka, (2013). Further, (McLaughlin and Pavelka, 2013; Geister, 2008), Institutions with ineffective or weak internal controls, which include ineffective transaction monitoring systems, are more likely exposed to exploitation, and become a major target to money launderers. According to (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008), Banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border. Due to the increasing desire of confidentiality, the financial system is striking a potential means for the financing of terrorism, terrorists can move their funds, and due to the "speed and ease" with which funds can be transferred "efficiently and effectively between and within countries" (Tofangsaz, 2015; Runder, 2010). Additionally, for fact that banks undertake monitoring in order to detect suspicious transactions is not an assurance that control systems will be effective and can detect all suspicious transactions, (Dion, 2012). As a Consequence, the following hypotheses were formulated:

B.1

H1 – Updating the transaction monitoring system is associated with investing in the transaction monitoring system.

B.2

H2 – Detecting terrorist financing is associated with information sharing

B.3

H4 - There is a difference between Detecting terrorist financing and countries

C. Hypotheses relating to Know your Customer (KYC)

The institutional culture consists of ethical values shared across the organisation and they tend to have a great influence on the behaviour of the employees, Shaw, (1997). Effective KYC procedures comprised of practices for proper management, oversight, systems, controls, segregation of duties, training and other related policies, are the board of director's duty, Arasa and Ottichilo, (2015). Having an effective due diligence system "Know Your Customer" is fundamental to help ensure compliance with suspicious activity reporting regulations. These regulations require banks to report transactions that have no apparent lawful purpose or are not the sort in which the particular customer would be expected to engage, (Ping, 2010: Office of the Comptroller of the Currency, 2002). According to an investigation conducted by FSA, (2011); have indicated that at least a third of banks investigated the management of customer due diligence records deemed insufficient and some of the banks were unable to give a summary of their high-risk or PEP relationships easily. Moreover, if financial institutions are not well situated to prevent and recognize the illegal activities at the beginning, the likelihood of detecting money-laundering arrangements decreases (McLaughlin and Pavelka, 2013; Geister 2008). Thus, this study proposes the following hypotheses:

C.1

H1 – An employee's awareness of know your customer policies is associated with regular training on know your customer.

C.2

H2- There is a difference in KYC trainings conducted between local and international banks.

D. Hypotheses relating to National culture and Politically exposed persons

According to, Holbeche, (2005), culture is composed by many factors these includes the society in which the organisation is situated, market and competition, and technology. Culture is born through social interaction among individuals whom at the end form one agreement on how to interact and behave collectively. This interaction might form a positive or negative culture depending on the ability of the society to adopt behaviours that are suitable and beneficial to all members in the society. According to Kemal, (2014); Carr and Golby, (2009), money laundering activities, especially relating to the proceeds of corruption, normally take place through the money transfers channelled through the world's financial systems. That is why financial institutions are considered vulnerable as far as money laundering is concerned in East Africa; the situation further fuelled by the existence of corruption, which makes the task of detecting and fighting against money laundering a difficult task for regulators, (Mugarura, 2010; Carr and Golby, 2009). Over the last 25 years, the whole world has become aware on how corrupt politically exposed Persons "PEPs" have been utterly abusive of the national resources, and several scandals have been unfolded involving PEPs, which involves looting of state assets, giving and accepting of bribes and corruption, (Mugarura, 2010; Theodore et al, 2009). They use their powers to access domestic and international financial systems to launder their proceeds, (Mendes and Oliveira, 2012; Mugarura, 2010; Theodore et al, 2009). Thus, Corruption is considered as big hindrance for the campaign against money laundering. (Markovska and Adams, 2015; Idowu and Obasan, 2012). CCD emphasise on the need to conduct an ongoing customer due diligence on the business relationship and enquiry of transactions undertaken during the course of that relationship, by guaranteeing that the transactions being undertaken are coherent with the institution's knowledge of the customer and the nature of their business, (Nguyen, 2018). As a Consequence, the following hypotheses were formulated:

D.1

H1 – Encouraging a business relationship with a PEPs is associated with banks being the most preferred vehicle by money launderers.

D.2

H2 – Establishing the source of wealth of a PEPs is associated with corruption.

D.3

H3 - There is a difference in establishing the source of wealth of PEPs between local and International banks.

E. Hypotheses relating to Financial Infrastructure

Criminal proceeds to be laundered are usually represented by cash. As it is well known, cash is different from other payment instruments in that it guarantees anonymity, Ardizzi et al, (2014). Additionally, Furguson et al, (2015), most banks may choose not to pursue any social outcomes and build a culture solely consistent with profit maximization and satisfying shareholders, objectives. Consequently, financial services are more expensive in terms of people's affordability and accessibility to the banking services especially in the developing countries, Thorsten and Robert, (2013). Africa Competitiveness Report, (2011) indicated that more than 80% of the population in East Africa do not use the formal banking system. This is due to the widespread cash-based economy that results in the lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail as to where the money comes from and where it is heading to, (Nantege, (2013). According to Imala, (2004), most Africans prefer to use cash for all forms of transactions including the purchase of high-value items such as real estate and motor vehicles and most dealers or sellers prefer this mode of transaction because of a lack of trust that exist among people and fear that the use of cheques or bank transfers might be fraudulent. This situation makes detecting the source of money difficult Masare, (2012). Further, (Gilmour and Ridley, 2015; Ping, 2010; Harvey, 2009) uncontrolled cash transactions, considered legal in many countries, are the key facilitators of Money Laundering. Thus, this study proposes the following hypotheses:

E.1

H1 – Complicated formalities in opening and maintaining bank accounts is associated with the number of registered banks.

E.2

H2 – A cash-based economy is associated with the number of registered banks.

E.3

H3 - There is a difference in the impact of cash-based economy between local and International banks

F. Hypotheses Relating to Money laundering situation in East Africa

According to Fulbright (2014), approximately 95% of banks in Africa are reportedly to have developed their own anti-money laundering regulations that are in line with the local anti-money laundering regulations; this is aimed at meeting the international standards for anti-money laundering compliance. The development of anti-money laundering regulations can just be on paper as security experts have warned that money laundering is on the rise especially in east Africa where banks have reportedly lost Sh4.06 billion ($48.3 million) to money laundering in the eighteen months ended June 2012, (Mumo, 2012) as they failed to keep pace with criminals, Competitiveness Report, (2011). More than 80% of the population in East Africa do not use the formal banking system, Nantege, (2013). This is due to the widespread cash-based economy that results in the lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail as to where the money comes from and where it is heading to, Nantege, (2013). Subsequently, this situation has caused money laundering flourish due to lack of proper monitoring and secrecy, (Otusanya et al., 2011; Nellen and Lankhorst, 2008; Sikka, 2008). This has seen several banking institutions land themselves in trouble and suffer hefty fines for encouraging money-laundering activities, Hitesh and Bharat, (2012). Therefore, it is reasonable to put forward the following hypotheses:;

F.1

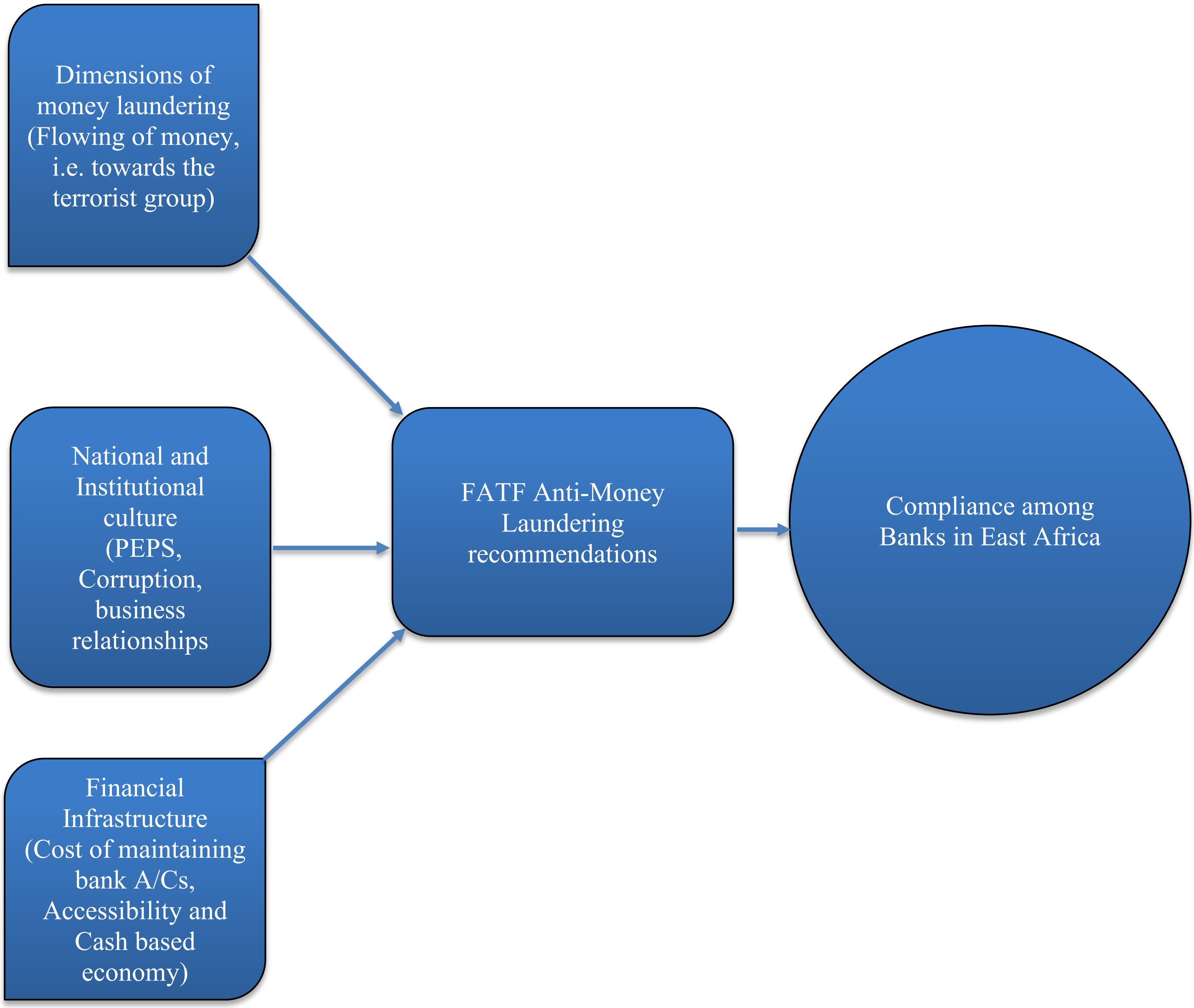
H1 – Bank secrecy is associated with the rise of money laundering in East Africa

F.2
H2 – Corruption that exists in the society is associated with the rise of money laundering in East Africa.

F.3
H3 **-** Cash based economy is associated with the rise of money laundering in East Africa.

F.4
H4 **-** Difficulty in determining the source of wealth of PEPs is associated with the rise of money laundering in East Africa.

Figure 2 Summary of conceptual framework



Connecting this framework to the research objectives (page 117):

Objective 1 (to assess money laundering awareness in East Africa) and Objective 6 (to assess the current money laundering situation in East Africa) both connect to "Dimensions of money laundering". Objective 4 (to investigate corruption culture and how is has made it difficult to determine the wealth of politically exposed persons in East Africa) connects to "National and Institutional Culture". Objective 2 (to assess the benefits of information sharing and how it can be used to detect the flow of terrorist finance in East Africa), Objective 3 (to assess the benefits of training to Know Your Customer (KYC) in East Africa) and Objective 5 (to investigate and analyse the nature of financial Infrastructure in East Africa) connect to "Financial Infrastructure). Objective 7 (to assess if the current FATF anti money laundering recommendations cater for the needs of East African countries) connects to "FATF Anti-Money Laundering recommendations".

Objective 4

The reasons why this research project has placed more emphasis in these three main areas is because the FATF Anti-money laundering recommendations have added significant value to the banking sector in East Africa. Despite the efforts made by FATF, the banking sector has been facing an increasing dilemma when implementing the Anti-Money Laundering (AML) recommendations. Most scholars i.e., Brent, (2002), Vaithilingam and Nair, (2007), Hans and Oliver, (2007), Lewisch, (2008) etc. have placed more emphasis on the impact and effects of money laundering in the economy and society in general. There is limited attention paid to what causes money laundering to flourish in East Africa despite having several anti-money laundering laws and regulations in place. The main purpose of this project is to explore the level of compliance of FATF anti-money laundering recommendations among banks in East Africa. The three main angles explored are;

- **Dimensions of money laundering**; which illustrates the seriousness of money laundering by looking at how money laundering is being carried out in the region by looking at the magnitude of money laundering through money flows in and out of the region through the help of banks; especially the flow of money to the terrorist group in Somalia (Alshabaab). Irwin and Slay, (2010), make an important point that not all terrorism financing comes from illegal means i.e. black market, human and drug trafficking etc. Significant terrorist funds raised through legitimate businesses, fund raising efforts and donations that make the task of identifying the funds intended for such criminal organisations difficult to trace especially by banks through which most of these funds are believed to pass. The current trick of following the money trail is a sound counter-terrorism tactic, Irwin and Slay, (2010), Croissant, and Barlow, (2007). Following the money trail can help to identify donors, intermediaries, recipient cells, and their members, which can help to curb and put an end to this growing crime. Though, there is no significant evidence to suggest that cutting and destroying the money channels of the terrorists' groups would likely put them out of business however, (Irwin and Slay, (2010), Nacos, (2008) and Bosworth-Davies, (2007), all maintain that, "in order for these groups to support themselves, operate training facilities, acquire weapons, and travel, terrorists need substantial financial resources to cover all these costs.

- **National and institutional Culture;** this is another angle that this research project intends to explore by looking at an overall national culture in the region and narrowing it down to how it has affected the institutional culture and the way organisations think and operate. One of the aspects of national culture that have captured the attention is the existence of corruption especially how politically exposed persons (PEPs) have used it as a tool to launder millions out of the east African region. PEPs illegal conduct of laundering proceeds of crime is mainly motivated by greed or a desire for increased power within the position he/she holds, Otusanya et al, (2011). He/she seeks to remove funds from public or business sectors for personal benefit. In the case of PEPs from unstable countries such as the East African countries, they look to move their proceeds of crime to another location where they will be safer, (FATF Report, 2010).

Over the last 25 years, the whole world has become aware on how corrupt politically exposed Persons "PEPs" have been utterly abusive of the national resources, and several outrageous scandals have been unfolded involving PEPs, which involves looting of state assets, giving and accepting of bribes and corruption. They use their powers to access domestic and international financial systems to launder their proceeds, Theodore et al, (2009).

- **The financial infrastructure**; this is one of the angles of this research project. Which explores to what extent the banking services is accessible, the cost and the cash-based economy in the region. Sander (2001), indicates that due weak financial infrastructures in East Africa have left a huge gap in the market for money transfer services which encourages movement of cash into and outside of the region without any restrictions. This has seen financial inflow/ remittances increasing into developing countries where estimated remittances into developing countries estimated at $88 billion in the year 2002, seem to be double the amount of development assistance given to these developing countries, Sander et al, (2003). Additionally, this indicates that the amount of money injected into developing countries especially in East Africa through cash transactions can raise concerns on whether weak financial infrastructure can result in money launderers using the loophole to launder their illegal proceeds.

The three areas mentioned form a basis for this research project when looking at compliance with FATF anti-money laundering recommendations among banks in East Africa. This has led to the following research questions and application to Mixed methods

RQ i. What are benefits of money laundering awareness in the process of implementation FATF Anti money laundering recommendations East Africa?

Quantitative method; the issue money laundering awareness mostly addressed through the survey, the reason being, issues relating to training, knowledge of money laundering issues did not require interviews to confirm the awareness information. But, the researcher used the interview process to conduct observation on the awareness of various money laundering issues and draw a conclusion.

RQ ii. What is the importance of transaction monitoring system and how it can help in the process of detecting terrorist finances in East Africa?

Both quantitative and qualitative methods; the reason for using both methods to address this research question is that, it helps to gather knowledge about how money laundering is being conducted in the region and how money flows to terrorist groups to lack of information sharing. The issue of information sharing, and terrorist financing are both addressed through both the interview and the survey. This is due to the nature and the sensitivity of the issues example; the issue of terrorist financing is very sensitive the respondents might feel uncomfortable disclosing the truth through the research survey and hence the interview comes in to help extract that extra bit of information that could not be disclosed through the interview.

RQ iii. What are the benefits "Know your Customer" (KYC) training in the process of combating money laundering East Africa?

Both quantitative and qualitative methods both methods are going to be used to address this research question. The reason being Banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality that is the main reason why some of the issues concerning KYC cannot be addressed through the survey example; when handling high risk customers such as the politically exposed persons. So that's when the interview comes in to help extract more information.

RQ iv. To what extent the corruption culture has contributed in the difficulty in determining the wealth of politically exposed persons in East Africa?

Both quantitative and qualitative methods; the main reason as to why both methods are going to address the issue of national and institutional culture to obtain information such as anti-money laundering training and how having a good institutional culture reduces the risk on money laundering among banks. This can be addressed through the survey questionnaire, but possibly not issues concerning how they treat high value customers such as the politically exposed persons who are seen as a threat towards proper anti-money laundering compliance in the region, because they have the power and authority to compel the bank personnel to bow down to their demands. A scenario like this makes it difficult for bank personnel to admit that they feel intimidated by political figures or high value customers through a questionnaire, but they can feel relaxed when interviewed about such issues because they have room to express their emotions easily and also it allows a researcher to draw a conclusion through a simple observation. This is one of reasons why, mixed methods have been opted for this research work. Because, it gives freedom for the researcher to gather much evidence to support the study.

RQ v. What is the effect of the current financial infrastructure that exists in East Africa having on the compliance of FATF anti-money laundering recommendations among banks in East Africa?

Both quantitative and qualitative methods; the issue of financial infrastructure is mostly addressed through the survey, the reason being, issues relating to operate in the region in terms of accessibility and other factors such as cash-based economy and complicated requirements are to be addressed through a survey.

RQ vi. Do the existing FATF anti-money laundering recommendations have what it takes to tackle the current money-laundering situation in the Region?

Both quantitative and qualitative methods; both methods are going to be used to address this research question. The reason being, the entire research comes down to whether, FATF anti-money laundering recommendations have what it takes to fully regulate money laundering, especially in the banking sector, taking into account different angles that have been explored which have indicated that it has contributed immensely to why money laundering activities are increasing in the region. Therefore, the use of questionnaire will help to answer some of the questions that are less sensitive, and the interview used to answer the questions that seem to carry some sort of sensitivity such as terrorist financing and politically exposed persons.

Chapter Four
Research Philosophy

CHAPTER 4

4.1.0 Research Philosophy

The complexity of conducting any research project in today's world is increasingly becoming a major concern for most researchers. This concern is caused by an increasing confusion in the classification of research philosophies such as ontology, epistemology, doxology and axiology. Different studies have used different classifications, categorization and description of the research philosophies in connection to the research methods, (Saunders et al, (2015), Ritchie and Lewis, (2003). This has resulted in even further confusion emerging from different debates of where and according to whom the research philosophy originated. Moreover, what connection does it have to the research approach? In turn, the on-going deliberations have taken a unique turn that has caused even further confusion among researchers on establishing the relevance of research philosophies to their field of research. Even though, there is an existence of different definitions of different research philosophies i.e. (ontology, epistemology, and axiology) they do have some common ideas but with a different meaning and emphasis, Mkansi and Acheampong (2012). This research work adopts **"Interpretivism"** research philosophy because, the research work is concerned with peoples' view on money laundering and how national and institutional culture, financial infrastructure and dimensions of money laundering have in one way or another affected the compliance of FATF anti-money laundering recommendations.

It is often perceived that qualitative research is exempted from ethical review. The arguments being the method is informal because it involves conversations and most researchers tend to preserve the integrity of data collected, Blanche et al, (2006). The participants of qualitative approach are entitled to some protection compared to those of quantitative research. Qualitative interviews are to be conducted through informed consent with a high level of confidentiality and the application of meticulous analytical procedures to ensure that valid conclusion is drawn. Qualitative research stands a higher chance of causing distress and is more subjective to participants than quantitative research; there is need for the researcher to address this issue, et Blanche al, (2006). The issue of qualitative research as said earlier can cause a great deal of distress if it is not handled properly, the reason being that qualitative research involves face to face interview with the respondents and the conversation is being recorded. The information recorded is as sensitive as the topic itself because some of the things that the respondent could not answer through the questionnaire can be answered in great depth. Moreover, it helps the researcher to understand some aspects of the topic area that he/ she was not aware of. This will help an in-depth discussion when it comes to analysing the data collected because the interview will act as a support for the data collected through the questionnaire. Nevertheless, one of the problems of using qualitative research is that it lacks detailed typology in which the study can be pinned. Further, the existing typologies are limited to just a few of features of the study. Moreover, they contain little clarification on the actual interrelationship and functioning of the research design. Other methods apart from qualitative research method provide a better research design and help to provide a logical progression from the first stage of problem formulation to the last stage of conclusions that deem to be necessary for the success of any research study, (Marshall & Rossman, 1999 and Creswell, 2014). Nevertheless, Hammersley & Atkinson, (1995), have argued that a qualitative research design should be a straightforward process, which operates through every stage of the research project.

According to Saunders et al. (2015), interpretivism philosophy has different assumptions about the way people view the world. For the case of this research study, different banking staffs working across different banks in the region have different views and assumptions concerning the issue of money laundering and anti-money laundering compliance. This research philosophy gives a clarification about the research strategy, and the method adopted in order to facilitate the research study, Saunders et al. (2015). In order to provide a good distinction on the views of any research epistemology, this is one of the research philosophies that provide two options at each ending, which are interpretivism and positivism. Epistemology as a research philosophy focuses on how different individuals can determine the truth. Research can be done in Epistemological philosophy if it is aimed at pursuing the truth, Streubert Speziale et al, (2003). Epistemology is simply the relationship of researchers and the path that they will use in order to find out the truth, De Vos et al, (2002). The theory of epistemology is also mainly concerned with the query of what factors make up an acceptable knowledge and what makes that knowledge useful in the specific study Collis and Hussey, (2013). Based on this research study it adopts "**Interpretivism"** because the research is dynamic. This is because this research project deals with a variety of people in the process of data collection who work in the banking sector, and, as we are all aware different people have different ways of reasoning. Moreover, every person who is going to participate in this research project has got a different opinion to the other, on issues relating to money laundering and the compliance of FATF anti-money laundering recommendations in the banking sector. This approach fits in well with the objectives of this research work because it allows the researcher to explore different opinions regarding the subject matter and helps to create some sort of a discussion, which in turn can help in arriving at a reasonable conclusion. Therefore, it is difficult to adopt positivism because it would limit the bank personnel from freedom to express their own views about the research topic. This, due to the fact that positivism is only works under a set of laws that need to be abide by in order to come into a conclusion without taking into account any other factor that might affect or alter the outcome. Further, the use of interpretivism is suitable to this study because it mainly deals with the study of human behaviour towards the world Brayman and Bell, (2003). Human beings by nature have got different perceptions regarding different issues; similarly, different individuals, therefore making the research outcome to be based on professional perception towards the issue, can view the issue of money laundering differently. Interpretivist encourages people to express their own opinions unlike positivists whom are focused on what they think it is right regardless of the circumstances. Further, this research works against the **"objectivism"** which works hand in hand with the positivist because the information that is acquired cannot be measured or work on the further study. This is true because most of the information acquired through scientific experiments limit cannot be recommended for further study because initially the problem have already been established and the outcome has already been anticipated through scientific experiments. Compared to interpretivist studies, it gives room for further study because in the research process new knowledge is being developed which allows the researcher to recommend for further study for this research work. Several key further studies have developed over the course of research, which include "the money laundering threat imposed by the influx of mobile money in East Africa". The objectivism as I said earlier it works hand in hand with the positivism, in other words they complement each other, (Saunders et al, 2015; Mkansi and Acheampong 2012).

The difference between the positivism concept and the interpretivism is that it helps the researcher to understand the role played by the human being as an actor in society. This part of epistemology philosophy tries to provide an answer to the question as to how people make sense of the world that is surrounding them. This study is of high value to people who are concerned with organisational behaviours such as the human resource managers and the overall business management Brayman and bell. (2003). Interpretivists, have criticized the people who apply positivism as the social word comprising management and business it is really difficult to be tied down by the set of laws and guidelines. Because the social world is dynamic, so it is difficult for the businesses to have some common laws used as a determinant of the human behaviour as they vary Saunders et al. (2015). This is true because human behaviours are unpredictable, and they differ from one another, so this differs from Epistemology. Because in most cases, Epistemology tends to consider the most appropriate ways of enquiring about the nature of the globe Jackson et al, (2008) and it also looks at what is knowledge, the sources of knowledge and lastly what is the limit of knowledge, Eriksson and Kovalainen, (2008). Epistemology helps in making decisions on the kind of research method and further according to Eriksson and Kovalainen, (2008), provides information on how epistemology can help to define knowledge and how knowledge obtained can be argued. Epistemology is the theory of the method of knowledge which is then expanded into a set of claims or assumptions about different ways on how to gain the knowledge of reality, how it exists and what basis of criteria have been used in order to satisfy it being knowledge, Blaikie, (1993). Conversely, Chia (2002) has described knowledge as what and how it is possible to know and the importance of reflecting on methods and standards through which reliable knowledge can be obtained. In summary epistemology is all about knowing exactly how knowledge generated and what criteria has been used to determine whether the knowledge is legitimate and how it represents the reality.

4.1.1 The research approach

The inductive research approach, is an approach that has been adopted for this research work, the main reason is that due to the application of interpretivist research philosophy, which involves searching for opinions without scientific experiments in order to support the theories and the literature review. The inductive approach comes in handy because the researchers have developed a body of literature and the research problems. After the researcher conducts an investigation in order to gather some opinions about the research study, the researcher intends to use both the interviews and questionnaires in order to gather opinion about the subject matter before arriving to a conclusion.

Interpretive perspective; is based on the assumption that the human actions are the result of external influences. These particular actions have a set of intentions and reflection that take place within a particular structure of rules and principles that bind the participants. The task that a researcher faces goes beyond measurement in developing the understanding of the scenario. In order to achieve this goal effectively active participation is required rather than sticking with observation, Smith, (2015). This research study is focused on the inductive approach where concepts and theories are developed beforehand. Then the outcome is determined by the results of the questionnaire and interviews that have been issued and conducted respectively in different banks in East Africa that the outcome of the investigation used to arrive at a conclusion on compliance of FATF anti-money laundering recommendations among banks in East Africa. This research work intends to explore how national and institutional culture, and financial infrastructure have contributed to the failure of banks to comply with these anti-money laundering recommendations. The interpretive perspective indicates that human behaviour is the result of external influences and this concept summarizes what this research work is all about. Then the study looks at the national and institutional culture in East Africa, affected by the corruption culture that exists in the society that has resulted in the surge of money laundering crimes in the region. After this the study moves to investigate why most banks in the region are facing difficulties in curbing the money laundering activities in the region as a result of the cash-based economy in the region which makes it difficult to keep track on where the money is originated from. All the scenarios indicate that there is an external influence that influences how people behave. In addition, unless the situation changes, people will continue to embrace and behave the same way. Therefore, the use of the inductive approach is the most appropriate because it is difficult to predict the actual outcome of the results, as there are no laws or experiments used or conducted in order to understand human behaviour, because they are unpredictable, and one person's opinion differs from the other. Thus, the study is based on the people's perception, which is difficult to measure.

The mixed method research approach **(Convergent parallel mixed methods):**

This approach involves the collection of both qualitative and quantitative data, for the case of this research work quantitative and qualitative data were collected from East African Banks. This requires a researcher to base his/ her enquiries on the assumption that collecting various types of data best provides a more complete perspective of the research problem than basing it on only one type of data. Often the mixed method approach starts with a broad survey in order to take a wide view of the results of the sample of population studied. After that is when a qualitative, approach comes into play where, open-ended interviews are conducted in order to collect a detailed view from the participants of the initial quantitative survey. This approach shows how the weakness of one method can be rectified by the other, (Creswell, 2014).

One of the criteria for selecting the mixed method approach for any research work according to Creswell, (2014), is because it is especially useful when qualitative and quantitative approach both have weaknesses. Using both methods helps to get the best results from the research problem.

Though, some researchers have argued against the use of mixed methods. The reason is that both qualitative and quantitative methodologies have different epistemological assumptions that have different research backgrounds (Brannen, 2005, Scott and Briggs, 2009). The arguments are based on the idea that qualitative methodology is based on the inductive method of enquiry that is considered divergent to the deductive research approach that underpins the quantitative research method. These two methods speak different language when it comes to reality, thus causing implications in the derivation of the research questions because they both require different approach in that derivation, Gratton et al, (2011). Further suggesting that any attempt to use both methods will result in tension and difficulties in the interpretation of the results. A good example is the deductive research approach, which requires more structured procedures, and representativeness of samples and thus the summarization of the results require a large sample, while the inductive approach does not require any large sample to summarize the results. Sale et al, (2002), have further stressed that two different methodological approaches are disproportionate and should never be used together.

Nonetheless, Teddlie and Tashakkori (2010) have waved the criticisms of using a mixed method of research by claiming that a researcher is required to devote more attention to ensuring that the combination of qualitative and quantitative research results work in drawing conclusion in mixed methods research, although there is a considerable amount of text books giving an insight on how to integrate the two methods i.e. Creswell, (2014), and Teddlie and Tashakkori (2010).

Chapter Five
Research Methodology

CHAPTER 5

5.0.0 Research Methodology

This chapter provides a deeper discussion on the research methodology used in this research study and provides support to the theoretical framework for this study. The chapter presents details of the research design, types of research methodology, target population, sample and sampling procedures, description of research instruments, validity and reliability of instruments, data collection procedures, data analysis techniques and ethical considerations while conducting the study.

This research project uses mixed methods specifically: "**Convergent parallel mixed methods**". This involves the use of both quantitative and qualitative methods to analyse how the level of compliance with anti-money laundering recommendations among banks in East Africa affected by national and institutional culture, financial infrastructure linked to the dimension of money laundering.

The reason behind the pursuit of mixed methods of research is entirely due to the existence of certain weaknesses between the two methods, hence the use of the mixed methods tends to compensate or balance the strengths and weaknesses of the two methods, (Tashakkori and Teddlie, 2010; Johnson et al 2007; Jick, 1979). Both methods combined in such a way that the strengths of each method overlap their weaknesses, hence increasing the creditability of the method, Johnson and Turner, (2003). The benefits of the mixed methods of research depends on the development of the research strategy which is effective at taking advantage of benefits of both research methods while reducing the cost or risks associated with the application of Both methods, Modell, (2005). The existing literature identifies several advantages of potentially using mixed methods of research. The following are some of the advantages of using mixed methods;

- Observe convergence in findings from different strands of the research, thereby building confidence in the research
- Extend findings beyond those observables using a single method

Qualitative research refers to an inductive, subjective, and holistic orientated process used to develop, describe, and interpret information based on a particular study. Sometimes qualitative research refers to as a systematic and subjective method used to describe real life experiences and give them clear meaning Burns & Grove, (2003). Qualitative methodology is considered as being interpretive and dialectic. During the interpretation of qualitative data, the researcher and the research participants uncover new information and the information is interpreted using qualitative method. (De Vos et al, 2002). Researchers who use this method tend to adopt a person centred holistic perspective that is used as a tool to understand the actual human experiences without putting much focus on specific concepts. The experience of using qualitative methods is unique in a sense that knowledge can be developed or discovered that represents actual real-life picture of experiences of the participants in a particular field. This is deeming to have a great importance to the researcher (Holloway, 2005).

The use of Qualitative approach helps in providing a better understanding of the research area and in receiving different opinions and ideas that can help to widen up the scope of knowledge about the topic area, A person who uses qualitative research is required to have qualities such as; excellent listener, friendly, non-judgemental and flexible. Van der Wal, (1999). Qualitative approach is mostly associated with words, experiences and language rather than mathematical measurements or statistical figures. Holloway, (2005); Researchers tend to adopt a holistic and person-centred viewpoint to be able to understand the human experience without placing much focus on specific concepts. The original perspective of the experience in using the qualitative method is unique, it can help to develop in-depth knowledge, and an insight into the present situation based on the participants.

The quantitative approach provides a good creditability to this research area that helps to arrive at a reasonable conclusion, though this research work is aimed at seeking for professional opinion on the subject. There might be some elements of quantitative data in this research work, but a large part of this research work will involve the use of the qualitative approach. On the other hand, the qualitative data will be analysed using diagrams and graphs that can help to provide a better understanding of the information. Qualitative data allows a research work to be studied into detail and depth that helps to understand the categories of information that have emerged from the data. Because this research area seeks for professional opinion on matters relating to money laundering from the bank officials' then qualitative data seems to be more relevant in helping to achieve a reasonable conclusion.

According to Yin (2006), the integration of qualitative and quantitative methods can occur in different way. The expression of the research questions, the identification of the samples and the units of analysis use the method of data collection and lastly the analytic strategies employed by the researcher draw in the integrative quality of the mixed method research design. Further the more the integration of qualitative and quantitative methods the stronger the mixed methodology. Creswell, (2014) have further provided some insight and state that strong mixed methods research works integrate qualitative and quantitative research results into a more logical conclusion. The integration of qualitative and quantitative results is the minimum for a research study to qualify for a mixed method research design. The mixed methods research studies that struggle to integrate the findings are in most cases those which use either qualitative or quantitative methods in developing the research questions and use mixed methods only in data collection which proves to be a difficult task. Mertens, (2007) states that developing an overarching mixed methods question is a design prerequisite in mixed methods research studies if mixed methods researchers are to present coherent and integrated research results.

The main research question is to identify the level of compliance with FATF anti-money laundering regulations in the banking sector in East Africa by looking at different factors such as the dimensions of money laundering, national and institutional culture and financial infrastructure and how they have contributed in one way or another to encourage or hinder the level of compliance. This means that the topic area requires bank officials' subjective opinion concerning this question. In this research project, information and data collected using both primary and secondary data for primary data involves issuing of a questionnaire and conducting of interviews across different banks in East Africa. The main aim of focusing on the region rather than focusing on only one country is that it will help to broaden the understanding of the research field by getting different expert opinions, as after all they are all under similar anti-money laundering regulations, similar cultural background and level of infrastructure. As was said earlier, the questionnaire and interviews were issued and conducted across the region with the main target being the bank officials of different banks and the targeted population will be 300 bank officials in East Africa.

5.1.2 Primary Vs Secondary Research

This distinction is quite frequently found in academic dissertations and has already been partly dealt with in this section of research Henrik et al, (1996). Primary research is the kind of research that involves gathering of original data using an acknowledged research methodology. Secondary research is a type of research whereby no original data is being collected but the research project draws current secondary sources alone Henrik et al, (1996). This comprises any research task involves the use of secondary data where primary or original data is being gathered or collected, Secondary research aims to establish what work has been carried out in a particular area and this acts as a necessary pioneer to a research design. A result of the distinction between primary and secondary research is useful in the proceeding explanations between primary and secondary sources. Henrik et al, (1996), in all research studies, in order to plan a good study, it is advisable to avoid random and regular errors. A study based on secondary information should be designed with the same care as other studies. For example, it is advised that a hypothesis should be specified, and a reasonable sample size estimated in order to get valid results. The existing literature on the value and importance of secondary data is mainly insistent on the completeness of the registration of the individuals and its accuracy. The value of good secondary data depends on the research question in mind. The purposes of this research study is to identify the level of compliance of FATF anti-money laundering in the banking sector in East Africa by looking at different factors such as the dimensions of money laundering, national and institutional culture and financial infrastructure and how they have contributed and affected the compliance of anti-money laundering recommendations in the region.

Further, Cowton, (1998), has emphasised the issue of ethics to business researchers, his main worries were "poor empiricism" this is a theory that stresses that knowledge can be acquired through sensory experience. The main argument is that researchers may not be aware of potential secondary data that can prove to be useful in providing a solution for a whole range of questions in a cost-effective manner. Further Harris, (2001) has provided some explanations to the effect that ethics research is mostly reinforced through the analysis of impartial secondary data sources and this is particularly useful when the subject matter is sensitive, threatening or incriminating. Harris, (2001) says that it can be a tough job to collect credible primary data. His study has made a use of content analysis of major newspapers to gather secondary information that supports a thorough investigation of business ethics. Further, the use of secondary data analysis has helped to restrict the researcher from falling into a temptation to arrive at more broad conclusions than the user of primary data analysis would necessitate. This has helped in classification of secondary information and it has enabled it to with stand any scrutiny. This is true - the use of secondary data can help to provide support to the primary sources especially when the subject matter is sensitive. A good example is this research work, where money laundering is a sensitive matter and if not handled carefully it might result into a great distress. That's why in most sections of the literature the researcher has tried to include some evidence published in either journal articles or newspaper articles in order to help the researcher to avoid coming to a broad conclusion, (Church, 2002).

The calls for a greater use of secondary data revolve around the dialogue surrounding open data and open access. Open data is simply a practice and philosophy that requires certain data to be freely available to everyone who needs it without facing any barriers from patents, copyright or any other form of control. The supporters of this particular model have confidence that comes from sharing the research information, Shawn & Terrence, (2008). There is an increasing awareness of the advantages of open data not only in the field of business research but also across all other disciplines. A good example is when slim results from the data set that has been collected for analysis from the top set of published journal articles psychology gives a clear indication that open data can benefit all researchers regardless of the discipline, (Wicherts et al, 2006).

In response to Wicherts et al, (2006), a recent editorial column on nature has criticized the poor tradition that exists in psychology regarding the availability of data. A plan has been laid in which the Psychological associations requires all necessary information to be deposited in a supplementary electronic material APA data base, A Fair Share, (2006). The main benefit of using secondary information is that the information already exists, and it saves the effort of collecting data and time consumed in collecting the information, unlike the use of primary data sources where the information is collected from scratch, which helps particularly if the researcher is running through tight deadlines. But, this has some limitations because, for any academic research especially in, a doctorial level is very difficult to justify the originality of a research work. If the data used is 100% secondary that is equivalent to one trying to republish someone else's work, equally, secondary data used to validate the primary data adds credibility to the research work.

Another advantage of using secondary sources is to save costs that are associated with the collection of the information, Henrik et al, (1996). It also reduces the probability of bias due to non-response or recalls which might occur in the process of collecting primary information. This can be of a great significance. This research, the process of data collection will involve three different countries, namely Kenya, Uganda and Tanzania, the costs involved includes travelling costs, hotel costs, food etc. If the researcher had decided to use secondary data, it would not have cost anything because the data already exists. The disadvantage of using secondary data is the fact that the methods of collection of data, quality of data and selection of the data is completely out of the control of the researcher and sometimes the information becomes difficult to authenticate, might be based on biased opinion, and the data might be out dated, (Henrik et al, 1996).

Primary data is gathered specifically in the search of a particular research objective. It is new and original data, Henrik et al, (1996). Secondary data includes the rest, which includes statistical reports and information from the government or other agencies, books, various other documents etc. Primary data is the main source of information for this research work, as discussed from **section 6.0** onwards, the data collection involves the use of interviews and questionnaires and as previously stated, primary data helps to justify the originality and having control of any piece of academic research. Still, secondary data is used to provide some credibility of the data collected. Primary data as being the primary source of information for this research, needs to be handled carefully due to the sensitivity of the topic, this is the reason why secondary data becomes appealing because they have already passed through all the critiques and accepted for publication. Primary data plays a great part to ensure that the researcher remains in control of the information (Henrik et al, 1996). In order to have a substantial contribution to knowledge, which is one of the criteria of PhDs, the researcher must ensure that the data collected builds upon the existing knowledge, that's where primary data comes in play.

5.2.0 Research design

The research design is useful to answer the research questions formulated in order to attain the specified objectives of our research. In the process of designing of our research it is useful to identify the common variables used in the research study and to sort out the characteristics and the similarities of the research variables Collis and Hussey, (2013). This is the most important aspect of the research study as the research questions require a detailed explanation on the reason to why, how, when and where the issue has occurred and what the conclusion is.

In the process of developing the research design, the researcher needed to take few factors into consideration: 1) the purpose of the research 2) the theoretical paradigm that is helpful in informing the research, 3) the context in which the research carried out 4) the research technique used to collect and analyse all the data. All these factors were taken into account when drafting the research design. Based on this research work it has met all the four criteria as seen and discussed in various sections. The research design that links the research question to the execution of the research work developed through taking into account the four factors mentioned above, in order to produce a logical research guide that will help the researcher to obtain correct answers for the research question. This process was guided by two main ideologies of decision-making and these are design coherence and design validity.

5.2.1 Design Validity (External validity)

This is one of the key attribute of a quality research design which focuses on whether the observed links can be generalized from the sample to the population validity, or ecological validity or even organisation contexts. For example: can results from the banking institutions in East Africa be generalized to the population of banking institutions (population validity)? Alternatively, generalized to other institutions in East Africa (ecological validity)? Any research that involves a survey, where data obtained from a wider group of individuals, institutions or other elements of analysis tends to have a wider external validity than the scientific experiments. These are artificially conducted and have a strong control over the variables that are irrelevant to give the findings less external validity to the real-life situations, whereas treatments and unrelated variables can never be controlled. The choice of the researcher over the research design is ultimately a matter of personal preference, and the proficiency and the level of internal and external validity that they deem appropriate, (Bhattacherjee, 2012). This fits in well with this research work because the research is based on collecting data from banking institutions in East Africa. And it also involves a group of individuals within the banking institutions; hence the analysis will have a strong external validity because it is based on real life situation unlike some scientific experiments which are based on artificial findings. This gives the researcher a strong control over the variables because they can manipulate them and probably affect the outcome, while in real life situations it is very difficult to have a total control over the variables because one`s perception might be totally different from another. That is why it is difficult to adopt scientific experiments on real life issues because there are no formulas to achieve a certain result. The researcher cannot change the variables or manipulate them and still arrive at the same conclusion. Hence it is fair to say that this research work has a strong external validity because money laundering is a real-life issue that has not specific causes, it all depends on how different individuals view the issue.

5.2.2 Mixed methods research design (Convergent parallel mixed methods)

This is one of the primary models of mixed methods design, in which the researcher merges them. In other words, he/ she combines qualitative and quantitative data in order to provide a more comprehensive analysis of the research question Johnson et al, (2007). With this design, the researcher usually collects both set of data at around the same time, and then incorporates the information collected in the interpretation of the general results, (Smith, 2015; Tashakkori & Teddlie, 2010). Any contradictions in findings are explained in this design. This research design fits the bill for this research study as it combines both methods in the process of data collection and analyses the results using both methods. This is essential because due to the nature of this topic it is very difficult to use only survey method to arrive to a conclusion because some crucial information would be left out. Thus, the use of both methods can help to bridge the gap left from the use of one method at the expense of the other. Further, it helps to increase the credibility of the information acquired that is not analysed or judged based on bias. Based on this research work, which looks at the compliance of FATF anti-money laundering among banks in East Africa, will require the use of a survey that will be distributed across different banks in East Africa. The reason being that due to the time constraints and the nature of the topic the use of a survey will help in acquiring the majority of the information needed for this research work. Similar studies that have used surveys in the process of data collection include: Cihak and Podpiera, (2005), KPMG Survey, (2012) and KPMG survey (2014). The use of qualitative research is also helpful for this research work because it will promote further discussion for the research questions, which will enable the researcher to come to a reasonable conclusion. Some similar studies that have used mixed method in the process of data collection include, Modell, (2010 and McNabb, 2008). Some procedures that expand mixed method of research developed as follows;

1) One method could help in explaining and broadening the understanding of the research area using the other research method, achieved through exploring different research questions and knowing which research questions are relevant to what methods. Based on this research work the following are the research questions

RQ. i What are benefits of money laundering awareness in the process of implementation FATF Anti money laundering recommendations East Africa?

RQ. ii What is the importance of transaction monitoring system and how it can help in the process of detecting terrorist finances in East Africa?

RQ. iii What is are the benefits Know your Customer (KYC) training in the process of combating money laundering East Africa?

RQ. iv To what extent the corruption culture has contributed in the difficulty in determining the wealth of Politically exposed persons in East Africa?

RQ. v What is the effect of the current financial infrastructure that exists in East Africa (Cash based economy, accessibility of financial services and cost of opening and maintaining of bank accounts) on the compliance of FATF anti-money laundering recommendations among banks in East Africa?

RQ. vi Does the existing FATF anti-money laundering recommendations have what it takes to tackle the current money-laundering situation in the Region?

Based on the above questions it is hard to focus on just one research method because it would be difficult to get the kind of results that would be a complete and sensible example; some issues regarding national and institutional culture are difficult to address using a questionnaire alone. Therefore, the researcher will be able to gather more information through face-to-face interview with the respondents. The same issue applies to the anti-money laundering recommendations. With issues like terrorism financing, it is not possible to exhaust every question through the use of a questionnaire, so the use of interview comes handy to cover the gap left by the use of questionnaire.

2) Means of integrating qualitative data and quantitative data. This done through using one method to check the accuracy of the other method. This is particularly true because both methods have their own weaknesses and so using both methods in this research work ensures that the weaknesses of both methods cancel each other out. This can be illustrated clearly in the first point where the questionnaire cannot address all the issues properly and similarly the use of interviews cannot address all the issues appropriately. So, by having both methods it is evident it will help to ensure that the research work is more robust and there no areas that have not been addressed in order achieve the desired goals

3) One could build on other databases. In addition, use one database to rotate with another database. As explained in the previous section the advantage of using mixed methods, especially in this research work, is it helps to correct the mistake of one method using the other method. Further, it helps to build upon one another. More often a mixed method approach starts with a broad survey in order to take a broad view of the results of the sample of population studied. A qualitative approach comes into play where open-ended interviews are conducted in order to collect a detailed view from the participants of the initial quantitative survey. This is going to be a key method in this research work because as the nature of the topic is very sensitive then it requires a focus, especially in the process of collecting data from the banks in East Africa. The key approach is to conduct a survey across different banks before actually conducting an interview to wrap up the process; this means that in order to achieve the intended target both methods are needed. Hence, this approach shows how the weakness of one method can be overcome by the other method, Creswell, (2014).

4) One method of data collection could lead to better instruments when the other method is not suitable for sampling. Questionnaires and interviews are the key research instruments for sourcing information from the respondents for this research study. The use of qualitative research is when the interview comes in play, because in order to gather all the information needed and bearing in mind that some information is better acquired through a face to face discussion with the respondent's due to their sensitivity such as that about terrorism financing and handling of PEPs. The uses of the quantitative research method; the use of questionnaire comes in handy. Based on the research study not all the information can be collected using interviews due to time restraints, so the use of questionnaire can help to gather some information from the respondents at their own convenient time. That is to say, that both methods are useful for this research work and the omission of one can result to a setback when it comes to the collection of information.

   Further, the research designs were developed, and information added to aid the reader in understanding the designs. The challenges emerged in working with the designs, Creswell, (2014). Practical More issues were discussed regarding the credibility of mixed methods.

5.3.0 Sample and sampling procedure

A random sampling technique was used in the process of collecting of data. According to Abudu, (2012), a random sample is a type of sample that is selected in a random fashion to achieve the research objective. The reason for choosing this type of sample is that it allows the researcher to collect accurate data without bias Because this research targeted individuals working in the banks starting with the frontline staff members (working behind the counters), head of departments and bank managers. The reason for choosing these people is because they have knowledge about the topic area and they are responsible for enforcing anti money laundering laws and policies. That is the main reason for choosing this type of sampling because its intended target is a set of individuals who are working in banks across East Africa.

5.3.1 Population target

The population for this research project are all frontline and management staff working across different banks in East Africa. This research work involved the use of hard copy questionnaires distributed across the East African countries namely Kenya, Uganda and Tanzania. There were two set of questionnaires; the first set was meant for front line staff members, which includes people who work behind the counters and people working in various departments. The second was meant for the managers; consisting of banks managers and heads of departments. The reason to why this research work used two sets of questionnaires is to find out the truth about different issues relating to this research study. An example is AML training, where the managers indicate that they conduct intensive training to its frontline staff while frontline staff members are not receiving any AML training or the current AML policies and procedures.

5.4.0 Research instruments

Questionnaires and interviews are the key research instruments for sourcing information from the respondents for data for this research study. The questionnaires made use of open and closed questions. The open-ended questions seek to get the subject views of the respondents. Cooper and Schindler, (2003), have argued that the open-ended questions used in intensive interviews are crucial in determining the degree of sensitivity or disapproval behaviour, to discover salience or encourage natural modes of expression. Additionally, Mugenda and Mugenda (2003) have illustrated that the use of interviews can help to obtain data in greater depth. Using curious questions, which can help in collection of data that is relevant to the research objectives, through clarifications of intended choices, this is considered as one of the desirable ways that can be used to gather data especially in this research work which is considered to be quite sensitive and requires a great deal of focus and strategy in gathering the information that can help in arriving to a good conclusion. Before commencing the entire process, a pilot study conducted in order to verify and give an insight of what to expect in the process of data collection especially the use of survey questionnaire as discussed in the next section.

Pilot Study

The population targets for this research project are all frontline and management staff working across different banks in East Africa. This research work involved the use of hard copy questionnaires distributed across the East African countries namely Kenya, Uganda and Tanzania. There were two set of questionnaires; the first set was meant for front line staff members, which includes people who work behind the counters and people working in various departments. The second was meant for the managers; this consists of banks managers and heads of departments. The main reason to why this research work used two sets of questionnaires is to find out the truth about different issues relating to this research study. An example is; AML training, where the managers indicate that they conduct intensive training to its frontline staff while frontline staff members are not receiving any AML training or the current AML policies and procedures.

Significance of a Pilot study

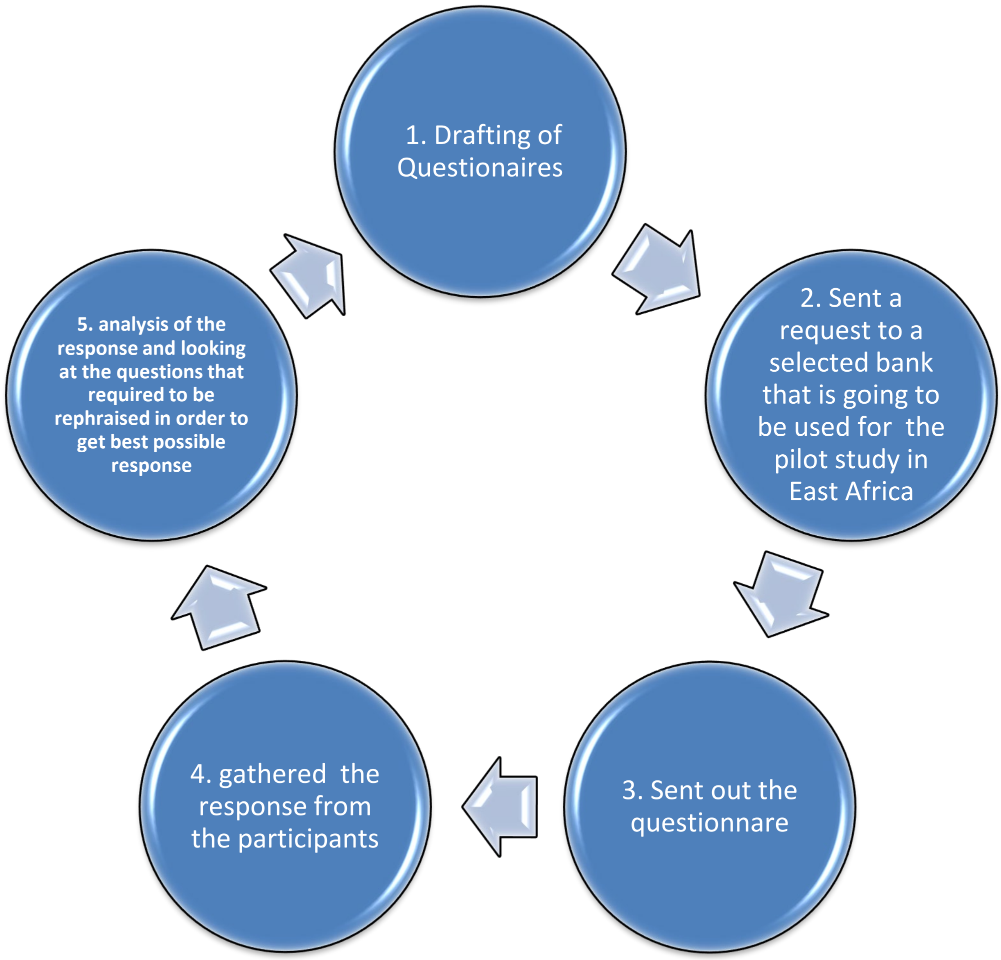
According to Blaxter, et al. (2001), made it clear, that “as a researcher might think that you know well enough what you are doing in relation to your topic area may be through previous experiences from the same subject area, the value of pilot research cannot be misjudged. Sometimes, things tend to never work as we might expect, even if the researcher have managed to complete similar things in the past, therefore, a researcher should be ready to encounter some nasty experiences, because sometimes things are not quite the same as one might expect”.

Therefore, it is very clear to any researcher that the pilot study in any research is quite crucial because it helps to prevent the waste of energy, money and time. Further, conducting a pilot study is of great significance because it helps to determine what the approval or agreement rate will be for participants in participating in the research study, Carfoot et al. (2002), as this will have a direct impact on planning how long it will take to recruit enough participants, with consequent implications for funding. The pilot study gave clear indication on how long it takes to have a response from the participants. In addition, an estimated amount of funding that is required in the process especially due to the research conducted in three different countries so travelling and accommodation is not out of the equation.

Because there is no specific measurement that determines the number of participants for a pilot study in the social sciences, there for this research study internal pilot study used. This type of design the main study planned, and a sample size calculation performed on the best available data. The study started, and an internal pilot conducted on the first pre-specified number of participants who agreed to participate in the process. The sample size is recalculated from the estimates obtained from the pilot stage, and if the trial requires a larger number of subjects than first thought, then this becomes the new target figure, (Kieser & Friede, 2000 and Zucker et al. 1999). This is very important for this research study because it shall give a clear insight on how many participants expected to participate in the research process for each bank. The reason being the initial estimates might be under estimated or overestimated, the completion of the pilot study it will give a clear insight on what to expect in terms of number of participants and the duration it is going to take.

The research procedure of the pilot study in this research project includes the procedures mentioned earlier (**section 6.1.0** research design) have explained how data collection for both methods was achieved. The following diagram shows the summary of the research procedure that was used in the pilot study.

Figure 3 summary of the Pilot study



1. Drafted a questionnaire, explained in section 6.1.0
2. Sent out to one selected bank used for the pilot study in East Africa to confirm their acceptance to participate in the pilot study. Diamond Trust Bank (DTB) agreed to participate on the pilot study; the main reason for choosing just one bank to conduct a pilot study is to allow the researcher to know the areas that need adjustments both on the questionnaire and interview questions before being sent out to other banks.

3. The third step, sent out the questionnaire to the participants this shall give a bit of room for the researcher to arrange for interviews. This stage the DTB managed to instruct 10 of its frontline staff members and 5 of its management staff members to take part in answering of the research questionnaires as mentioned in section 6.1.0 this was successfully completed.
4. The next step, feedback gathered from the research questionnaire and the interviews conducted in order to start the process of analysis. During the process of analysing the responses from the questionnaire and interview, most questions had a positive response except for some few ones that were a bit unclear to the respondent's this prompted an immediate adjustment in order to suit the purpose. Example of the research questions that some of the respondents indicated were a bit unclear; "Having complicated formalities during opening of an account has discouraged people to save with banks especially in the rural areas". The respondents felt the question made them feel that they have put into place those formalities in order to discourage people from having access to banking services, which is not true. This is the main reason why pilot study is important, because at the initial stage the researcher thinks that the questions are perfect, and they are more than likely to serve the purpose. In actual sense, mistakes are borne to happen, and it is the responsibility of the researcher to ensure that, the research questions serve the purpose of achieving the overall research objectives and receiving a positive response as anticipated by the researcher.

   Analysis of the feedback in order to determine whether the methods proposed are suitable for this research study and whether the questions help in achieving the research objectives. In addition, rephrasing some of the questions from the questionnaires in order to make them guarantee the best possible response. As discussed previously some research questions needs altering and interviews need arranged well in advance in order to meet the target. Overall, the mixed method seems to be working perfectly and it suits the overall research purpose.

5.5.0 Data collection

Data collection begins after the decision on how and where the data is going to be collected from, Talbot (1995). For this Research work, it uses both questionnaire and interviews as stated earlier as the method of data collection. One of the philosophers Saunders et al. (2015), backed the use of questionnaire as one of the most useful method of data collection of the fields related to management and business. The use of questionnaires enables the researcher to be able to collect both quantitative and qualitative data that can help to answer the research questions mentioned earlier.

Questionnaires consist of a list of carefully structured questions chosen and tested with the main aim of getting reliable feedback from the chosen sample. The information used in sample selection is often vague in many research projects. This is because most researchers feel vulnerable about the procedures adopted. It is often clear that scientific methods have not been adopted and this is common in accounting research projects, when there is an over dependence on samples. It is obvious that it is an attempt by the researcher to complicate or create confusion in this regard, in trying to overlook the details and creating an impression that the sample selection is more organised and efficient while in reality it is not, (Smith, 2015). Most of the qualitative methods textbooks and articles devote more space to the strengths and the limitations of a particular method of data collection, (Bogdan & Biklen, 2006, Patton, 2000, Emerson et al, 1995). The main key design issues in selecting and using data collection methods are; the relationship between data collection methods and the research questions and the triangulation of different research methods. Maxwell, (2013), majority of researchers focus on translating their research questions into interview questions, there is little or no chance of converting research questions into useful method of research. The reason being that research questions are solely to be used as the means of answering the research questions and not a logical transformation of the research questions into the means of research methodology, Maxwell, (2013). A good example is the interview questions where they are supposed to be derived logically from the research questions but whether they can provide information that can be useful in answering the research questions.

According to Collin and Hussey, (2013), the aim of the questionnaire is to find out what is the perception of the participants concerning the topic area and their thoughts. A questionnaire is one of the main ways of collecting data from the participants and the more clearly phrased questions increase the likelihood of getting a positive response from the participants. According to Saunders et al, (2015), there are two basic types of questionnaires. The interviewer administered and self-administered. The self-administered questionnaire conducted using delivery and collection system. This comprises telephone questionnaires, postal questionnaires etc., Equally, Jankowicz. (2005) Insists that the use of the interpretivist approach which tends to use more of a qualitative approach but supported by a simple quantitative approach purely because it is mostly concerned with human behaviour and their thoughts towards the particular field of study. The interpretivists believe in the existence of multiple realities, Denzin and Lincoln, (2003). Interpretivists tend to work alongside other people who are familiar with the knowledge and who can make sense out of the particular knowledge. In order to interpret the experience of the interpretivists in relation to academic research, the main focus of the researcher is to try to understand and analyse the meaning of social actors and to understand their world from their point of view. This is considered as the key factor for any researcher Saunders et al, (2015). To understand how people, feel, think and communicate is deemed essential Jackson et al, (2008). The subjective nature of this approach and its emphasis on the language used makes it more relevant to qualitative data gathering. Due to the existence of the close relationship between the researcher and the research there may be a high risk that any data collected and analysed will be based solely on what is in the mind of the researcher. This might result into bias hence the use of self-reflection is advised to researchers in order to avoid bias, Eriksson and Kovalainen, (2008). Based on this research project it follows more of the interpretivist approach which enables the researcher to extract the views from bankers in various banks in East Africa on the issue of money laundering and the compliance of FATF anti-money laundering recommendations. The reason as to why positivist approach is not relevant in this research project is that the positivist approach originated from natural science and it is characterised by testing the already formulated hypothesis from the existing theory. This approach has assumptions that the social world exists independently and there is nothing or no one is responsible for its existence except for acts of nature. The knowledge is valid only if it is based on simple observation of the external reality, laws, and theories designed to support the knowledge. Positivism is based on the truth and values of reasoning and the focus is placed mostly on facts gathered through observations and relevant experience and measured strictly using quantitative methods, experiments and surveys and analysed statistically, (Saunders et al. 2015, and Eriksson & Kovalaien. 2008). According to Hatch and Cunliffe (2006), if a positivist approach is related to an organisation, positivists have an assumption that what truly happens in the organisation is discovered through scientific measurements of the behaviour of the people working in the organisation. Moreover, its systems and the language of the people and the system is the true representation of the reality.

The open questionnaire is the type of the questionnaire whereby the researcher does not place limitations on the respondents. That is the respondent is free to express what he or she feels rather than being tied down to questions. Closed ended questionnaires. This is the type of the questionnaire where the researcher limits the respondents by tying them down to some options, where the respondent has no room to express their own personal opinion other than answering the questions according to the available option, (Dervin and Dewdney, 1986).

4.5.1 Data collection process

The process of data collection started mid-April 2016 and ended in Early August 2016. But, the researcher started establishing contacts one year prior to the start date of data collection because of the nature and the sensitivity of the topic area in the region. The researcher had to start building contacts in order to be able to gather enough data when the time for data collection came. And thankfully the researcher's strategy of building contacts earlier helped to gather enough data because without building contacts one year before data collection, the researcher would have struggled to get enough response.

As mentioned earlier the data collection started mid-April and 500 questionnaires were issued across banks in Kenya, Tanzania and Uganda. Among the 500 questionnaires issued, 300 questionnaires were meant for front line staff members (bank tellers and staff members responsible for opening bank accounts) and 200 questionnaires were meant for management officials (Bank managers and heads of departments).

The researcher sent out 25 letters to bank managers across 25 different banks in the region. Bank managers were interviewed is because they are responsible for day-to-day running of the banks. Moreover, they are responsible for monitoring compliance in their respective banks.

The respondents who did not give their response after two- three weeks were reminded through a telephone call or email to remind them to assist in answering the questionnaire. This increased the response rate because the method of dropping an email or giving a call to the respondents gives you a better hope that the questionnaire will be answered rather than posting letters, where some might not even reach the respondents directly. (See appendix for a copy of the questionnaire) The data collection period for this research work was three months.

The following steps were taken in the process of gathering the information through the "qualitative approach",

Step 1	The Researcher prepared the interview questions and the mode of Recording
Step 2	The researcher made contact with the interviewee to arrange for an interview
Step 3	The researcher met with the interviewee and conducted the interview, which lasted on average 40 minutes
Step 4	The researcher reviewed the recordings ready for data analysis

Step 1

Involved the formulation and the preparation of interview questions and in addition, how the researcher was going to go about recording the entire process of the interview. The following are the six research questions;

RQ i. What are benefits of money laundering awareness in the process of implementation FATF Anti money laundering recommendations East Africa? Shawgat, (2011), the reason to why banks are increasingly becoming a main target for money launderers to execute their money laundering operations is that, they offer a range of financial services and instruments that can help to conceal the original source of money. Further, the banking institutions also provide an easy means of transferring of assets or money into other banking institutions whether with in the country or outside the country with simplicity. It is important to bear in mind that banks provide an easy get away for money launderers. The reason being they can transfer any amount of money to anywhere in the world with minutes and it also allow them to clean the money without any difficulties. Therefore, it is important for banks to ensure that they always question the source of money and reasons for any transfer without assumption even if that particular customer is well known

RQ ii. What is the importance of transaction monitoring system and how it can help in the process of detecting terrorist finances in East Africa? According to McLaughlin and Pavelka, (2013), and Geister, (2008), Institutions with ineffective or weak internal controls, which include effective transaction monitoring systems, are more likely exposed to exploitation, and become a major target to money launderers to use such institutions for money laundering activities. In most cases, banks and other financial institutions fail to uncover money-laundering activities due to inappropriate measures or lack of proper transaction monitoring system or anti-money laundering programmes in place that can be used to deter money launderers from using the financial institution channel, Lanier et al, (2015). This means that in order to prevent money launderers using the banking channel to launder their illicit proceeds it is advised that the transaction monitoring system in the organisation should be regularly updated in order to keep up with the pace and dynamics of money laundering criminals

RQ iii. What is are the benefits Know your Customer (KYC) training in the process of combating money laundering East Africa? Based on the existing literature, it is increasingly getting more difficult to actually identify suspicious money laundering transactions, because criminals are becoming increasingly clever, therefore, they adopt new techniques every now and then in the process of cleansing their dirty money, Warutere, (2006). Further, illicit financial flows often leave East Africa and other developing countries via the banking system. Banks are motivated to assist their wealthy customers with managing their wealth irrespective of the origin of the funds, because the nature of the banking business which makes large customers more attractive due to their contribution towards the survival and future prosperity, (Heggstad and Fjeldsstad, 2010, Palmer, 2009). Global Witness has documented that high-ranking politicians aided by banks transfer large amounts of public funds into secret or hidden offshore private accounts, (Global Witness, 2009). That's why it is important to explore. Because in order to gain a deeper understanding on the issue concerning KYC in East Africa and how it can play a significant role in the war against money laundering in the region.

RQ iv. To what extent the corruption culture has contributed in the difficulty in determining the wealth of politically exposed persons in East Africa? According to Furguson et al, (2015), globally banks and banking today stand in "dishonour and shame". This is due to poor cultural bases and substantial cultural failures being the major root cause of the recent financial crisis and remain to be the main contributing factors in the financial scandals. Subsequently, staff with questionable behaviours and values that move from one bank to another with freedom has worsened the situation, (Murray, 2018; Furguson et al, 2015). Several investigations conducted indicate that there is a huge challenge facing banks, especially avoiding corrupt funds that originate from politically exposed persons (PEPs). The Financial Conduct Authority, (2014), revealed serious weaknesses in the level of enhanced due diligence carried out on high-risk customers and PEPs among banks. There is an urgent need to ensure that financial institutions and all other designated non-financial institutions and professions carry out proper customer due diligence before engaging in any business relationship with the customer

RQ v. What is the effect of the current financial infrastructure that exists in East Africa (Cash based economy, accessibility of financial services and cost of opening and maintaining of bank accounts) on the compliance of FATF anti-money laundering recommendations among banks in East Africa? Financial institutions are the most widely used route by criminals to launder their illicit gains, both in the developed and developing countries, Shawgat, (2011). Additionally, the detection of money laundering transactions in the financial sectors still remains a great challenge in the process of combating money laundering and terrorist financing that are continuously becoming a major threat to the survival of the financial institutions, especially the baking sector in the developing countries Shawgat, (2011). That is why it is important to address the issue of financial infrastructure in East Africa and how it has impacted the compliance of FATF anti-money laundering recommendations in East Africa.

RQ vi. Does the existing FATF anti-money laundering recommendations have what it takes to tackle the current money-laundering situation in the Region? In relation to improving the banking systems and guidelines, it has been estimated that approximately 130 jurisdictions representing 85 per cent of the world population, and about 90-95 per cent of global economic output, have made at least a political commitment on the implementation of FATF anti-money laundering recommendations, (Brandon, 2011, Shehu, 2005). In most developing countries, the FATF Anti-Money Laundering recommendations are still in the development stage. That is why it is important to address these anti-money laundering recommendations based on East African perspective and advice whether they are efficient enough to curb the growing problem of money laundering in the region, (Brandon, 2011).

Based on the above four research questions, the following are the interview questions that address the research questions;

IQ.1 What are the challenges that the organisation faces in embedding the anti-money laundering culture in the organisation? This question addresses the RQ I, RQ VI

IQ.2 Due to corruption culture that exists in most African society how does it affect the organisation attitudes towards its implementation of anti-money laundering recommendations? This question addresses the RQ IV

IQ.3 How does the banking secrecy laws affect the process of compliance with anti-money laundering recommendations? This question addresses the RQ II and RQ IV

IQ.4 The cash-based economy that Exist in East Africa. How difficult it is to identify money intended for terrorist groups? This question addresses the RQ V

IQ.5 Due to a number of terrorist incidents in the region what are the measures taken by the organisation to prevent further attacks through money flowing to these terrorist groups? This question addresses the RQ II

IQ.6 How does the organisation cooperate with the law enforcement agencies to identify money-laundering criminals and bring them to justice? This question addresses the RQ II

IQ.7 Money laundering is on the rise in East Africa according to experts. Why do you think this is the case? This question addresses the RQ I, RQII and RQ IV

IQ.8 There has been an increase in number of banks and banking services in the town areas thus neglecting the rural areas. Do you think that money launderers will use the loophole to launder their criminal proceeds? This question addresses the RQ V

IQ.9 The language barrier and complicated formalities in opening an account tends to put off most people especially in the rural areas. As a result, most people have more cash saving in their possession. Do you think this imposes a higher money laundering risk to banks? This question addresses the RQ V

IQ.10 FATF anti-money laundering recommendations are a set of requirements for each country to comply with. Do you think they are effective in developing countries, taking into account the existing challenges such as large-scale corruption and a cash-based economy? This question addresses the RQ VI

IQ.11 What measures are taken by the organisation to control money laundered by politically exposed persons? This question addresses the RQ II and RQ IV

IQ.12 What needs to be done in order to curb the overall money-laundering problem especially in East Africa? This question addresses the RQ I, RQ II, RQ III, RQ IV, RQV and RQ VI

Step 2

The researcher made contact with the interviewee in order to arrange for a perfect time and place to conduct the interview; carried out either during the lunchtime or any time that the interviewee feels comfortable.

Step 3

The researcher met with the interviewee and conducted the interview; all interviews were recorded using a digital recorder, which can later be replayed and duplicated into different storage devices so when the evidence of the recording is needed it will be easier to have access to it. All the recordings were held with high confidentiality and no materials recorded accessed without the permission of the researcher, they can only be accessed when deemed necessary by the supervisory team or the Viva board.

Step 4

After all the interviews were conducted, the researcher reviewed the interviews and drafted the analysis of the interviews, which went together with the questionnaire, to establish an argument based on the research questions.

The following were steps taken in the process of collecting and analysing of information through **"quantitative approach"**

Step 1	The researcher prepared the questionnaire based on the research questions
Step 2	The researcher conducted a pilot study in order to verify if the questionnaire is understandable and it shall receive the required response
Step 3	After the pilot study and the questionnaire have been verified, the researcher sent out the questionnaire to different banks in East Africa
Step 4	The researcher gathered the feedback from the respondents and ready for analysis
Step 5	The researcher analysed the data collected through diagrams and statistical tests with the aid of SPSS

Step 1

This step the researcher prepared the research questionnaire used to collect the data based on the research questions. (See appendices section for the sample of the questionnaire.) The questionnaire was formulated based on a five point "Likert scale". The Likert scale according to Johns, (2010), consists of attitudes towards any object or on any issue varied along the same underlying negative to positive dimension. The method has several advantages and one of the advantages is that the method is universally applicable. Based on Likert's own research, he managed to measure the opinions on subjects as diverse as the existence of God, birth control, evolution, war etc. this means the method can be applicable to any field of research as far as the measuring of opinion is concerned. This method fits well with this research work because the researcher intended to measure people's opinion based on the topic area and it's fair to give them room to suggest how well they agree with the questions presented to them without limiting them to the extent to which they agree with the scenarios.

Step 2

The second step was to conduct a pilot study intended to verify whether the questions are understandable and whether they can yield the response that the researcher is expecting. This is one of the most important steps because it puts into test whether the research questions in the questionnaire are up to standard and helps identify any errors or changes that needs attention before the questionnaire is sent for data collection. For this research work, a pilot study was carried out, before it was officially sent out to the respondents.

Step 3

After a successful pilot review of the questionnaire the researcher, sent out the questionnaire to different banks in East Africa. As discussed in the **research design section,** there were two sets of research questionnaire for this research work. One was for management and the other was for the front-line staff, the sole purpose is to compare the feedback from the management and the frontline staff of in the issues pertaining to money laundering.

Step 4

After a successful distribution of the questionnaire to the respondents, the next phase was to collect the questionnaire from the respondents and start analysing the feedback.

Step 5

After the feedback was collected from the respondents the crucial part left was to start the analysis using SPSS. The SPSS software gives the researcher more time to bond with the data, through the input of the information and to discover exactly what the information entails. Unlike other traditional software, i.e. excel.

The researcher has managed to gather sizeable response from the questionnaire and a decent response from the interview. Hence, the findings gathered are strictly grounded and cannot be used as a general view of the subject area, Miles and Huberman, (1994). Data collected analysed through SPSS statistical software for quantitative data. According to Sabine and Brian, (2004), SPSS "Statistical Package for the Social Sciences". Is a package of programs for manipulating, analysing, and presenting data; the package is widely used in the social and behavioural sciences.

Non-Parametric tests are used in this research work because the data gathered does not follow a normal distribution. Thus, Pearson`s chi-square test and Wilcoxon signed-rank test are used in the process of data analysis. Pearson`s chi-square test, used to test for an association between the variables in order to determine whether the formulated hypothesis, Field, (2017). The reason for using this test is that the data is uneven, and a vivid example is the data collected in this research study involves the use of Likert scale data which is considered ordinal with uneven distribution, (Field, 2017). The Wilcoxon signed-rank test is the nonparametric test that does not assume normality in the data, it can be used when this assumption has been violated and the use of the dependent t-test is unsuitable. It is used to compare two sets of scores that come from the same participants. This can occur when the researcher wishes to explore any change in scores from one time point to another, or when individuals are subjected to more than one condition, (Field, 2017).

Microsoft Word was used for transcribing interviews. Microsoft Word was used because, Word gives an opportunity for the researcher to review the conversations held, this helps the researcher to know exactly how and where to use the interview information in the process of transcribing.

Chapter Six
Findings and Data analysis

CHAPTER 6

Findings and Data Analysis

6.1.0 Introduction

This chapter presents the data collected from 41 registered banks in East Africa, which involved both interviews and questionnaire. The response gathered from the questionnaire is 206 from the front-line staff members and 103 from the management. A further 10 comprehensive interviews were conducted among the senior managers of banks in East Africa, which on average lasted for 40 minutes. The primary aims for this research current research study is:

1. To assess money laundering awareness in East Africa.
2. To assess the benefits of information sharing and how it can be used to detect the flow of terrorist finances in East Africa.
3. To assess the benefits of training to Know your Customer (KYC) in East Africa.
4. To investigate corruption culture and how is has made it difficult to determine the wealth of Politically exposed persons in East Africa.
5. To investigate and analyse the nature of financial Infrastructure in East Africa.
6. To assess the current money laundering situation in East Africa.
7. To assess if the current FATF anti money laundering recommendations cater for the needs of East African countries.

Summary of the Findings

Table 4 Summary of Response of Questionnaire

The table shows a summary of a number of respondents from each category and country in East Africa.

Type of Questionnaire	Tanzania	Uganda	Kenya	Total
Frontline staff (F.s)	72	74	60	206
Management (M.g)	38	34	31	103
Total	110	108	91	309

Table 5 Summary of interviews

The table shows a summary of the interviewees who participated in this research work

Interviewee	Job Title	Country	Local/International Bank
Interviewee (1)	Bank Manager	Tanzania	International
Interviewee (2)	Bank Manager	Tanzania	Local
Interviewee (3)	Customer Relationship Manager	Tanzania	International
Interviewee (4)	Head of compliance	Tanzania	Local
Interviewee (5)	Customer Relationship Manager	Tanzania	Local
Interviewee (6)	Bank Manager	Kenya	Local
Interviewee (7)	Bank Manager	Kenya	Local
Interviewee (8)	Bank Manager	Kenya	Local
Interviewee (9)	Bank Manager	Uganda	Local
Interviewee (10)	Bank Manager	Uganda	Local

Table 6 summaries of the recommendations and the areas of analysis addressed

This table shows the areas that FATF anti money laundering recommendations have been addressed on the analysis sections

	FATF Anti-money laundering recommendations	Summary of area of analysis addressing the recommendations
1	**AML/CFT policies and coordination**	A.4.1.0 E.2.1.0, E.4.1.0
2	**Money laundering criminalization and confiscation**	B.1.1.0, F.4.1.0
3	**Preventative measures**	B 4.1.0, E.1.1.0, F.2.1.0
4	**Politically exposed persons**	D2.1.0, D.4.1.0, F.5.1.0
5	**Terrorist financing and proliferation**	B 3.1.0 C2.1.0, F.1.1.0
6	**Transparency of legal persons and arrangements**	D 1.1.0
7	**Powers and Responsibilities of competent authorities**	F.3.1.0
8	**Operational and Law enforcement**	F.3.1.0
9	**International Cooperation**	B 4.1.0, E.3.1.0

A. Money laundering awareness

According to Shawgat, (2011), the reason to why banks are increasingly becoming a main target for money launderers to execute their money laundering operations is that, they offer a range of financial services and instruments that can help to conceal the original source of money. Further, the banking institutions also provide an easy means of transferring of assets or money into other banking institutions whether with in the country or outside the country with simplicity. It is important to bear in mind that banks provide an easy get away for money launderers. The reason being they can transfer any amount of money to anywhere in the world with minutes and it also allow them to clean the money without any difficulties. Therefore, it is important for banks to ensure that they always question the source of money and reasons for any transfer without assumption even if that particular customer is well known. This can be achieved through regular training for the frontline staff members and also for the managers to have a final say on whether to approve a transaction or not. With the current global economy and integrated financial markets, the process of transferring funds across the borders has never been easier and faster than recent years, Hitesh and Bharat, (2012). Coupled by the greediness of bank employees and petty fines imposed to banks engaging in money laundering, this adds more fuel to money launderers to use the banking institutions to conceal their illicit gains. That is why it is very important for banks to ensure that they create more awareness in their staff members about various issues concerning money laundering in order to prevent criminals from using the organization. This can be achieved by ensuring that frequent trainings and updates are conducted and communicated, in order to keep up with money laundering criminals.

The following table shows the summary of responses concerning the awareness of money laundering

Money laundering awareness	Mean	Standard Deviation
A 1.1.0	2.26	1.143
A 2.1.0	2.07	1.179
A 3.1.0	2.18	1.183
A 4.1.0 i) ii)	2.11 2.28	1.138 1.396

Money laundering awareness (General analysis)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	F	%	F	%	F	%	F	%	F	%	F	%
A 1.1.0	62	30.1	73	35.4	33	16.0	31	15.0	7	3.4	0	0.0
A 2.1.0	85	41.3	63	30.6	27	13.1	21	10.2	10	4.9	0	0.0
A 3.1.0	69	33.5	76	36.9	27	13.1	23	11.2	10	4.9	1	0.5
A 4.1.0 Fs i) Mg ii)	74 35	35 34.0	73 38	35.4 36.9	33 12	16.0 11.7	16 6	7.8 5.8	9 8	4.4 7.8	1 4	0.5 3.9

Awareness (Based on banks)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	Local	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**local**	**Intn'l**	**Local**	**Intn'l**
A 1.1.0	48	14	62	11	32	1	30	1	7	0	0	0
A 2.1.0	64	21	57	6	27	0	21	0	10	0	0	0
A 3.1.0	53	16	65	11	27	0	23	0	10	0	1	0
A 4.1.0 Mgi Fsii)	32 60	3 14	35 61	3 12	12 32	0 1	5 16	1 0	8 9	0 0	3 1	1 0

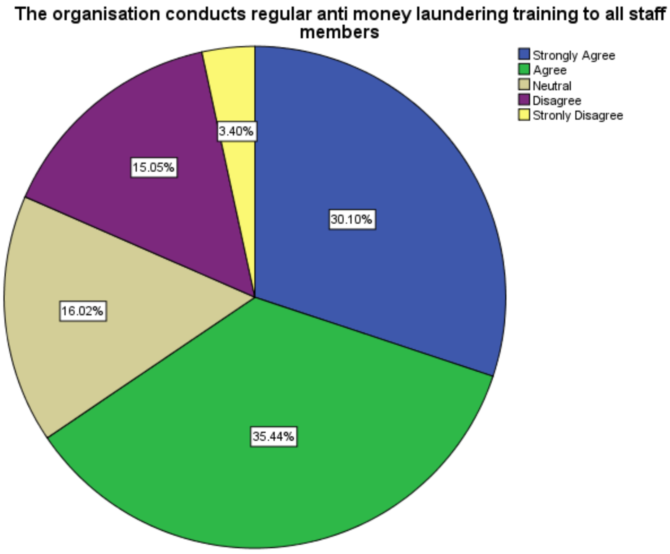
Money laundering awareness (Based on country)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	No Response	Total
A 2.1.0 Tanzania Uganda Kenya	36 33 16	19 26 18	9 9 9	7 6 8	1 0 9	0 0 0	72 74 60
Total	**85**	**63**	**27**	**21**	**10**	**0**	**206**
A 1.1.0 Tanzania Uganda Kenya	27 27 8	27 23 23	8 12 13	8 11 12	2 1 4	0 0 0	72 74 60
Total	**62**	**73**	**33**	**31**	**7**	**0**	**206**
Total	**35**	**38**	**12**	**6**	**8**	**4**	**103**
A 3.1.0 Tanzania Uganda Kenya	32 24 13	28 33 15	5 9 13	6 4 13	1 3 6	0 1 0	72 74 60
Total	**69**	**76**	**27**	**23**	**10**	**1**	**206**
A 4.1.0 Fs i) Tanzania Uganda Kenya	**28** **20** **26**	**25** **35** **13**	**12** **15** **6**	**5** **1** **10**	**2** **2** **5**	**0** **1** **0**	**72** **74** **60**
Total	**74**	**73**	**33**	**16**	**9**	**1**	**206**

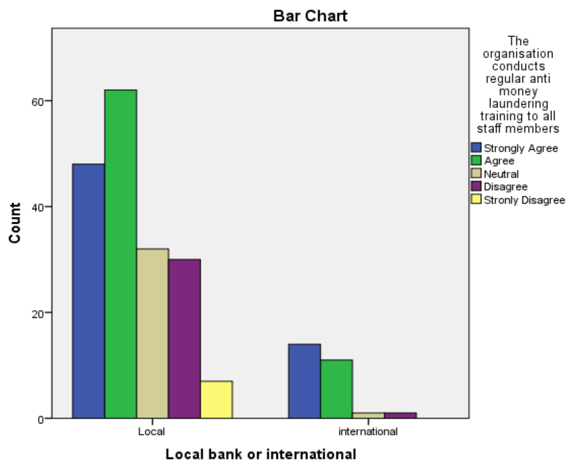
Hypothesis testing on Money laundering awareness

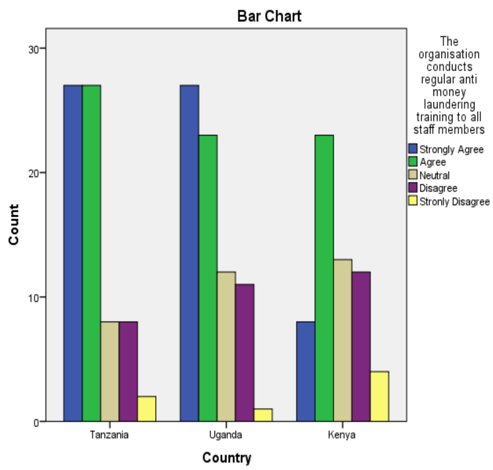
	Hypothesis	Variable-1	Variable-2	Test	Test-Statistics	Test Result
A1	An employee's awareness of FATF anti money laundering recommendations is associated with regular anti money laundering training.	AML Training	FATF Awareness	Association: Chi-Square	Chi-square =114.373, df=16, P<0.001	Proven

A2	An employee's awareness of current money laundering issues is associated with regular anti money laundering training.	AML Training	Current money laundering issues Awareness	Association: Chi-Square	Chi-square =101.218, df=20, P<0.001	Proven
A3	An organisation's ability to update its current anti money laundering policies is associated with regular anti money laundering training	AML Training	Updating AML policies	Association: Chi-Square	Chi-square =327.789, df=25, P<0.001	Proven
A4	There is a difference in regular AML trainings conducted between local and international banks	AML	Local/ International	Difference: Wilcoxon Signed Ranks Test	Z= -9.659 P<0.001	Proven

A 1.1.0 The organisation conducts regular anti-money laundering training to all staff members





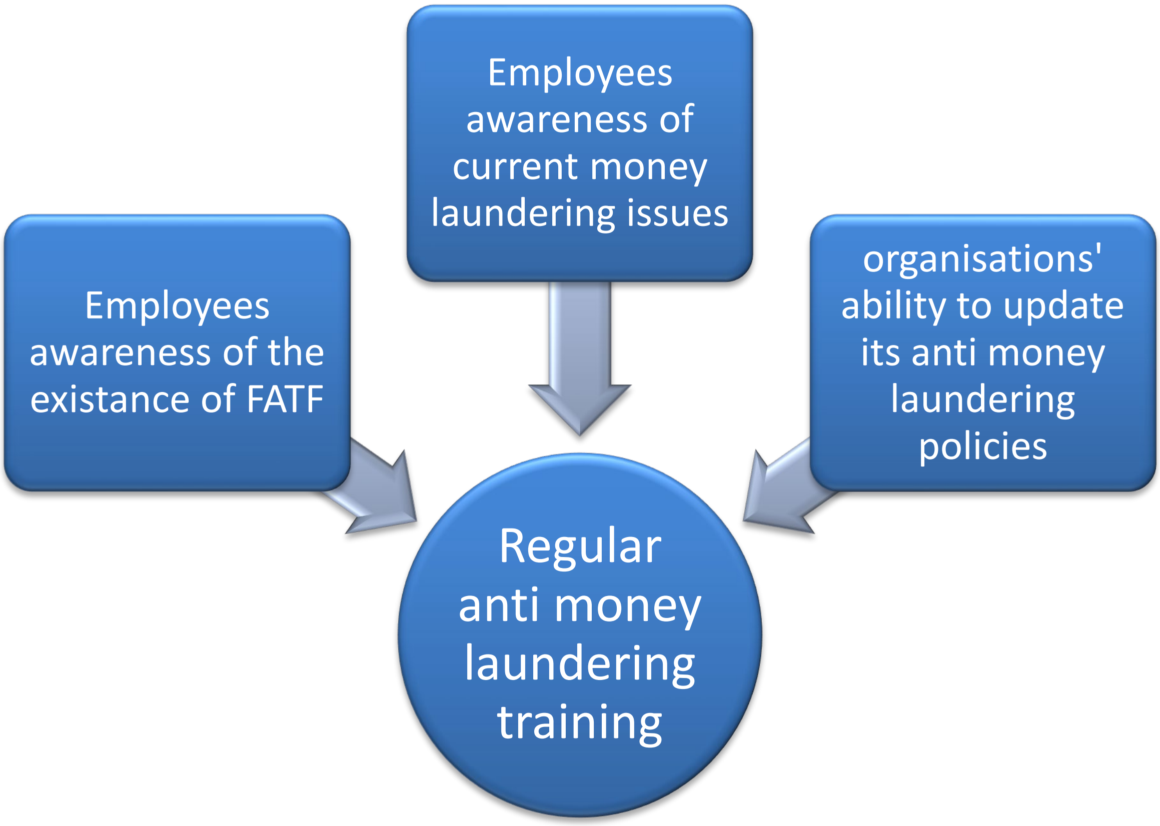


Findings and Discussion

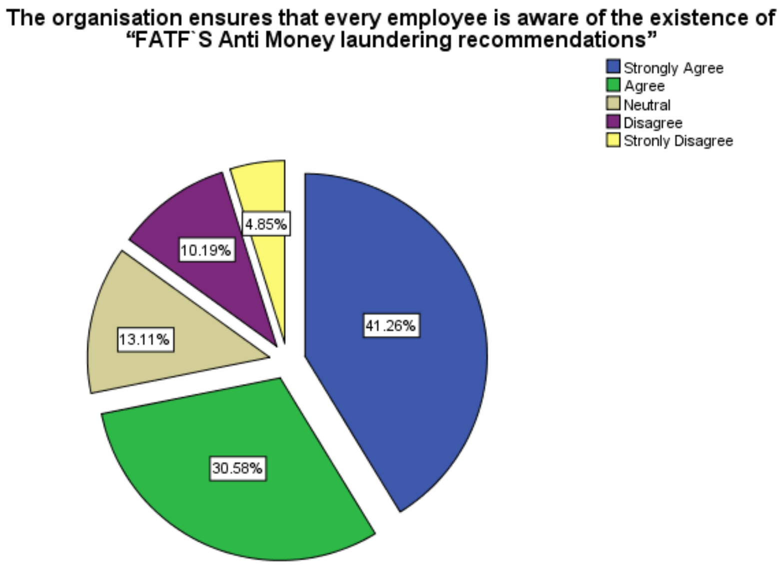
Based on the findings, the interesting part is that 15.0% and 3.4% of the frontline staff disagreed and strongly disagreed respectively. This situation raises some concerns because one of the ways to curb this growing money-laundering problem is through regular training. Murray, (2018), stresses that, the concept placement, layering and integration has been the basis for the most worldwide anti money laundering (AML) training, Murray, (2018). The fundamental weaknesses of the concept appear to hamper the process of tackling money laundering as it occurs. As a consequence, this situation has opened up opportunities for deliberate blindness on AML systems due to the practice of money laundering being understood in incomplete and misleading ways, Murray, (2018). Based on the bank`s perspective 37 of the front-line staff members working for the local banks in East Africa disagreed on receiving regular anti money laundering trainings while only 1 person working for the international bank in the region disagreed. A Wilcoxon signed-rank test showed that, there is a significant difference in regular AML trainings conducted between local and international banks. Similarly, the situation in countries also raises some concerns because in Tanzania 8 of 31 and 2 of 7 disagreed and strongly disagreed that they do not receive regular training, similarly 11 of 31 and 1 of 7 in Uganda disagreed and strongly disagreed and finally 12 of 31 and 4 of 7 in Kenya disagreed and strongly disagreed respectively. Again, Kenya stands out as the worst because despite the threats of being blacklisted due to lack of proper implementation of anti-money laundering measures, FATF Public Statement, (2012). According to Money Laundering and Financial Crimes, Country Database, (2015), Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, and its banking and financial sectors are growing in sophistication. The most obvious part is that, 37 of the respondents combined strongly disagreed and disagreed while only 1 of the respondent from the international bank disagreed> One of the respondents cited that *"In East Africa AML laws are not properly implemented especially the local banks. This makes the situation even more difficult, because the regulators need to be stricter to ensure local banks are compliant with AML laws", (comment Fs.78)*. This is true because during the course of data collection local banks displayed lack of proper knowledge about money laundering issues compared to the international banks and that is why majority of money laundering incidences always begin in local banks. Local banks need to learn from the international banks if they are to make any progress in ensuring that money launderers do not use their institutions for money laundering activities. Further, regulators and banks should ensure that the anti-money laundering policies and laws are well implemented and not left only on paper, *"The financial institutions should also put more effort to ensure that their staff are made aware of AML policies and how to put them into practice",* *(Comment Fs.84)*. There is a need to ensure that regular training is conducted in order to minimize the damage to the fight against money laundering that continues to gain pace in the region. Banks should also be on alert of any changes to the money laws to ensure that they are up to date with the changes.

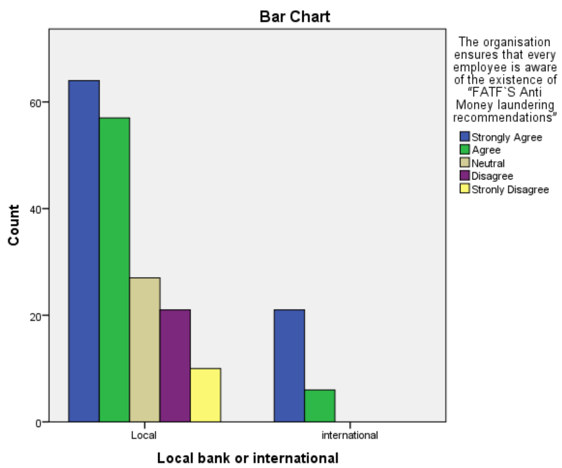
Based on findings there seems to be evidence of association between frequent AML training by banks and the employee's awareness of FATF anti-money laundering recommendations and the ability of employees to be aware of current money laundering issues and how to tackle the issue. Further, employee's awareness on various anti-money laundering issues has also given the opportunity for the banks to update their anti-money laundering policies based on the ideas that they gather through these frequent trainings, below is the diagram that shows the summary of the association and discussion of the findings and tests of the response gathered.

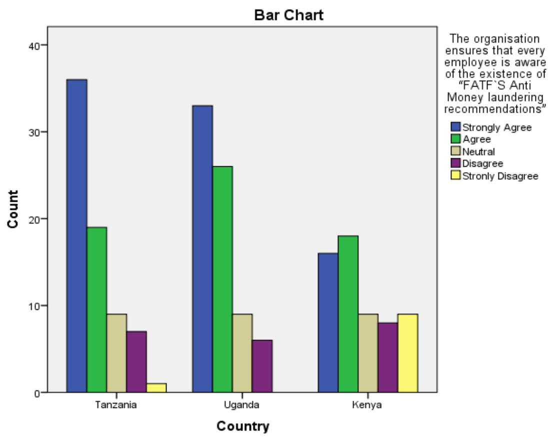
Figure 4 Association between regular anti-money laundering training, and employees' awareness on FATF, current anti-money laundering issues and updating anti-money laundering policies



A.2.1.0 the organisation ensures that every employee is aware of the existence of FATF Anti-money laundering recommendations through regular trainings







A.1.1.2 Discussion

The emergence of FATF has acted, as a valuable campaigner for having strong global AML/CFT controls and its achievement in raising and increasing awareness on issues regarding the dangers of money laundering and terrorist financing and in trying to persuade countries all over the world to improve their controls and supervision on these two key areas, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002). Nevertheless, financial and resource constraints facing most of the developing countries makes it particularly difficult for these countries to fully implement all the FATF recommendations, Moshi, (2007). Based on the findings, the interesting part is that, 10.2% and 4.9% disagreed and strongly disagreed respectively, of being aware of FATF anti-money laundering, recommendations. It raises questions to why some of the staff members are still unaware of the FATF anti-money laundering recommendations. Because in Tanzania 7 of 21 and 1 of 10 the front-line staff members disagreed and strongly disagreed on being aware of FATF anti-money laundering recommendations, similarly 6 of 21 frontline staff members in Uganda also disagreed. Lastly 8 of 21 and 9 of 10 in Kenya disagreed and strongly disagreed respectively. Interviewee-(4), pointed out that one of the biggest challenge that the organization faces;

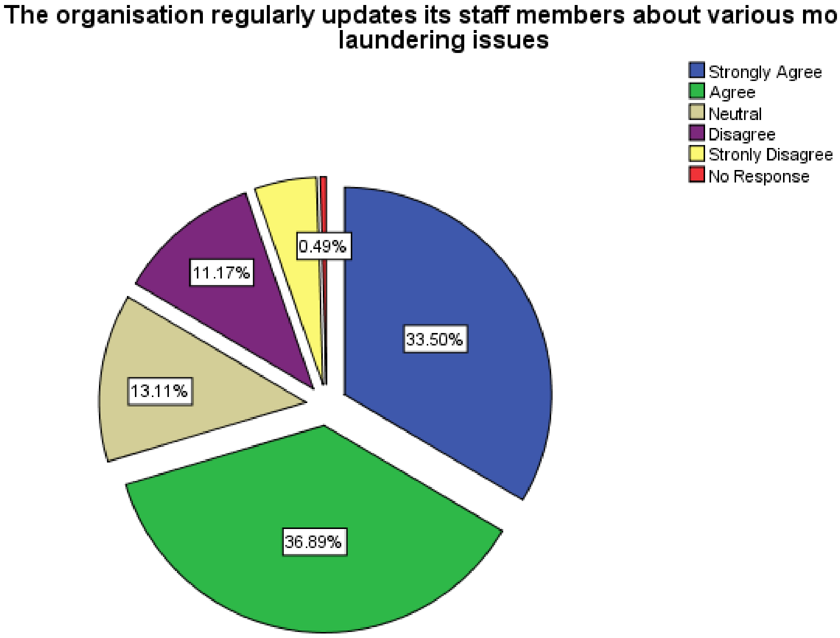
"Lack of proper knowledge and ignorance. A typical example is that I came to familiarize myself with the terminology of money laundering when I was in my 1st year of university and after having a quick glance at what it actually means. Although we have had some couple of trainings but still people are still finding it difficult to properly implement the anti-money laundering policies"

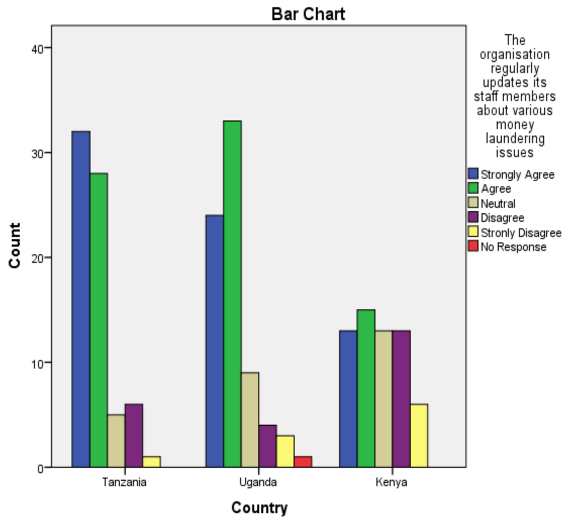
Similarly, interviewee-(10), *also pointed out that "the knowledge of money laundering seems to be a problem because majority of people are not familiar with the terminology and how to tackle the issue in the work environments",*

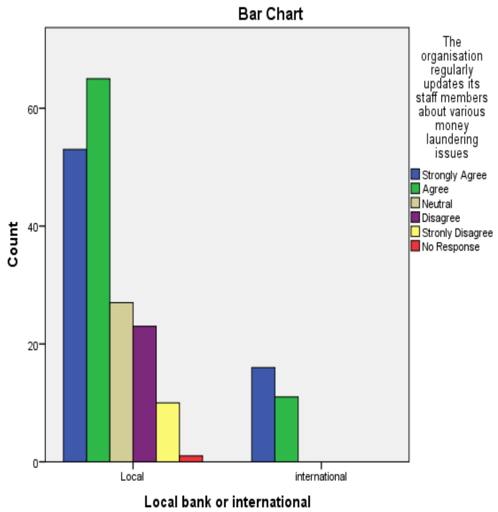
This explains why there are still some employees who are unaware of FATF anti-money laundering recommendations, especially in Kenya where the majority of the respondents who are unaware come from. According to The Bureau for International Narcotics and Law Enforcement Affairs, (2017), Kenya remains vulnerable to money laundering and financial fraud despite its growing sophistication in its banking services. This ties to the recent threats that Kenya has faced of being blacklisted due to their failure to address money-laundering issues in the country, FATF Public Statement, (2012). Nevertheless, it's important to make the comparison between local banks and international banks in terms of how their organization ensures that every employee is aware of the existence of FATF anti-money laundering recommendations. The obvious part is that 21 of the local banks disagreed with the fact that the organization ensures that every employee is aware of FATF anti-money laundering recommendations. While, there were none from the international banks, what sets local and international banks apart is the commitment to ensuring that money laundering is relinquished. With frequent trainings and updates, that is why none of the respondents from the international banks disagreed with the statement. It is a high time for the local banks to take the initiative to ensure that they learn from these international banks if they are to survive in this war against money laundering, because international bank have more experience, exposure and expertise on how to tackle money laundering. Banking institutions need to improve each employee's awareness on money laundering in order to promote a safer environment as suggested by one respondent; *"increase employee awareness in the organisation in order to curb money laundering and create a safe environment", (comment Fs.12).* Achieved through seminars and broadcasting the anti-money laundering measures aim to ensure that everybody, not only the bank staff but also the public, are familiar with such measures. That is why anti-money laundering training is vital because it helps to create more awareness to the staff members about the available FATF anti-money laundering recommendations and how they can help to tackle money-laundering activities in the organisation. That is why there is a very strong evidence of association between employee's awareness of FATF anti-money laundering recommendations and regular anti-money laundering training. The main aim of this training is to update all staff members about different threats that are likely to affect the organisation and suggest appropriate measures that should be taken in case one is faced by one of the threats.

A.3.1.0 Through having regular trainings the organisation gets the opportunity to update its staff members about current money laundering issues

A.3.1.1 Findings







A.3.1.2 Findings and Discussion

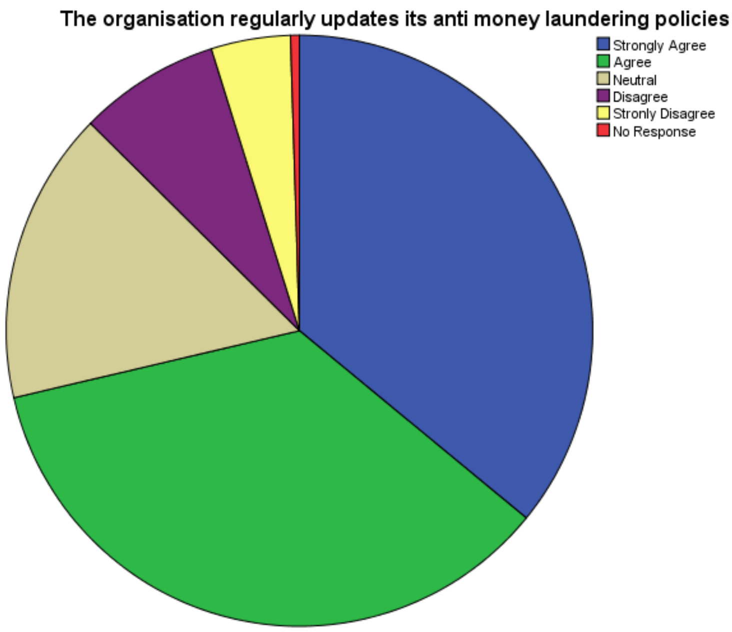
The findings gathered, the interesting finding is that 11.2% and 4.9% of the frontline staff disagreed and strongly disagreed respectively. This situation raises some questions because

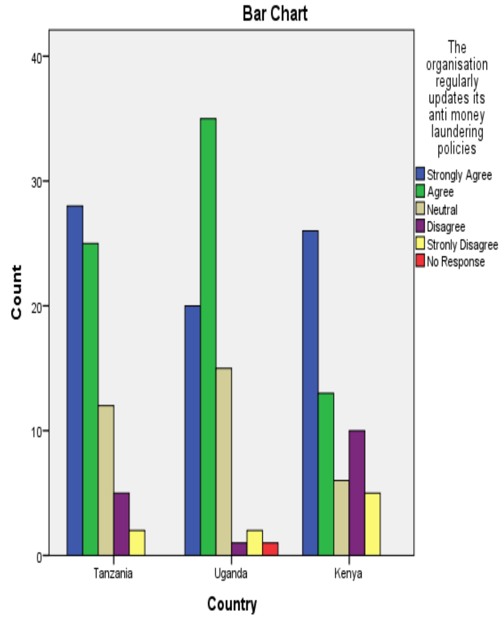
FATF issues regular updates about new threats of money laundering and it is the responsibility of the organization to ensure that it updates its staff members about any changes to the laws and policies in order to keep them in their toes. According to Hitesh and Bharat, (2012), the current global economy and integrated financial markets mean that the process of transferring of funds across the borders has never been easier and faster than in recent years. Numerous banks both local and across the borders have strict bank secrecy laws which encourages anonymous money transfer. Money laundering flourishes on secrecy, (Otusanya et al., 2011; Nellen and Lankhorst, 2008; Sikka, 2008). Hence, by not giving them regular updates, it might result in a lack of knowledge about emerging money-laundering threats that might affect the organization. Updating the staff members helps to ensure that each staff member is aware of the new threats and their magnitude and establish measures that can help to spot and report any suspicious transaction before it results into a big problem, which might even affect the image of the organization to the public. Country wise, in Tanzania 6 of 23 and 1 of 10 disagrees and strongly disagrees that the organization does not regularly update its anti-money laundering policies. Similarly, 4 of 23 and 3 of 10 in Uganda disagreed and strongly disagreed and finally 13 of 23 and 6 of 10 in Kenya disagreed and strongly disagreed respectively with Kenya being the worst again. In addition, we see the comparison between local banks and international banks in terms of how their organization regularly updates its anti-money laundering policies. The most obvious part is that 33 of the local banks disagreed with the fact that the organization regularly updates its anti-money laundering policies while; there were none from the international banks. It is the responsibility of the bank to ensure that it conducts regular briefings to its staff members to ensure that, they are well aware of any changes and developing measures to ensure that the organization is ready to tackle such threats. One of the respondents also suggested that, *"Seminars should be conducted regularly in order to make individuals and organisations aware of anti-money laundering and how to tackle it harder", (comment Fs.52).*

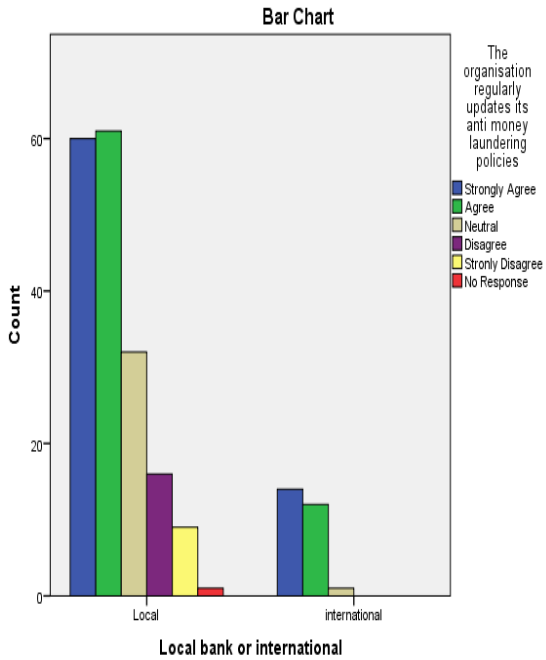
Further, another respondent emphasised that *"The financial institutions should also put more effort to ensure that their staff are made aware of AML policies and how to put them into practice", (comment Fs.84*). By regularly updating staff members about money laundering threats this reduces the risk of money laundering activities taking the organisation by surprise because it enables the staff members to be alert and act upon the situation before it affects the organisation. That is why there is a very strong evidence of association between employees being updated about various anti-money laundering issues and regular anti-money laundering training. The main purpose of these trainings is to update all staff members about different threats that are likely to affect the organisation and suggest appropriate measures to be taken in case one of the employees faces one of the money laundering threats.

A.4.1.0 By updating the staff members about various money laundering issues, this helps the organisation to update its anti-money laundering policies (Front line staff vs Management)

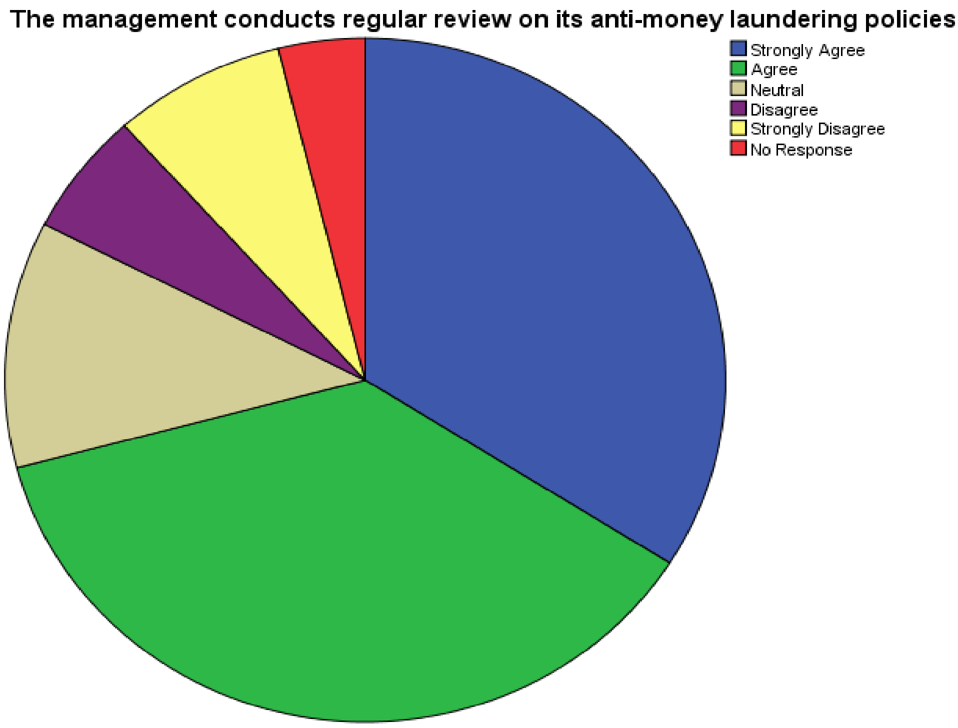
A.4.1.1 Frontline staff

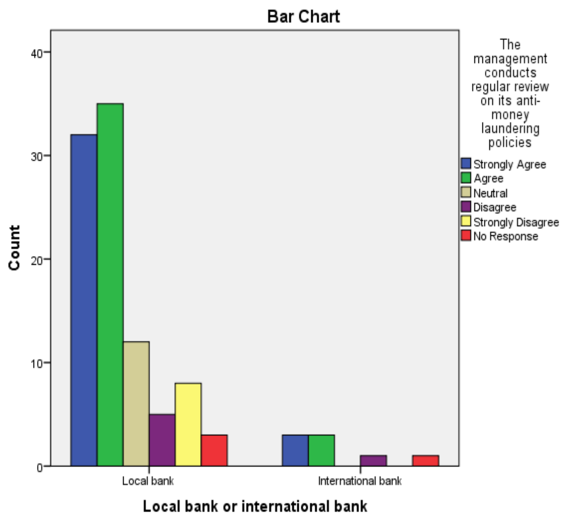


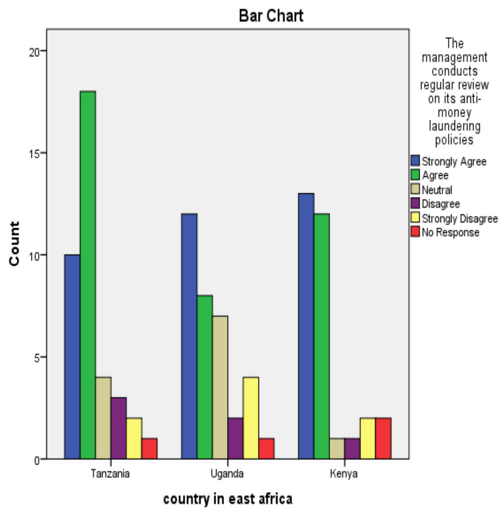




A.4.1.2 Management







A.4.1.3 Discussion

The emergence of FATF has acted, as a valuable campaigner for having strong global AML/CFT controls and its achievement in raising and increasing awareness on issues regarding the dangers of money laundering and terrorist financing and in trying to persuade countries all over the world to improve their controls and supervision on these two key areas, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002). Nevertheless, financial and resource constraints facing most of the developing countries makes it particularly difficult for these countries to fully implement all the FATF recommendations, Moshi, (2007). The findings gathered, the interesting fact is that 7.8% and 4.4% of the frontline staff disagreed and strongly disagreed respectively. This situation raises some questions because FATF issues regular updates on its recommendations based on the current money threats and situation as a whole. The situation is not as smooth as one might think because having respondents disagreeing that the organization does not regularly update its anti-money laundering policies is quite a concern. Because when you leave the situation to chance, there is a high possibility that money launderers will use that loophole to launder their illicit proceeds. Country wise in Tanzania 5 of 16 and 2 of 9 disagrees and strongly disagreed that the organization does not regularly update its anti-money laundering policies, similarly 1 of 16 and 2 of 9 in Uganda disagreed and strongly disagreed and finally 10 of 16 and 5 of 9 in Kenya disagreed and strongly disagreed respectively. Similarly, the findings gathered indicate that 34.0% of the management working in banks across East Africa, strongly agreed that the management conducts regular review its anti-money laundering policies, further 36.9% of the management also agree to the statement, while 11.7% were neutral to the statement. Nevertheless, the interesting part is that 5.8% and 7.8% of the management staff disagreed and strongly disagreed respectively. This situation raises some questions because FATF issues regular updates on its recommendations based on the current money threats and situation as a whole and the management are the ones who are first inline to receive such updates. According to these findings, it seems that some of the management staff are not serious about tackling money laundering. Because it is their responsibility to ensure that these updates are communicated throughout the organization, yet if they don't pay enough attention to ensure that they update their anti-money laundering policies regularly no wonder money laundering is on the rise the region according to experts. In addition, one of the reasons why money laundering is on the rise is because of taking things for granted. With the growing threat of money laundering the expectation is very high for the management to ensure that they are doing whatever they can to stop the growing problem of money laundering. Country wise in Tanzania, 3 of 6 and 2 of 8 disagreed and strongly disagreed that the organization does not regularly update its anti-money laundering policies, similarly 2 of 6 and 4 of 8 in Uganda disagreed and strongly disagreed and finally 1 of 6 and 2 of 8 in Kenya disagreed and strongly disagreed respectively, Uganda being the worst. In order to successfully curb money laundering in the region extra efforts are needed to ensure that anti-money laundering policies are regularly updated in order to keep up with the growing threats and techniques of money launderers. One of the respondent suggested, *"Banks need to regularly update the anti-money laundering policies. Secrecy in banks should be reduced in order to curb money laundering easily", (comment Fs. 30)*. In addition, regulators need to ensure that banks are up to date and implement anti-money laundering recommendations as required or face hefty fines. It was suggested by one of the respondents that *"Putting in place strong regulations to curb money laundering activities especially in the banking institutions. Also, there should be hefty fines, prosecution and dismissal of organisation`s staff members who are found engaging in such criminal activities" (comment Mg. 29)*. By doing all these, it should help the situation and discourage money laundering in the region. By updating the staff members about various money-laundering issues, helps the organisation to update its anti-money laundering policies. That is why there is a very strong evidence of association between employees being updated about various anti-money laundering issues and the organisation conducting regular updates about their anti-money laundering policies. The main purpose of updating staff members about various anti-money laundering issues is to gather opinions on what to do in order to tackle the threats of money laundering which helps to update the existing anti-money laundering policies to fit the current situation. That is why it is very important to conduct regular updates and briefings to keep up with money launderers trying to exploit the weaknesses of banking institutions in the region.

B. Transaction Monitoring

Transaction monitoring is one of the most essential weapons used to fight against money laundering especially in East Africa. According to McLaughlin and Pavelka, (2013), and Geister, (2008), Institutions with ineffective or weak internal controls, which include effective transaction monitoring systems, are more likely exposed to exploitation, and become a major target to money launderers to use such institutions for money laundering activities. Though, for fact that banks undertake monitoring in order to detect suspicious transactions is not an assurance that control systems will be effective, Dion, (2012). In most cases, banks and other financial institutions fail to uncover money-laundering activities due to inappropriate measures or lack of proper transaction monitoring system or anti-money laundering programmes in place that can be used to deter money launderers from using the financial institution channel, Lanier et al, (2015). This means that in order to prevent money launderers using the banking channel to launder their illicit proceeds it is advised that the transaction monitoring system in the organisation should be regularly updated in order to keep up with the pace and dynamics of money laundering criminals.

The following table shows the summary of response concerning transaction monitoring

Transaction Monitoring	Mean	Standard Deviation
B 1.1.0	2.00	1.031
B 2.1.0	2.16	0.972
B 3.1.0	2.75	1.115
B 4.1.0	2.60	1.081

Transaction Monitoring (General analysis)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	F	%	F	%	F	%	F	%	F	%	F	%
B 1.1.0	79	38.3	74	35.9	31	15.0	18	8.7	4	1.9	0	0.0
B 2.1.0	55	26.7	88	42.7	41	19.9	19	9.2	3	1.5	0	0.0
B 3.1.0	32	15.5	55	26.7	61	29.6	49	23.8	9	4.4	0	0.0
B 4.1.0	41	19.9	50	24.3	71	34.5	39	18.9	5	2.4	0	0.0

Transaction Monitoring (country analysis)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	No Response	Total
B 1.1.0 Tanzania	30	29	8	3	2	0	72
Uganda	24	31	16	3	0	0	74
Kenya	25	14	7	12	2	0	60
Total	**79**	**74**	**31**	**18**	**4**	**0**	**206**
B 2.1.0 Tanzania	23	35	11	2	1	0	72
Uganda	17	37	16	4	0	0	74
Kenya	15	16	14	13	2	0	60
Total	**55**	**88**	**41**	**19**	**3**	**0**	**206**

B 3.1.0 Tanzania Uganda Kenya	9 5 18	17 22 16	27 24 10	17 19 13	2 4 3	0 0 0	72 74 60
Total	**32**	**55**	**61**	**49**	**9**	**0**	**206**
B 4.1.0 Tanzania Uganda Kenya	14 10 17	21 23 6	28 25 18	8 13 18	1 3 1	0 0 0	72 74 60
Total	**41**	**50**	**71**	**39**	**5**	**0**	**206**

Awareness (Based on banks)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	Local	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**local**	**Intn'l**	**Local**	**Intn'l**
B 1.1.0	64	15	63	11	30	1	18	0	4	0	0	0
B 2.1.0	42	13	77	11	38	3	19	0	3	0	0	0
B 3.1.0	29	3	46	9	48	13	47	2	9	0	0	0
B 4.1.0	33	8	42	8	60	11	39	0	5	0	0	0

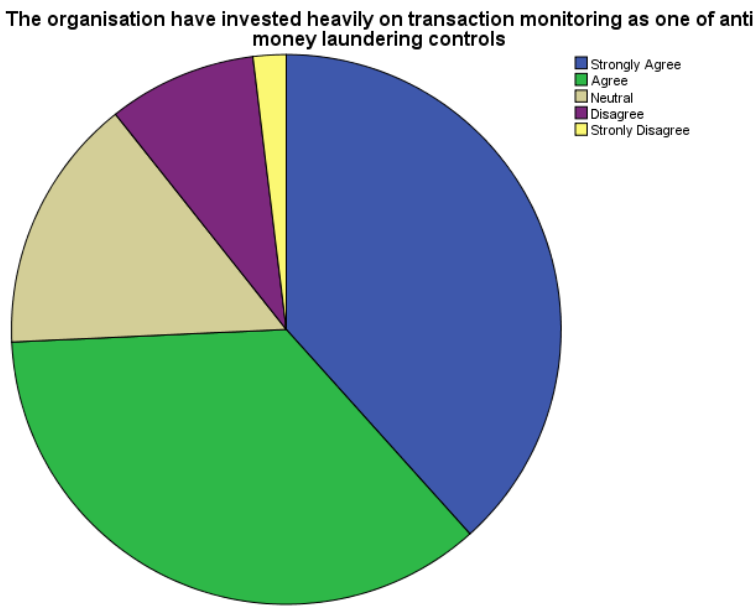
Hypothesis relating to Transaction monitoring and Detecting Terrorist Financing

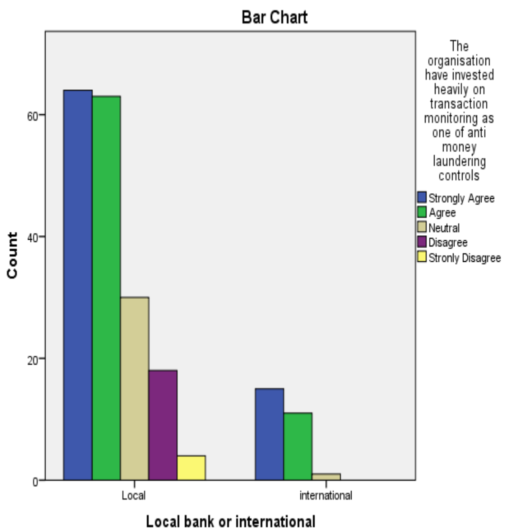
	Hypothesis	Variable-1	Variable-2	Test	Test-Statistics	Test Result
B1	Updating the transaction monitoring system is associated with investing in the transaction monitoring system.	Investing in Transaction Monitoring	Updating Transaction Monitoring system	Association: Chi-Square	Chi-square = 58.254, df=16, P<0.001	Proven

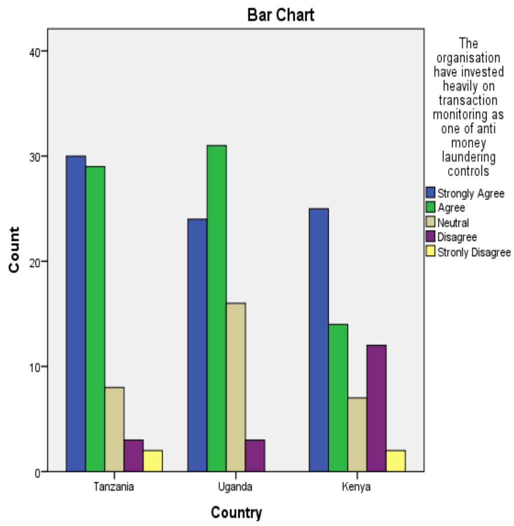
B2	Detecting terrorist financing is associated with information sharing	Information sharing	Detecting terrorist financing	Association: Chi-Square	Chi-square =50.179, df=16, P<0.001	Proven
B3	There is a difference between Detecting terrorist financing and countries	Countries	Detecting terrorist financing	Difference: Wilcoxon Signed Ranks Test	Z= -6.789 P<0.001	Proven

B.1.1.0 the organisation has invested heavily on transaction monitoring as one of anti-money laundering controls

B.1.1.1 Findings







B1.1.2 Findings and Discussion

The findings gathered, the interesting finding is that 10.6% of the frontline staff disagreed. This situation raises some questions because in order to successfully tackle money laundering the transaction monitoring system has to be on point to reduce the likelihood of money laundering to take place. According to McLaughlin and Pavelka, (2013), and Geister, (2008), Institutions with ineffective or weak internal controls, which includes effective transaction monitoring systems, are more likely exposed to exploitation, and become a major target to money launderers to use such institutions for money laundering activities. This shows how a transaction monitoring system is very valuable when it comes to the war against money laundering because one of the respondents suggested that *"Banks need to regularly update its transaction monitoring system in especially in East Africa in order to help frontline Staff members to spot and report suspicious transactions", (comment Fs.27).* Still the situation raises questions due to some of the respondents disagreeing because one of the ways of neutralizing money laundering taking place in banks is by ensuring that the organization have invested heavily on transaction monitoring which will help to detect and deter money laundering criminals. Country wise, in Tanzania 3 of 18 and 2 of 4 disagreed and strongly disagreed that the organization has invested heavily on transaction monitoring as one of its anti-money laundering controls. Similarly, 3 of 12 and 0 of 4 in Uganda disagreed and strongly disagreed and finally 12 of 18 and 2 of 4 in Kenya disagreed and strongly disagreed respectively, Kenya being the worst. This has prompted a suggestion by one of the respondents *that "Financial institutions in East Africa should have clear and open anti-money laundering transaction monitoring tool", (comment Fs.35)*. This will encourage member countries to join hands and identify money launderers trying to exploit an individual country`s control weaknesses through having a common transaction monitoring system. This depends on the nature of banks (local banks or international banks), and whether the organization has invested heavily on transaction monitoring, the most obvious part is that 22 of the respondents from the local banks disagreed while none of the respondents from the international bank disagreed. This shows how far the international banks have reached in terms of the fight against money laundering compared to the local banks through investing on transaction monitoring. Local banks need to learn from these banks if they are to make any progress in the war against money laundering in the region.

Based on findings, there seem to be evidence of association between investing in transaction monitoring in the organisation and the regular updates undertaken for the transaction monitoring system. Further, there is an evidence of association between the transaction monitoring system not allowing sharing of information across different banks and transaction-monitoring system not being able to detect terrorist finances. Below is the diagram that shows the summary of the association and discussion of the findings and tests of the response gathered.

Figure 5- Association between investing on transaction monitoring and updating the transaction monitoring

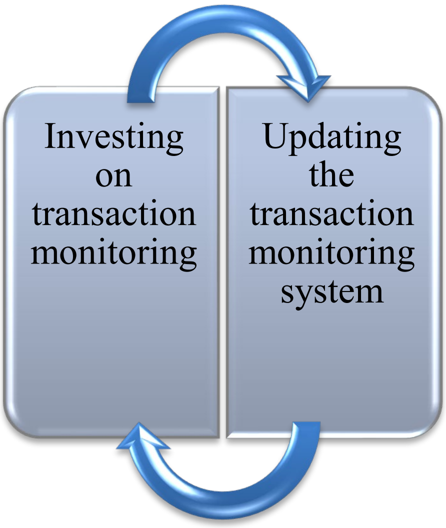
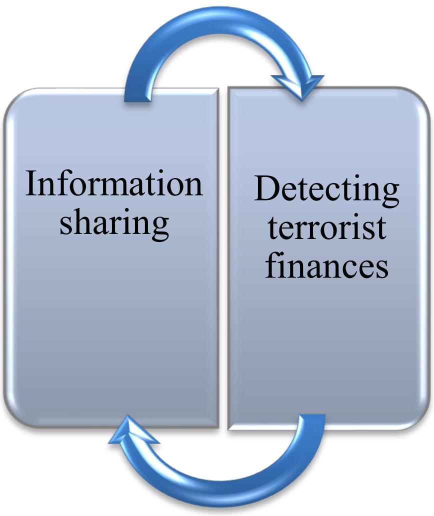
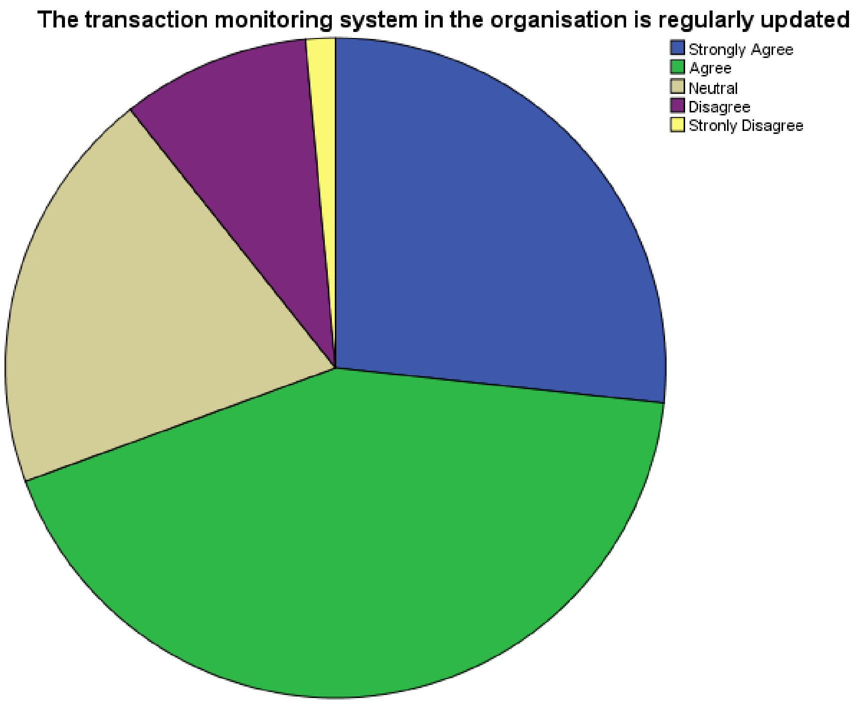


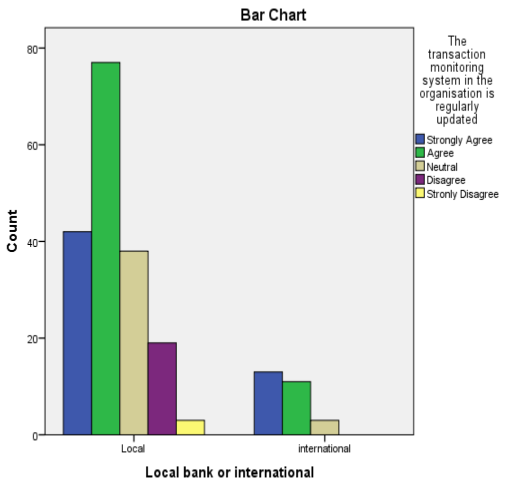
Figure 6 – Association between Information sharing and detecting terrorist funds

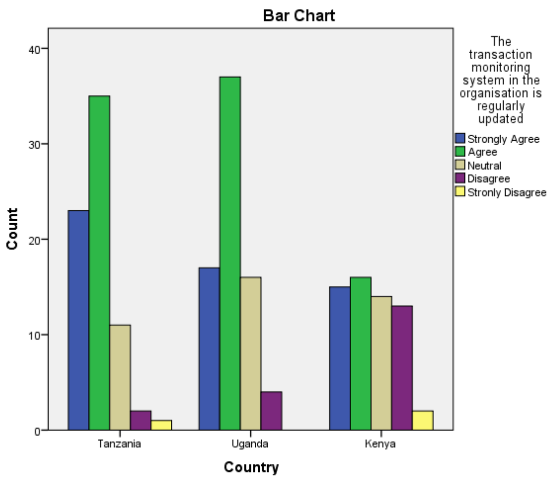


B2.1.0 By investing in transaction monitoring system in the organisation, it encourages the transaction monitoring system to be regularly updated

B.2.1.1 Findings





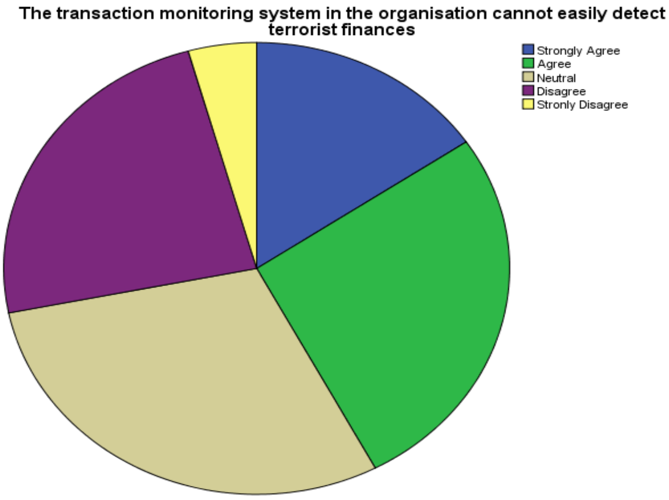


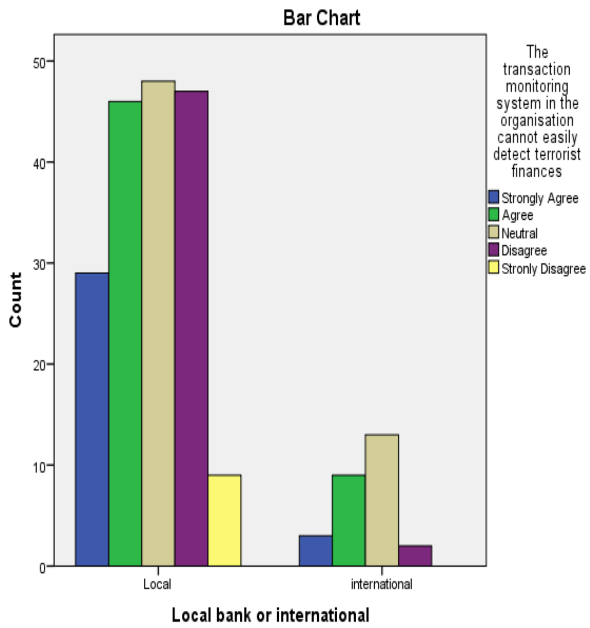
B.2.1.2 Findings and Discussion

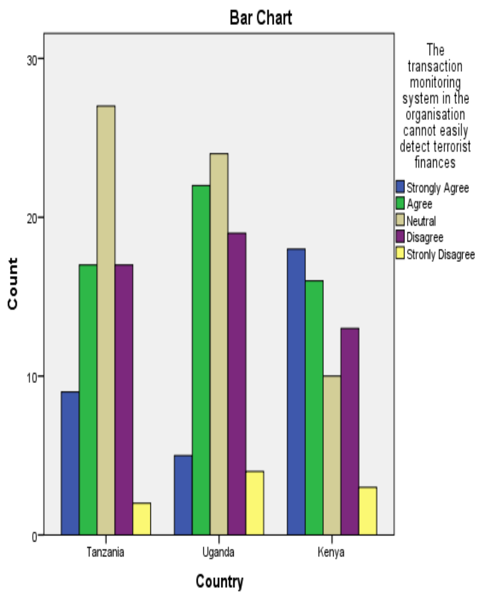
The findings gathered, the interesting finding is that 10.7% of the frontline staff disagreed. This situation raises some questions because; in order to tackle the issue of money laundering the transaction monitoring system in the organization (bank), should be regularly updated. As previously discussed, according to McLaughlin and Pavelka, (2013), and Geister, (2008). Institutions with ineffective or weak internal controls, which includes, effective transaction monitoring systems, are more likely to be exposed to exploitation and become a major target for money launderers to use such institutions for money laundering activities. Further, it is not possible or practical for a financial institution to detect and report every single potentially criminal transaction that flows through the institution. In most cases, banks and other financial institutions fail to uncover money-laundering activities due to inappropriate measures or lack of proper transaction monitoring system or anti-money laundering programmes in place that can be used to deter money launderers from using the financial institution channel, Lanier et al, (2015). This means that in order to prevent money launderers using the banking channel to launder their illicit proceeds it is advised that the transaction monitoring system in the organisation should be regularly updated in order to keep up with the pace and dynamics of money laundering criminals. One of the respondents have suggested that *"Financial institutions in East Africa should have clear and open anti-money laundering transaction monitoring tool", (comment Fs.35)*. This will help to ensure that there is a collective effort throughout the region to ensure that money-laundering criminals cannot use the region as their money-laundering destination and this suggestion comes in handy because according to experts' money laundering is on the rise in East Africa. Country wise in Tanzania 2 of 19 and 1 of 3 disagrees and strongly disagrees that the organization have invested heavily on transaction monitoring as one of its anti-money laundering controls. Similarly, 4 of 19 and 0 of 3 in Uganda disagreed and strongly disagreed and finally 13 of 19 and 2 of 3 in Kenya disagreed and strongly disagreed respectively, yet again Kenya being the worst. According to FATF Public Statement, (2012), Kenya is under review and face the possibility of being blacklisted, due to its failure to its failure in anti-money laundering compliance that has resulted in several money laundering incidences taking place, which has also seen the rise of Al shabaab attacks in the country suspected of being financed individuals in Kenya. It depends on the nature of banks, (local banks and international banks) as to whether the organization regularly update its transaction monitoring system, and the most obvious part is that, 22 of the respondents from the local banks disagreed while only none of the respondents from the international bank disagreed. As discussed earlier it shows how far the international banks have reached in terms of the fight against money laundering compared to the local banks through investing on transaction monitoring. Local banks need to learn from these banks if they are to make any progress in the war against money laundering in the region. Further, it is very important for the banking institutions to invest heavily in transaction monitoring systems because if this happens it shows the organisation's commitment in the war against money laundering which will deter money launderers from using the banking institutions to launder their illicit proceeds. Further, due to such investment the organisation will be encouraged to ensure that the transaction monitoring system is updated to ensure that the risk of money laundering in the organisation is neutralized. Thus, there is a very strong evidence of association between investing on transaction monitoring and regularly updating the transaction monitoring system. According to, McLaughlin and Pavelka, (2013), and Geister, (2008), institutions with ineffective or weak internal controls which includes effective transaction monitoring systems, are more likely to be exposed to exploitation and become a major target to money launderers who utilize the opportunity to conduct their money laundering activities. The main purpose of investing in transaction monitoring systems, especially in East Africa, is to tackle the growing threat of money laundering in the region, this call for immediate efforts and strategies to neutralize the situation, achieved, through investing in transaction monitoring systems. In addition, as portrayed by the figures, having such an investment encourages banks to perform regular updates, which is a positive sign because through those frequent updates it will enable the organisation to keep pace with money launderers.

B 3.1.0 The transaction monitoring system in the organisation cannot easily detect terrorist finances

B.3.1.1 Findings







B.3.1.2 Findings and Discussion

The findings gathered, the interesting finding is that 42.2% of the frontline staff agreed. Terrorist organisations are able to conduct their deceptive activities on a global scale even in places that were once considered immune to such acts through their unnoticed financial support arrangements FATF, (2004). In these cases, money laundering criminals and terrorists have succeeded in exploiting loopholes or other flaws in legitimate financial system to launder criminal proceeds and to support terrorist activities, (Johnson, 2008 and FATF, 2004). According to Brandon, (2011), clearly stated that, it is rather a difficult task of potentially detecting and prohibiting the flow of funds to terrorist groups, and this represents just one of the many challenges of combating terrorist financing especially among the financial institutions specifically the banking sector. Further, interviewee-(6), stressed;

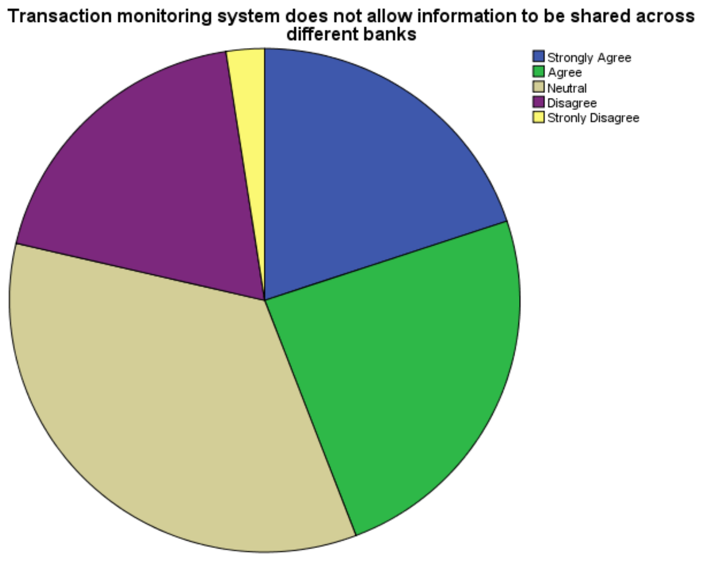
"It is very difficult to determine or to trace whether the transaction is related to terrorism, because such groups ensure that they conduct themselves discreetly. And ensure that their operation is not uncovered, that is to tell you, it is very difficult to actually point out if a particular transaction is for a terrorist group it will require some sophisticated technology which will help out in identifying the transactions".

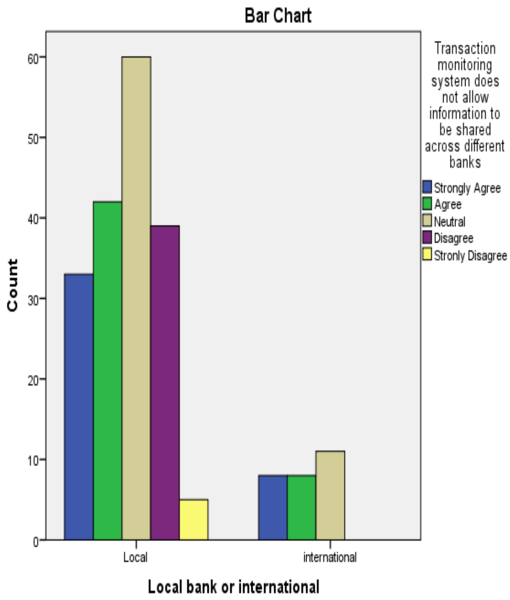
Further interviewee-(4), *"in all honesty it is very difficult to determine whether the money drawn from the bank is being used for the right reasons and it is very difficult to track because majority of the transactions are done through cash. So, if the money falls into these criminal groups it is really hard to trace because again majority of banks are focused on just the transfer and pay no attention to the recipient of the money".*

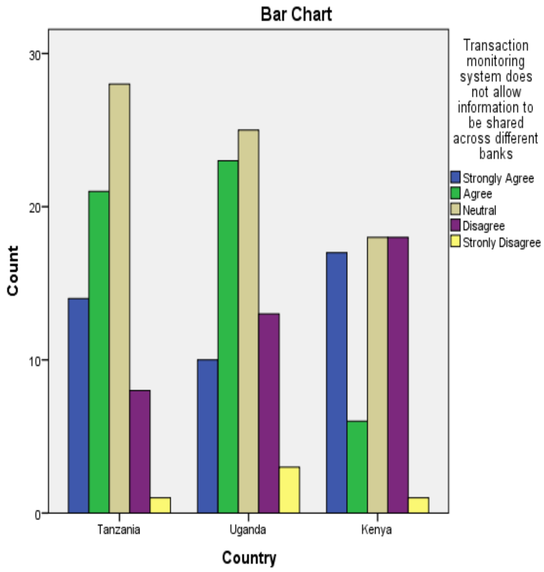
This show how difficult is to detect terrorist financing. The issue of terrorism financing is increasingly becoming a major problem, not only in East Africa, but also to the rest of the world; preventing money flowing to these criminal organizations is very important because without the money these organizations cease to exist, (Irwin and Slay, 2010. Nacos, 2008, and Bosworth-Davies, 2007). Country wise in Tanzania 9 of 32 and 17 of 55 strongly agreed and agreed that the transaction monitoring system in the organization (bank) cannot easily detect terrorist finances. Similarly, 5 of 32 and 22 of 55 in Uganda strongly agreed and agreed, and finally 18 of 32 and 16 of 55 in Kenya strongly agreed and agreed respectively. A Wilcoxon signed-rank test showed that, there is a significant difference between Detecting terrorist financing and countries. based on the nature of banks (local banks and international banks), determine whether the transaction monitoring system cannot easily detect terrorist finances, and the most obvious part is that, 75 of the respondents from the local banks agreed while 12 of the respondents from the international bank also agreed. Each country in the world is required to implement measures that freeze the funds or any other assets of terrorists or those who finance terrorist organisations in accordance to the UN declarations. Banks can play a significant role in ensuring that they are not exploited as a channel for laundering money for these dangerous criminal organizations. The governments in East Africa need to work with the financial institutions to develop some strategies and controls to prevent money flowing to these terrorist groups, because the moment money stops flowing to these criminal groups that will spell the end of their existence.

B 4.1.0 Transaction monitoring system does not allow information to be shared across different banks

B.4.1.1 Findings







B.4.1.2 Findings and Discussion

According to (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008), Banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border. The findings gathered, the interesting findings are that 19.9% and 24.3% of the frontline staff strongly agreed and agreed respectively. The issue of information sharing across different banks is very important in the war against money laundering because one respondent also stressed that *"Information sharing between different banks should be emphasised in order to easily fish out money laundering culprits", (comment Fs.82)*. Further, according to Lilley, (2006), money laundering can only be fought effectively through, continuous and effective cooperation between countries and their organizations, with an emphasis on such issues as common laws, sharing of information and cooperation between police forces and other affected countries. Some respondents have stressed that information sharing of information is very difficult due to various reasons, one of them being "competition". Country wise in Tanzania 14 of 41 and 21 of 50 strongly agreed and agreed that the transaction monitoring system in the organization (bank) does not allow information shared across different banks. Similarly, 10 of 41 and 23 of 50 in Uganda strongly agreed and agree, and finally 17 of 41 and 6 of 50 in Kenya strongly agreed and agreed respectively. Tanzania being the worst because, agreeing with the *Bureau for International Narcotics and Law Enforcement Affairs, (2017)*, Tanzania is yet to establish a database of mutual legal assistance (information sharing data base). This would put in place procedures to ensure that information accessed easily by banks in order to prevent money launders from using the banks to launder their illicit proceeds. Nevertheless, the nature of banks (local banks and international Banks), determines whether the transaction monitoring system does not allow information to be shared, across different banks which cannot easily detect terrorist finances, and the most obvious part is that, 75 of the respondents from the local banks agreed while 16 of the respondents from the international bank also agreed. As discussed previously, banks feel insecure to share information especially in Tanzania and no wonder it is the worst among the three countries when it comes to information sharing. Because according to interviewee-(9);

"There is certain type information that am restricted to share, however according to money laundering laws the issue of sharing information is deemed essential especially with other banks and regulators". Hence bank secrecy can limit sharing of information because most banks are prepared to share information with regulators and law enforcement rather than bank to bank especially in Tanzania where competition for customers is high".

Similarly, interviewee-(6) also pointed *"we are only going to disclose to the authorities but not bank as a bank because due to competition it is unwise to just disclose information in order to protect our customer".*

In addition, *Money Laundering and Financial Crimes, Country Database, (2015)*, reported that currency transaction reporting, introduced in Tanzanian law in 2012, though authorities have made limited progress on implementation. There are issues surrounding the determination of a threshold amount for reporting; therefore, no reporting is taking place. Similarly, the situation regarding cross-border currency declaration requirements being implemented; According to Proviti, (2014), countries are required to modify secrecy laws to enable an effective implementation of FATF anti-money laundering recommendations, for example, to facilitate information sharing between appropriate authorities and further outline several measures or controls for financial institutions to relieve risks and prevent money laundering and terrorist financing. Information sharing can act as a vital weapon to ensure that money launderers, especially terrorists, cannot use banks as a channel to launder illicit proceeds. Because each bank will be responsible for watching out for the other through information sharing by ensuring that banks are aware of where the money is originating from and where it is heading, to prevent money flowing to the wrong hands. That is why there is a very strong evidence of association between the transaction monitoring system not allowing sharing of information across different banks and transaction-monitoring system not being able to detect terrorist finances.

C. Know your customer (KYC)

Banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border, (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008). This poses a great deal of challenges because most customers' needs are rather self-contradictory, protection and privacy often demand extra controls while the well-organized global access demands less. Banks are motivated to assist their wealthy customers with managing their wealth irrespective of the origin of the funds, because the nature of the banking business which makes large customers more attractive due to their contribution towards the survival and future prosperity, (Heggstad and Fjeldsstad, 2010; Palmer, 2009). Global Witness has documented that high-ranking politicians aided by banks transfer large amounts of public funds into secret or hidden offshore private accounts, (Global Witness, 2009). Conversely, FATF, the Basel Committee on Banking Supervision and the Offshore Group of Banking Supervisors argue that banks put themselves in a high-risk situation if KYC routines are not carefully enforced. Serious banks therefore advised not to engage in business transactions when the legitimate origin of the funds is unclear, (Heggstad and Fjeldsstad, 2010).

The following tables show the summary of response concerning Know your customer (KYC)

Know your Customer	Mean	Standard Deviation
C 1.1.0	2.08	1.19
C 2.1.0	2.15	1.14

Know your Customer (General Analysis)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	F	%	F	%	F	%	F	%	F	%	F	%
C 1.1.0	82	39.8	66	32	32	15.5	14	6.8	10	4.9	2	1.0
C 2.1.0	69	33.5	77	37.4	29	14.1	24	11.7	5	2.4	2	1.0

Know your Customer (Country analysis)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	No Response	Total
C 1.1.0 Tanzania	27	27	11	4	3	0	72
Uganda	32	30	6	3	2	1	74
Kenya	23	9	15	7	5	1	60

Total	**82**	**66**	**32**	**14**	**10**	**2**	**206**
C 2.1.0 Tanzania Uganda Kenya	27 23 19	26 31 20	12 11 6	7 7 10	0 1 4	0 1 1	72 74 60
Total	**69**	**77**	**29**	**24**	**5**	**2**	**206**

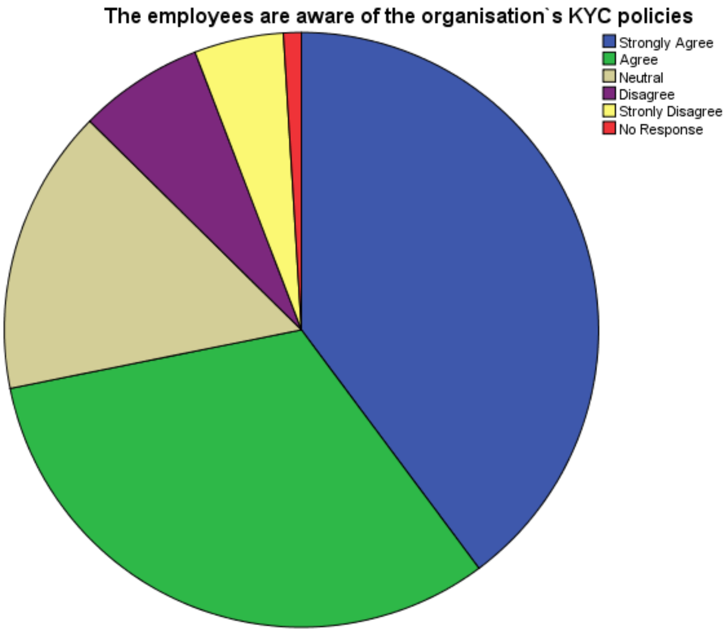
Awareness (Based on Banks)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	Local	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**
C 1.1.0	71	11	55	11	29	3	14	0	**10**	0	0	2
C 2.1.0	59	10	66	11	25	4	24	0	5	0	0	2

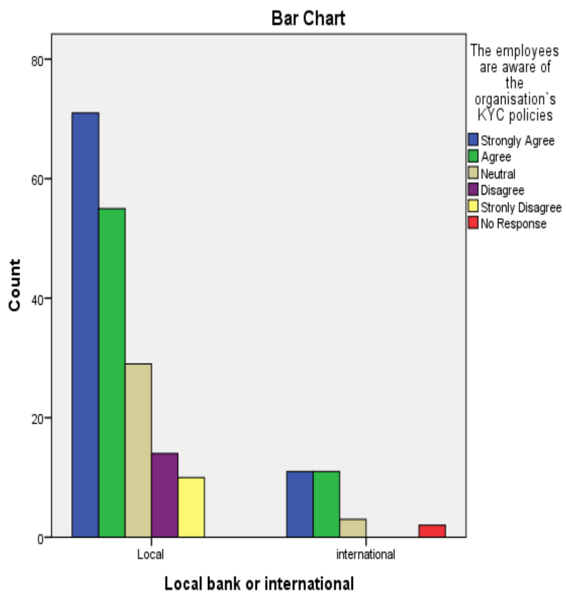
Hypothesis relating to KYC

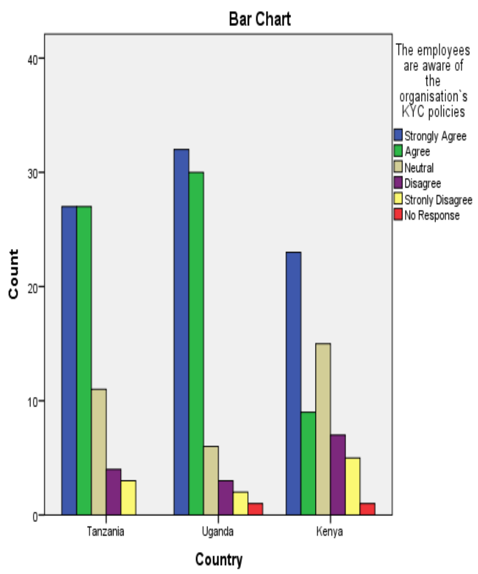
	Hypothesis	Variable-1	Variable-2	Test	Test-Statistics	Test Result
C1	An employee's awareness of know your customer policies is associated with regular training on know your customer.	KYC Training	KYC Awareness	Association: Chi-Square	Chi-square =285.529, df=25, P<0.001	Proven

C2	There is a difference in KYC trainings conducted between local and international banks.	KYC Training	Local/ International	Difference: Wilcoxon Signed Ranks Test	Z= -9.494 P<0.001	Proven

C1.1.0 The employees are aware of the organisation`s KYC policies







C.1.1.2 Findings and discussion

The findings gathered, the interesting finding is that 15.5% and 6.8% of the frontline staff disagreed and strongly disagreed respectively that the employees in the organization (bank) are aware of the organization`s KYC policies. The nature of banks (local banks and international banks), determines whether the organization's employees are aware of KYC policies and the most obvious part is that 24 of the respondents disagreed while none of the respondent from the international bank disagreed. Again, this portrays how international banks have made significant steps towards the battle against money laundering compared to the local banks. As advised earlier local banks need to work hand in hand with these international banks if they are to be successful in this war. McLaughlin and Pavelka, (2013); Geister (2008), have noted that the application of customer due diligence measures is considered as one of the most effective ways for safeguarding against money laundering activities and other financial delinquencies. Moreover, The Basel Committee issued its Core Principles for Effective Banking Supervision in (1997) where banking supervisors must determine that banks have adequate practices, policies and procedures in place, including strict "know your customer" rules, that promote high ethical and professional standards in the financial sector and prevent the bank from being used; intentionally or unintentionally, by criminal elements, (Schott, 2006). There is a need to ensure those financial institutions and all other designated non-financial institutions and professions should carry out proper customer due diligence before creating any business relationship with the customer and this includes; understanding the source of wealth and the sources of funds and finding out the information if the customer might be a politically exposed. Interviewee-(3) suggested that;

"There is an issue of KYC whatever the amount of money the client wants to deposit they must have supporting documents to prove their origin even if the money involved is huge we would accept it. Apart from that we have countries that we cannot do any business transactions with

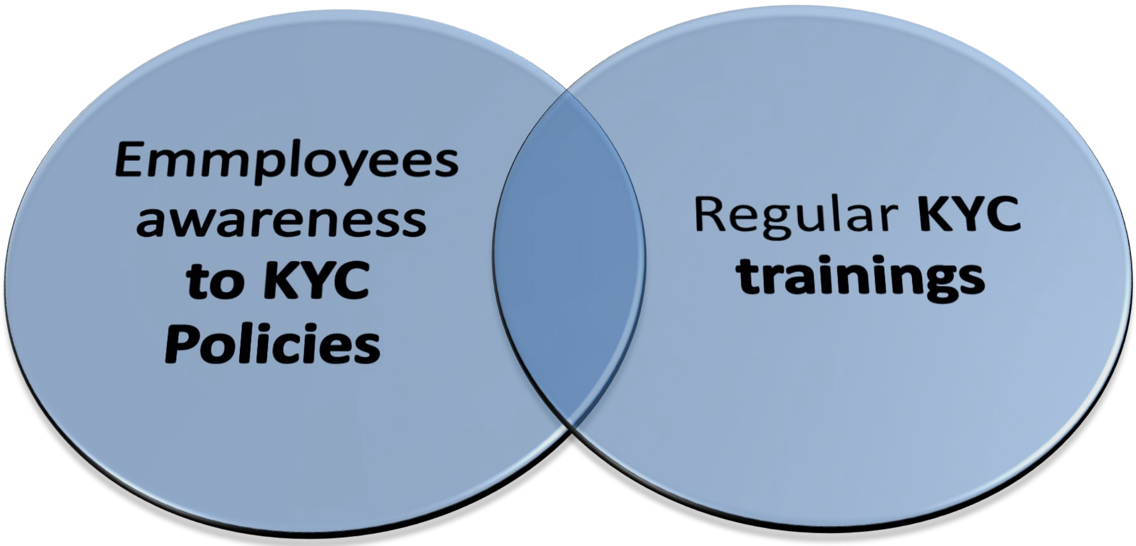
i.e., Iraq, Iran and other countries that are deemed not safe by the international community to transact with".

Similarly interviewee-(9), also pointed out that *"in order to know whether the transactions are genuine or not it is not an easy task, coupled by corruption makes the situation even harder and due to different targets a banker might decide to accept a customer without conducting proper checks and another challenge is that majority of international banks are more familiar with these international anti-money laundering laws unlike the local banks who still struggle to get the grips of what these laws are and how to implement them"*

This shows how crucial KYC is to the organisation and it is a concern that some of the frontline staff are unaware of organisation`s know your customer policies, so still more needs to be done in order to ensure that everybody on the organisation is aware of KYC policies and this can be achieved through frequent training. Country wise in Tanzania 3 of 10 and 0 of 2 disagrees, and strongly disagrees that the employees in the organization (bank) are aware of the organization`s KYC policies. Similarly, 2 of 10 and 1 of 2 in Uganda disagreed and strongly disagreed and finally 5 of 10 and 1 of 2 in Kenya disagreed and strongly disagreed respectively, with Kenya being the worst. Therefore, in order to detect money laundering in the integration process, financial institutions must operate using "Know Your Customer" policy. Criminals look for a gap in the KYC procedure in order to accomplish the integration process. From the regulatory viewpoint, the success of the KYC procedure is a significant challenge in the process of combating money-laundering Shawgat, (2011). Further, Mitsilegas (2003), places more emphasize on the need for banks and other building societies to set comprehensive KYC systems that can help to prevent the occurrence of money laundering which underlines all other activities. In order to have an effective KYC programs, they must take into account new money laundering and financial crimes threats imposed due to advancement in technologies. Achieved through frequent trainings of staff members that will help them with valuable knowledge and stay alert on various money threats that are likely to affect the organisation and advise on the appropriate measures taken in order to improve on the existing KYC policies.

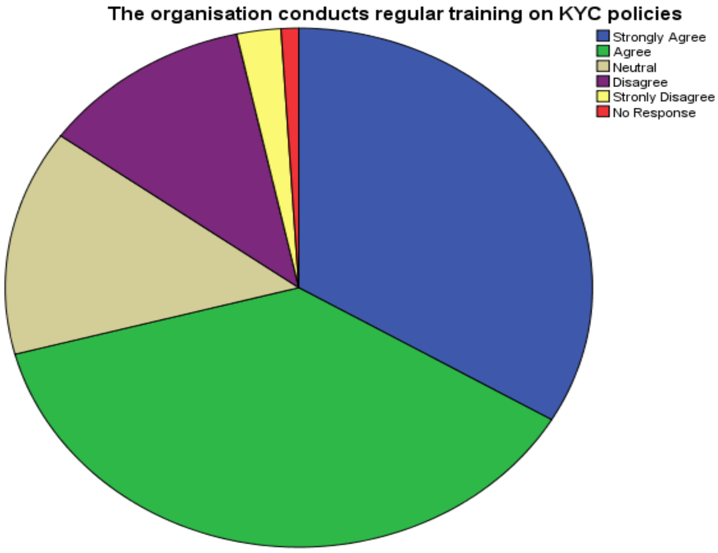
Based on findings, there seem to be evidence of association between regular "KYC" trainings conducted by banks and the employee's awareness of KYC policies. Below is the diagram that shows the summary of the association and discussion of the findings and tests of the response gathered. Williams, (2009), has stress that, "know your customer" (KYC) and "customer due diligence" (CDD) checks must continue even after the bank has accepted the client by conducting checks of transactions to, inter alia, ensure the legitimate provenance of funds being held or moved through the bank

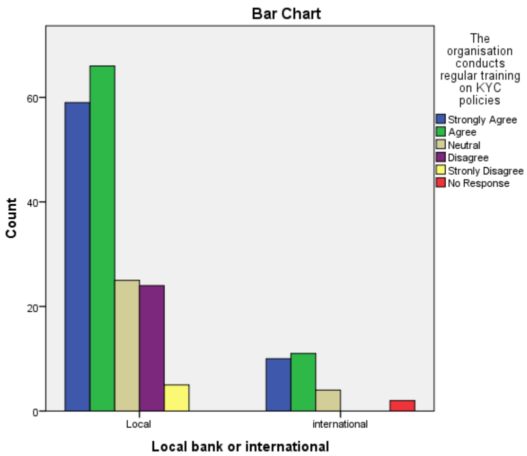
Figure 7 Association between employees' awareness to KYC policies and regular KYC trainings

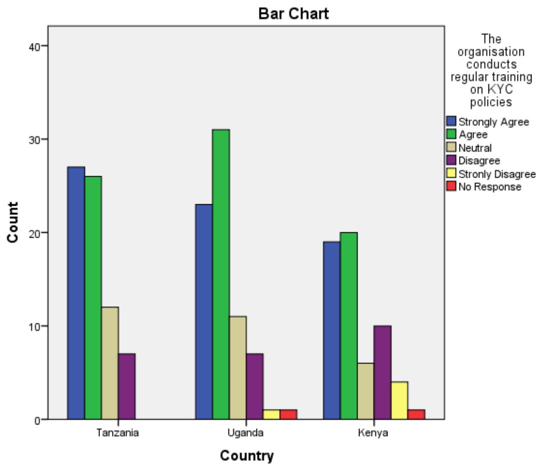


C2.1.0 The organisation conducts regular training on KYC policies

C.2.1.1 Findings







C.2.1.2 Findings and Discussion

The findings gathered, the interesting finding is that 14.1% of the frontline staff disagreed that the organization (bank) conducts regular training on KYC policies. KYC paradigm is one of the anti-money laundering recommendations that are used by banks, but which has proved to be ineffective as customer information that is being held by the banks is unreliable and the gaps in it restrict regulators in making accurate strategic decisions, (Mugarura, 2013). According to "know-your-customer" (KYC) rule, there is a need for financial and banking systems to be transparent: every transaction within the system needs to be traced to an identifiable individual, Ardizzi et al, (2014). According to Basel Committee, which issued its Core

Principles for Effective Banking Supervision in (1997); where banking supervisors must determine that banks have adequate practices, policies, and procedures in place. This includes strict "know your customer" rules, that promote high ethical and professional standards in the financial sector and prevent the bank from being used; intentionally or unintentionally, by criminal elements, (Schott, 2006). Interviewee-(3) also suggested,

"As an organisation, we conduct lots of training to our staff members after every three months there must be training especially on various risks the organisations face, including money laundering. The main aim of these trainings is to update all staff members about different treats that are likely to affect the organisation and suggest appropriate measures taken in case one is faced by one of the treats. Apart from having regular trainings to all our staff members we also ensure that we know our clients background before we engage in any business relationship".

This shows how important KYC is in the war against money laundering; still it is a concern that some of the staff members are not receiving such trainings, which are essential. Country wise in Tanzania 7 of 24 and 0 of 5 disagreed and strongly disagreed that the organization (bank) conducts regular training on KYC policies. Similarly, 7 of 24 and 1 of 5 in Uganda disagreed and strongly disagreed and finally 10 of 24 and 4 of 5 in Kenya disagreed and strongly disagreed respectively, Kenya being the worst again. There can be so many factors to why Kenya has come out to be the worst because according to FATF review Kenya is on the verge of being blacklisted due to their failure to comply with the recommendations, due to the on-going threat of terrorism in the region that has, mostly affected Kenya. This situation further adds to the reasons to why FATF wants to take such action. One of the respondents also suggested, *"The financial institutions should also put more effort to ensure that their staff are made aware of AML policies and how to put them into practice", (comment Fs.84)*. In today`s world due to the advancement of technology in the banking system, other less evident means such as loaded credit cards are increasingly used by money launderers to avoid detection. The main way to deal with such developments it is advised that customer due diligence should be well enforced, and financial institutions should be compelled to report any large and suspicious monetary transactions and to flag the beneficial, (McLaughlin and Pavelka, 2013, McLaughlin et al, 2010). Based on the nature of banks 29 of the frontline staff working across the local banks in the region disagreed on receiving regular KYC trainings while there was none from the international bank, A Wilcoxon signed-rank test showed that, there is significant difference in KYC trainings conducted between local and international banks. Frequent KYC trainings are very important, as suggested by the respondents, in order to ensure that all staff members, especially in the local banks, to ensure employees are aware of such policies and ways to put them into practice. That is why there is strong evidence of association between employees' awareness with KYC and regular KYC trainings. According to FATF, the Basel Committee on Banking Supervision and the Offshore Group of Banking Supervisors argue that banks put themselves in a high-risk situation if KYC routines are not properly enforced. Serious banks are therefore advised not engage in business transactions when the legitimate origin of the funds is unclear, (Heggstad and Fjeldsstad, 2010). Based on the additional evidence in relation to KYC, 65% of the frontline staff agreed that it is sometimes very difficult especially in East Africa to demand evidence from PEP about their source of Wealth / funds due to their status and popularity. This is very dangerous especially in a region were money laundering is on the rise and where corruption is high, Various investigations conducted indicate that there is a huge challenge facing banks, in especially avoiding corrupted funds that originated from politically exposed persons (PEPs). Banks are utilized as a main channel to facilitate the flow of illicit funds acquired by politically powerful persons out of the country of residence and into hidden, private accounts, (Heggstad and Fjeldsstad, 2010, Palmer, 2009). Further PEPs through their position have access to significant public funds and financial arrangements such as budgets, bank accounts, publicly controlled companies and contracts. In the latter case, their gatekeeper status allows them to be able to award contracts to suppliers in return for personal financial reward, FATF Report, (2010). In support, one of the respondents expressed his concern that "these people have the powers to do anything especially in East Africa and because they have links to higher authorities, they are sometimes very difficult to deal with and handle". Similarly, 21 of 53 and 33 of 81 in Uganda strongly agreed and agreed, and finally 11 of 53 and 19 of 81 in Kenya strongly agreed and agreed respectively, with Uganda being the worst. The main reason to why this problem is increasingly becoming a threat in Africa is because, most of the financial institutions, especially the banks, simply feel intimidated or feel loyal to their country`s political leaders. The majority of them are from the same ethnic group which may benefit from the "trickle down' symbolized by the title of Wrong (2009)'s book it's Our Turn to Eat" cited by Levi, (2013). Further, the Global Witness report, (2009) shows that available evidence leads to one clear conclusion: that the banks have in one way or another conducted business with high profile customers famously known as "PEPs" who might be involved in some way with the capture of the state's resource revenues. This casts immediate doubt over the bank's ethical decision-making. It is very difficult to look for evidence from PEPs especially in East Africa, one of the main reasons being that these people are highly feared and have so much influence.

D. National and institutional Culture

In recent years the banking community as a whole, in not only East Africa, but also the rest of the world have an urgent necessity to repair and restore the destruction done by failures in its values and conducts, Furguson et al, (2015). Agreeing, Ogbodo and Mieseigha, (2013), the high level of corruption that exists among organisations and societies in East Africa has resulted to the emergence of several economic crimes such as money laundering that have adversely affected the level of economic development in East Africa. Not only has it negatively affected the economies of East African countries, but also it has seriously dented the image of the continent at the international Level. In East Africa, there is a complicit culture of corruption caused by greed and ostentatious life styles that cannot be sustained by people's daily incomes, (Ogbodo and Mieseigha, 2013). This calls for some urgent measures to confront and challenge its shortcomings especially on issues relating to financial crimes and their role in facilitating such crimes, through a determination to eradicate and defeat these challenges and display some tangible developments in terms of outcomes and reputation. This can be done by the moulding of the institutional culture and conducts which can be a useful tool to influence people throughout the bank and to guarantee their actions are coherent with the guidelines and requirements of the bank's values, Furguson et al, (2015). Due to the high level of corruption that exists among organisations and societies in East Africa, this has resulted in the emergence of several economic crimes such as money laundering. This is an economic crime that has adversely affected the level of economic development in East Africa. Not only has it negatively affected the economies of East African countries, but also it has seriously dented the image of the continent at the international level. In East Africa, there is a complicit culture of corruption caused by greed and ostentatious life styles that cannot be sustained by people's daily incomes. The greatest concern that Kenya and other East African countries are facing is the widespread corruption in the region, i.e. transparency international corruption perceptions index, (2011), have ranked Kenya as 154th country out of 182 countries with high level of corruption in the world. This has translated into a form of moral hazard that is corroding the core of several societies in East Africa. Corruption as culture varies from society to another and is thus culturally relative. The action viewed, as one of the factors that constitute corruption in one society is viewed differently by another society and in any case, corruption perceived as an opportunity to never be missed. Whatever the opinion of corruption is, corruption is linked to money laundering (ML) and other forms of financial abuse, (Alexander, 2009). Corruption aids money laundering by bribing the financial institutions and private people who regulate anti-money laundering (Kemal 2014; Chaikin, 2008).

The following tables show the summary of response concerning National and Institutional Culture

Culture and operation	Mean	Standard Deviation
D 1.1.0	2.04	1.298
D 2.1.0	1.81	1.164
D 3.1.0	2.02	1.155
D 4.1.0	2.27	1.388

Culture and operation (general analysis)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	F	%	F	%	F	%	F	%	F	%	F	%
D 1.1.0	49	47.6	27	26.2	10	9.7	8	7.8	9	8.7	0	0.0
D 2.1.0	59	57.3	22	21.4	10	9.7	7	6.8	5	4.9	0	0.0
D 3.1.0	40	38.8	40	38.8	11	10.7	6	5.8	5	4.9	1	1.0
D 4.1.0	38	36.9	32	31.1	14	13.6	8	7.8	8	7.8	3	2.9

Culture and operation (country analysis)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	No Response	Total
D 1.1.0 Tanzania Uganda Kenya	21 13 15	12 4 11	2 7 1	2 3 3	1 7 1	0 0 0	38 34 31
	49	**27**	**10**	**8**	**9**	**0**	**103**
D 2.1.0 Tanzania Uganda Kenya	30 8 21	5 9 8	2 6 2	1 6 0	0 5 0	0 0 0	38 34 31
Total	**59**	**22**	**10**	**7**	**5**	**0**	**103**
D 3.1.0 Tanzania Uganda Kenya	18 8 14	13 14 13	4 6 1	3 1 2	0 5 0	0 0 1	38 34 31
Total	**40**	**40**	**11**	**6**	**5**	**1**	**103**
D 4.1.0 Tanzania Uganda Kenya	20 8 10	15 7 10	2 6 6	1 4 3	0 8 0	0 1 2	38 34 31
Total	**38**	**32**	**14**	**8**	**8**	**3**	**103**

Culture and operations (Based on banks)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	Local	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**
D 1.1.0	45	4	24	3	10	0	8	0	8	1	0	0
D 2.1.0	54	5	22	0	8	2	6	1	5	0	0	0
D 3.1.0	36	4	38	2	10	1	6	0	4	1	1	0
D 4.1.0	34	4	30	2	13	1	7	1	8	0	3	0

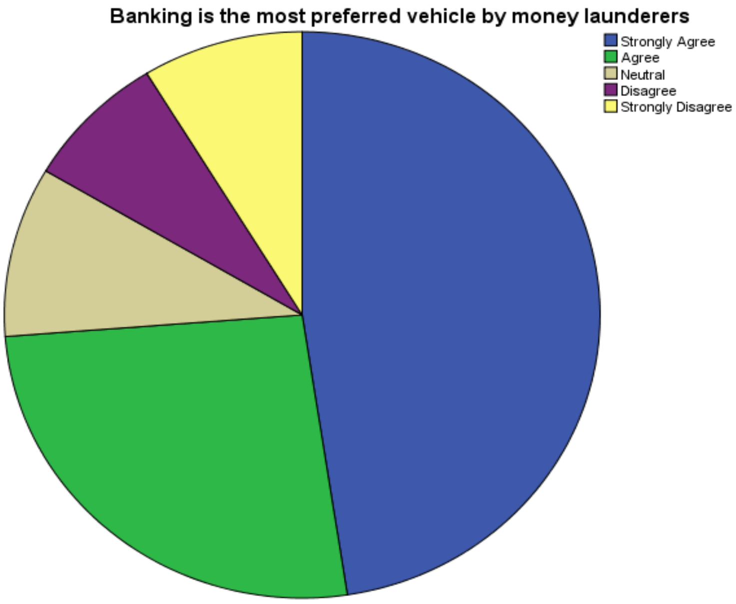
Hypothesis relating to National and Institutional culture

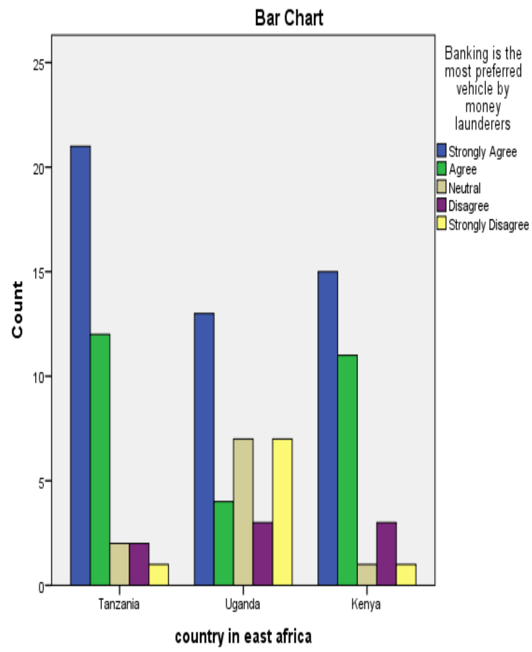
	Hypothesis	Variable-1	Variable-2	Test	Test-Statistics	Test Result
D1	Encouraging a business relationship with a PEP is associated with banks being the most preferred	Banks most preferred vehicle	Business relationship with PEPs	Association: Chi-Square	Chi-square =55.444, df = 16, P<0.001	Proven

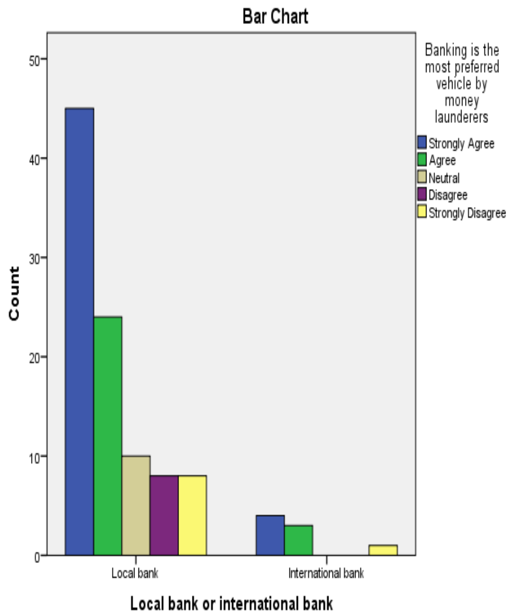
	vehicle by money launderers.					
D2	Establishing the source of wealth of a PEPs is associated with corruption.	Corruption	Establishing the source of wealth of PEPs	Association: Chi-Square	Chi-square = 77.216, df = 25, P<0.001	Proven
D3	There is a difference in Establishing the source of wealth of PEPs between local and international banks.	Establishing the source of wealth of PEPs	Local/ International	Difference: Wilcoxon Signed Ranks Test	Z= -6.795 P<0.001	Proven

D 1.1.0 Banking is the most preferred vehicle by money launderers

D 1.1.1 Findings



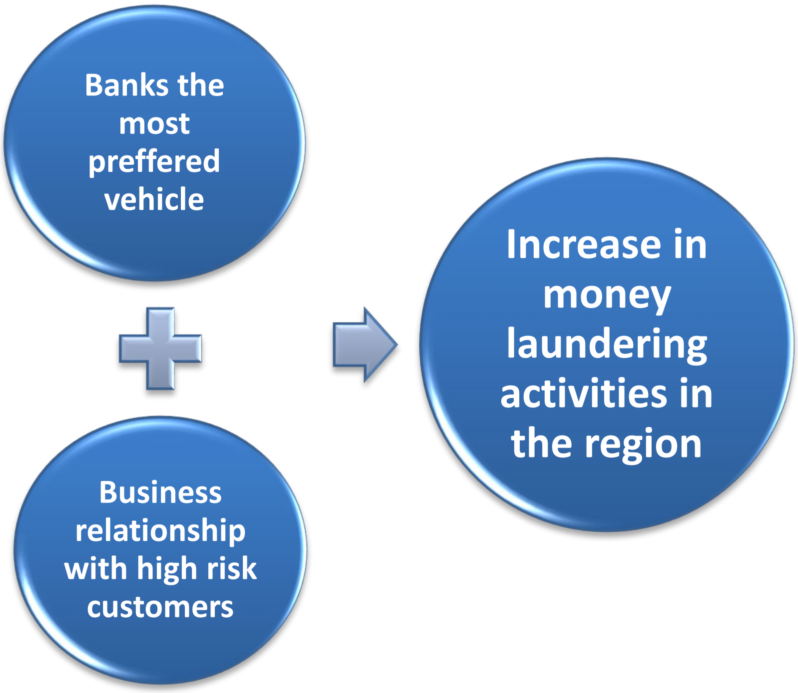




D 1.1.2 Findings and Discussion

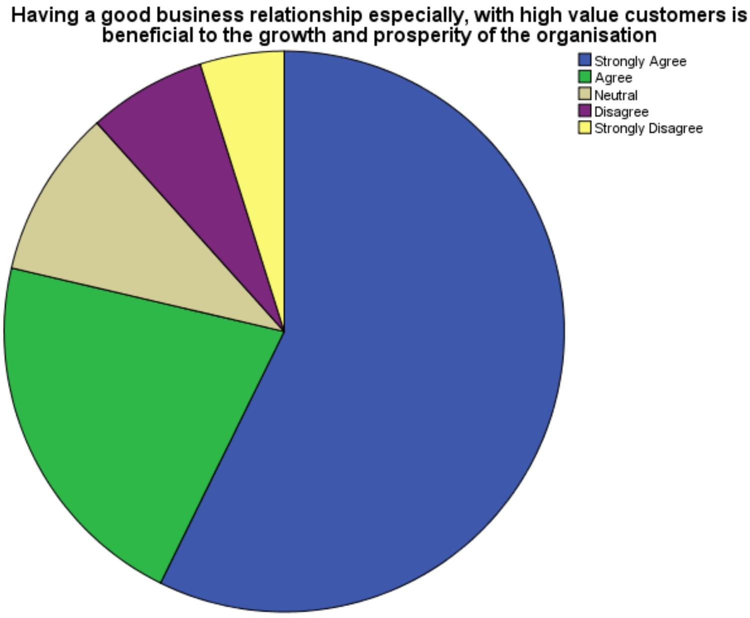
The current global economy and integrated financial markets mean that the process of transferring of funds across the borders has never been easier and faster than in recent years, Hitesh and Bharat, (2012). Numerous banks both local and across the borders have strict bank secrecy laws which encourages anonymous money transfer. Money laundering flourishes on secrecy, (Otusanya et al., 2011; Nellen and Lankhorst, 2008; Sikka, 2008). The findings gathered indicate that that 73.8% of the management working in banks across East Africa agreed that the banking organization is the most preferred vehicle by money launderers. This interesting finding draws a conclusion to the reason why money laundering is on the rise in the region. According to Shawgat, (2011), the reason why banks are increasingly becoming a main target for money launderers to execute their money laundering operations is that they offer a range of financial services and instruments exploited to conceal the original source of money. Further, the banking institutions also provide an easy means of transferring of assets or money into other banking institutions whether within the country or outside the country. It is important to bear in mind that banks provide an easy get away for money launderers. The reason being they can transfer any amount of money to anywhere in the world with minutes and it also allow them to clean the money without any difficulties. Therefore, it is important for bank managers to ensure that they always question the source of money and reasons for any transfer without assuming even if that particular customer is well known. This can be achieved through regular training to the frontline staff members and also for the managers to have final say on whether to approve a transaction or not. Country wise in Tanzania 21 of 49 and 12 of 27 strongly agreed and agreed that the organization does not regularly update its anti-money laundering policies. Similarly, 13 of 49 and 4 of 27 in Uganda strongly agreed and agreed, and finally 15 of 49 and 11 of 27 in Kenya strongly agreed and agreed respectively. With the current global economy and integrated financial markets, the process of transferring funds across the borders have never been easier and faster than in recent years, Hitesh and Bharat, (2012). Coupled by greediness of bank employees and petty fines imposed to banks engaging in money laundering, this adds more fuel to money launderers to use the banking institutions to conceal their illicit gains. That is why it is very important for banks to ensure that they have strict rules in place to prevent criminals from using the organization and ensure that frequent trainings are conducted and communicate any money laundering updates, in order to keep up with money laundering criminals. Based on the findings, there seems to be an evidence of association between banks as the most preferred vehicle by money launderers' and having a good business relationship, especially with high value customers. The diagram below shows the summary of the association and discussion of the findings and tests of the response gather

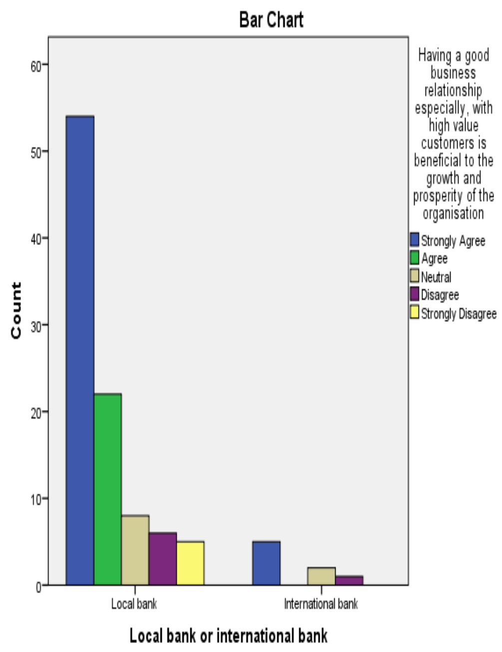
Figure 8 Association between banks preferred vehicle for money laundering and business relationship with high-risk customers

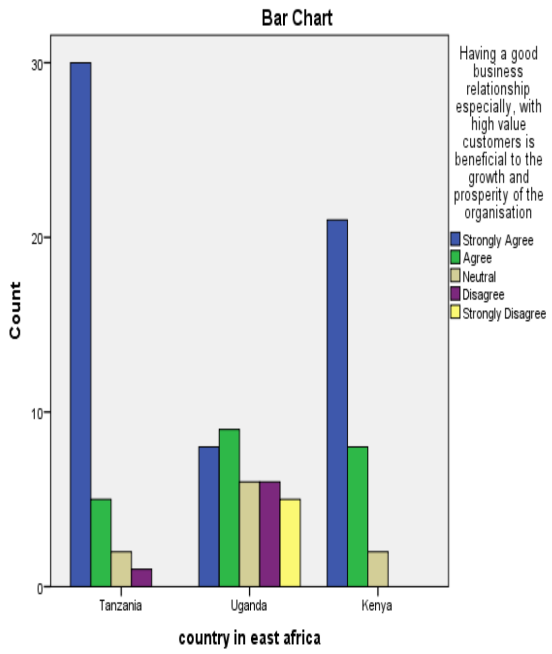


D2.1.0 Having a good business relationship, especially with high Risk customers, is beneficial to the growth and prosperity of the organisation

D.2.1.1 Findings







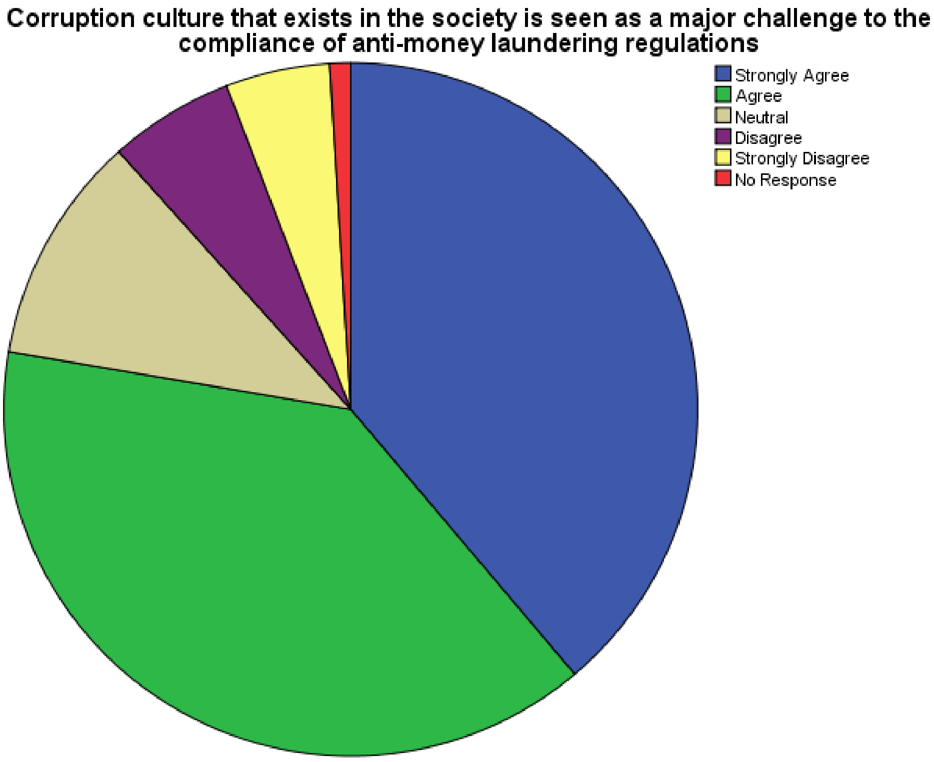
D.2.1.2 Discussion

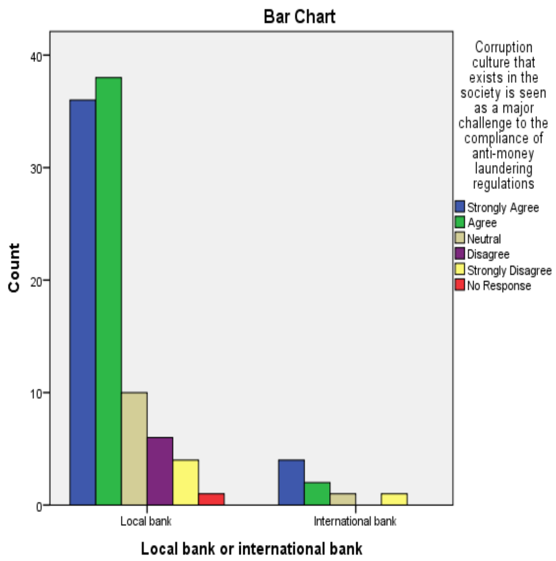
Based on CCD banks are required to conduct ongoing due diligence on the business relationship and enquiry of transactions undertaken during the course of that relationship, by guaranteeing that the transactions being undertaken are coherent with the institution's knowledge of the customer and the nature of their business, Nguyen, (2018). Based on findings, 78.7% of the management working in banks across East Africa agreed that having a good business relationship, especially with high value customers, is beneficial to the growth and prosperity of the organisation. Several investigations conducted indicate that there is a huge challenge facing banks, especially avoiding corrupt funds that originate from politically exposed persons (PEPs). The Financial Conduct Authority, (2014), revealed serious weaknesses in the level of enhanced due diligence carried out on high-risk customers and PEPs among banks. There is an urgent need to ensure that financial institutions and all other designated non-financial institutions and professions carry out proper customer due diligence before engaging in any business relationship with the customer. This includes understanding the source of wealth and the sources of funds and finding out the information if the customer might be a politically exposed in order to the best way to handle such a person. Further, Otusanya and Lauwo, (2012), have also provided some evidence on the involvement of politically exposed persons in exploiting the weak financial infrastructures that exist in developing countries, to launder their money to offshore centres using the professional and financial institutions. In order to stop this from happening, banks need to conduct thorough checks before engaging on any business relationship especially with PEP. Though, no one can blame them for taking this stance because the majority of these banks are profit oriented and these high value customers, despite the risk associated with them, play a great role towards the banks goal, which is to make profit. It is up to the bank to ensure that they run thorough checks before engaging with such people. One of the respondent suggested that *"Banks should adopt alternative ways that can help to identify the source of funds of their customers especially customers with large deposits that banks are afraid of losing them due to competition", (comment Fs.47)*. Further, according to (Heggstad and Fjeldsstad, Palmer, 2009), banks are motivated to assist their wealthy customers with managing their wealth irrespective of the origin of the funds, because the nature of the banking business which makes the large customers more attractive due to their contribution towards the survival and future prosperity. Country wise, in Tanzania 30 of 59 and 5 of 22 strongly agreed and agreed that having a good business relationship especially, with high value customers is beneficial to the growth and prosperity of the organisation. Similarly, 8 of 59 and 9 of 22 in Uganda strongly agreed and agree, and finally 21 of 59 and 8 of 22 in Kenya strongly agreed and agreed respectively with Tanzania leading the way in approval of having a good business relationship with high value customers. Banks are being exploited as a main channel in facilitating the flow of illicit funds acquired by politically powerful persons out of the country of residence and into hidden, private accounts, (Heggstad and Fjeldsstad, 2010, Palmer, 2009). Further, according to Clark, (2015), the on-going business relationship between the bank and other financial institution with the PEPs is subject to stricter monitoring than is the case with other customers. The reasons behind for these additional requirements is that, PEPs are regarded as presenting a higher risk for potential involvement in bribery and corruption by the high calibre of their position and the influence they may hold. This means that banks should ensure that politically exposed persons are carefully handled and monitored to ensure that they are not using banking institutions to launder their illicit proceeds. Moreover, most of the senior management seem eager to take on extremely high-risk customers because they deemed to be profitable and contribute to the survival of the bank, especially in today's world where there is a great deal of competition among financial services, FSA, (2011). That is why; there is evidence of association between banks as being the most preferred vehicle by money launderers' and having a good business relationship, especially with high value customers. In the case of East Africa, the majority of these customers are PEPs.

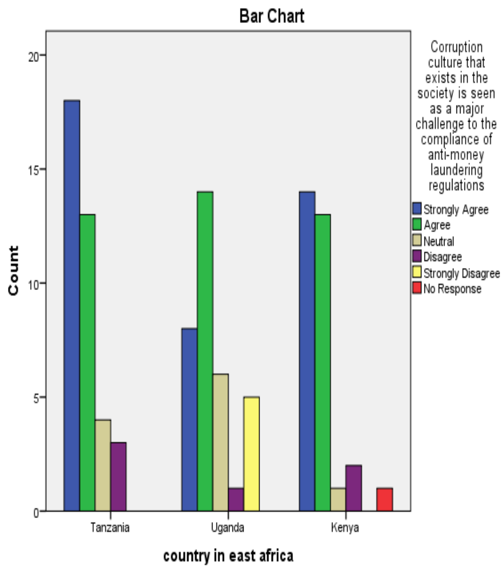
Further evidence suggests that due to the nature of most banks it is very difficult to turn down high value customers despite the risks associated with them. The findings gathered indicate that that 66% of the management working in banks across East Africa, agreed that due to the nature of most banks it is very difficult to turn down high value customers despite the risk associated with them. This is very risky especially in a region where money laundering is on the rise. Several other investigations conducted have indicated that there is a huge challenge facing banks especially avoiding corrupt funds. This is why one of the respondents suggested, *"The government needs to work hand with the banks in order to assess the source of wealth of political figure because in most cases their money is not clean", (comment Fs.44)*. The Financial Conduct Authority, (2014), revealed serious weaknesses in the level of enhanced due diligence carried out on high-risk customers and PEPs among banks. In addition, Future of Finance Council (FIS), (2013), suggest that at a time of low business margins, banks need to find ways of providing great customer service and generating revenues. Banks are argued to do this while remaining within the law and keeping a watchful eye on suspicious transactions in order to avoid money laundering, (Future of Finance Council, 2013; Verhage, 2009). Also, it is high time the government started working closely with banks to ensure that they are encouraged to flag or report suspicious transactions by political figures without threats or intimidation.

D.3.1.0 Corruption culture that exists in the society is seen as a major challenge to the compliance of anti-money laundering regulations in the organisation

D.3.1.1 Findings







D.3.1.2 Discussion

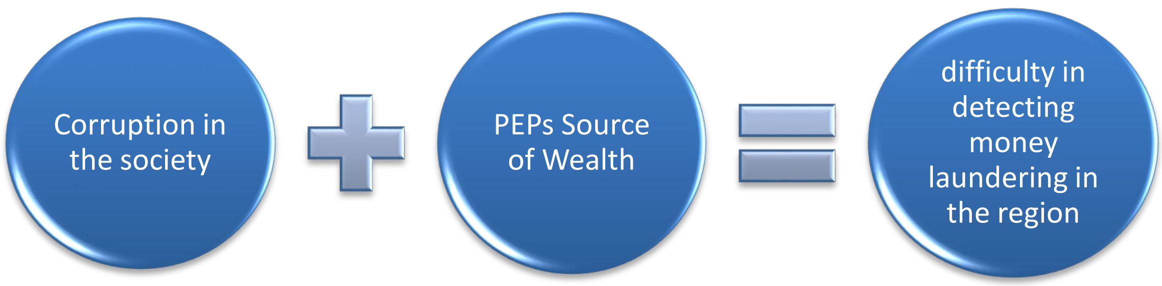
The findings gathered indicate that 77.6% of the management working in banks across East Africa agreed that Corruption culture that exists in the society is seen as a major challenge to the compliance of anti-money laundering regulations. According to Carr and Golby, (2009), several financial crimes, especially the case of the proceeds of corruption, normally take place through the money transfers channelled through the world's financial systems. That is why financial institutions are considered vulnerable as far as money laundering and corruption is concerned. That's the main reason why interviewee-(4), expressed a concern that;

"Corruption is more of a system-based issue and taking into account most African countries especially in banks when someone walks in with Tsh100 million and at the same time you are not close in meeting the target in terms of deposits. I don't think someone might be brave enough to ask questions about where they got all the money from because at that particular moment you need their money more in order to meet your target so starting to ask questions about where the money is from doesn't seem to be appropriate".

Further interviewee-(5), also pointed *"corruption needs to be strictly addressed if we want to see any improvements from the current situation and strict laws need to be enacted in order to* *limit politically exposed persons from engaging in money laundering activities"*

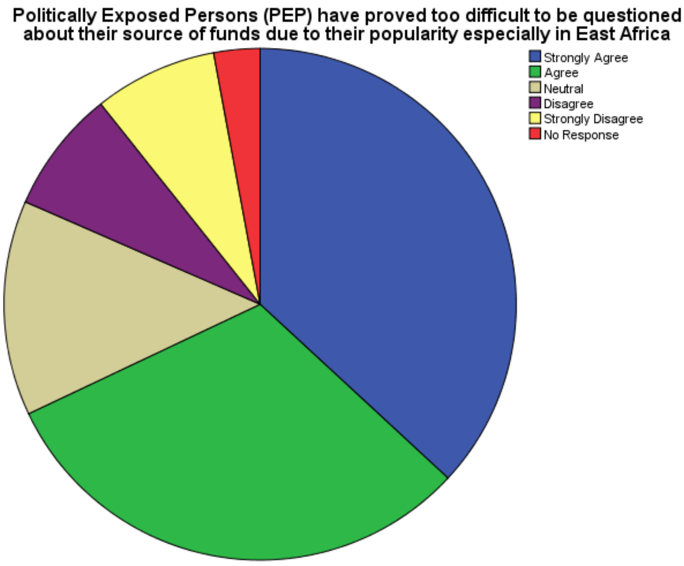
In East Africa, the situation of money laundering enhanced by the existence of corruption that makes the task of detecting and fighting against money laundering a difficult task for regulators. In recent years the banking community as a whole, not only in East Africa, have seen an urgent necessity to repair and restore the destruction done by failures in its values and conducts. This should be done, through the moulding of institutional, culture and conducts that can be used to influence people throughout the bank, to guarantee their actions are coherent with the guidelines, requirements and bank's values, Furguson et al, (2015). Country wise, in Tanzania 18 of 40 and 13 of 40 strongly agreed and agreed that corruption culture that exists in the society seen as a major challenge to the compliance of anti-money laundering regulations. Similarly, 8 of 40 and 14 of 40 in Uganda strongly agreed and agree, and finally 14 of 40 and 13 of 40 in Kenya strongly agreed and agreed respectively, with Tanzania being more concerned about corruption culture that exists in the society being seen as a major challenge to the compliance of anti-money laundering regulations. One of the respondents also suggested, *"The government should fight to reduce the level of corruption in order to promote an effective implementation of anti-money laundering", (comment Fs.33)*. According to Murray, (2018) and Furguson et al, (2015), Banks and banking today stand in dishonour and shame. This is due to poor cultural bases and substantial cultural failures being a major root cause of the recent financial crisis and remain to be the main contributing factors in the financial scandals subsequently. Staff with questionable behaviours has worsened the situation and values that move from bank one bank to another with freedom, (Murray, 2018; Furguson et al, 2015). The existence and persisting harmful cultural norms, or subcultures within large banks, incorporating in some cases criminal behaviour, has inflicted damage to the public, and has caused reputational damage and loss of public trust, and has contributed to the hefty fines that has caused financial setback to these banks, lawsuits, and severe regulatory actions, (Murray, 2018; Furguson et al, 2015; Verhage, 2009). Further, it has also proved to be economically costly to the society and have been a major distraction for both the board and senior management. To have an effective AML and approval control framework depends solely on senior management setting a clear risk management desire and implanting a culture where financial crime and a failure to have full control over it, is unacceptable. Further, effective anti-money laundering policies / regulations should also align with the business model, based on a good understanding of the money laundering, and sanctions risks to which their bank is exposed. If no concrete steps are taken in order to tackle corruption in the region, then money laundering will continue to torment the region because as it stands some of the member countries are on the brink of being blacklisted. In this connection, banks need to take the initiative to tackle politically exposed persons because they have been the root of corruption in the region, as seen in various scandals of famous political figures in the region. That is why based on the findings, there seems to be an evidence of association between corruption culture that exists in the society and Politically Exposed Persons proving too difficult to question about their source of funds due to their popularity. The diagram below shows the summary of the association and discussion of the findings and tests of the response gathered.

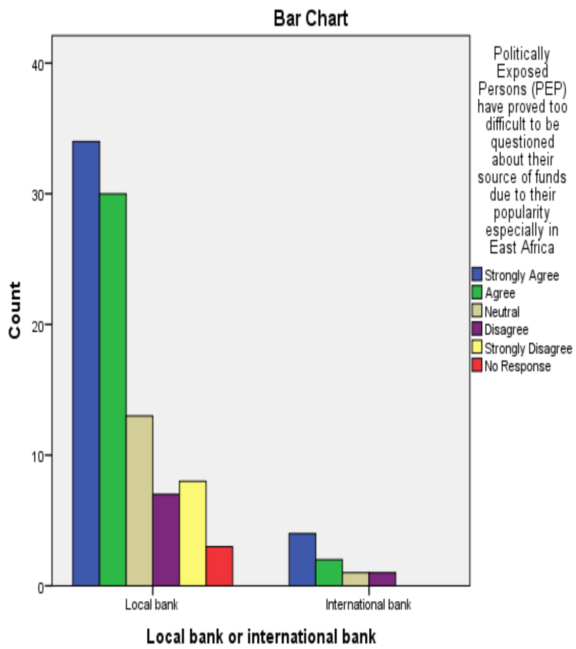
Figure 9 Association between corruption in the society and peps source of wealth

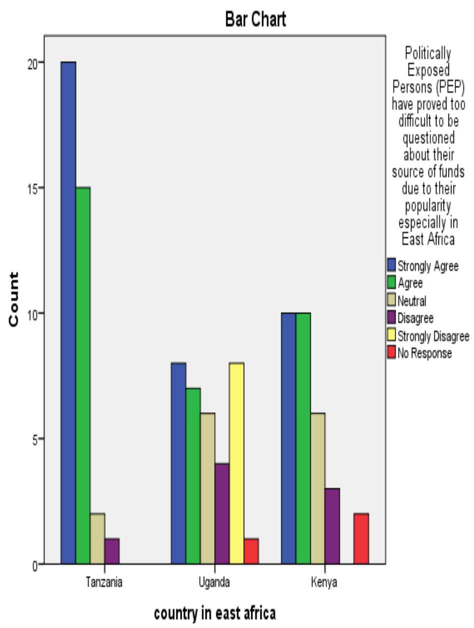


D.4.1.0 Politically Exposed Persons (PEP) have proved too difficult to be questioned about their source of funds due to their popularity especially in East Africa

D.4.1.1 Findings







D.4.1.2 Findings and Discussion

The interesting part is that 68% of the management working in banks across East Africa, agreed that Politically Exposed Persons have proved too difficult to be questioned about their source of funds due to their popularity especially in East Africa. Politically exposed Persons have been utterly abusive of the national resources, and several outrageous scandals have unfolded involving PEPs, this involves looting of state assets, giving and accepting of bribes and corruption. They use their powers to access domestic and international financial systems to launder their proceeds, Theodore et al, (2009). Further, huge sums of money are often reported to have been laundered by public officials especially in Africa, nevertheless, only a fraction of the money laundered is normally detected and an even smaller amount recovered, Levi, (2013). Interviewee-(1), has expressed a concern that;

"Politically exposed persons are regarded as high-risk customers by the organisation and they can tarnish the image of the organisation if they are not handled with care".

Similarly, interviewee-(8) also stressed, *"PEPS are the policy makers of the country and they can easily influence the decision making even in the banks because of the powers they possess. Recently, money launderers have targeted PEPS because most of the times money launderers have been financing their campaign trails and if they win they also expect some favours from them, and majority of times is through proposing policies that can be of benefits to them"*

The reasons as to why PEPs are considered to be of a high risk especially in East Africa is because of their political powers and having an easy access to those who have the powers and influence over the banking institutions. If the PEPs choses to abuse their powers they can accept bribes, embezzle money, or even receive kickbacks and may use their powers to disguise their proceeds, (Walker and Unger 2009, Hitesh and Bharat, 2012). Country wise in Tanzania 20 of 38 and 15 of 32 strongly agreed and agreed that Politically Exposed Persons (PEP) have proved too difficult to be questioned about their source of funds due to their popularity especially in East Africa. Similarly, 8 of 38 and 7 of 32 in Uganda strongly agreed and agree, and finally 10 of 38 and 10 of 32 in Kenya strongly agreed and agreed respectively, with Tanzania being more concerned about Politically Exposed Persons (PEP) proving too difficult to be questioned about their source of funds due to their popularity especially in East Africa. based on the nature of banks 64 of the management personnel working across local banks in the region agreed that

PEPs have proved too difficult to be questioned about their source of funds due to their popularity especially in East Africa, only 6 from the international banks also greed. A Wilcoxon signed-rank test showed that, there is a significant difference in Establishing the source of wealth of PEPs between local and international banks, ($Z= -6.795$, $P<0.001$). An investigation conducted by FSA, (2011); has indicated that in at least a third of banks investigated, the management of customer due diligence records was deemed insufficient and some of the banks were unable to give a summary of their high-risk or PEP relationships easily. This show how seriously impeded these banks are in terms of their ability to assess money-laundering risks on a continuous basis. The investigation also revealed that nearly half the banks failed to review high-risk customers or PEP relationships regularly.

This indicates that the issue of PEPs proving too difficult to be questioned raises more questions because, Otusanya and Lauwo, (2012), have also provided some evidence on the involvement of politically exposed persons in exploiting the weak financial infrastructures that exists in developing countries, to launder their money to offshore centres using the professionals and financial institutions. Additionally, one of the respondents has also suggested that, *"The government needs to work hand with the banks in order to assess the source of wealth of political figure because in most cases their money is not clean", (comment Fs.44)*. This is very crucial because involving the government will at least help the situation because they have the powers to compel and stop its people from using the financial institution to launder their illicit proceeds. As argued, corruption aids money laundering by bribing the financial institutions and private people who regulate anti-money laundering (Kemal 2014; Chaikin, 2008). This means that involving the government in the process of verifying source of wealth and handling PEPs transactions will help to discourage corrupt political figures from using the banking institutions to launder their dirty money. Further, the government needs to tackle the issue of corruption because as it stands corruption is viewed as a normal aspect of life in the region and that is why political figures have been able to launder their proceeds out of the country without being questioned. That is why there is an evidence of a significant association between corruption and difficulty in questioning the Politically Exposed Persons (PEP) about their source of funds. The Financial Conduct Authority, (2014), revealed serious weaknesses in the level of enhanced due diligence carried out on high-risk customers and PEPs among banks. There is an urgent need to ensure financial institutions and all other designated non-financial institutions and professions. Carry out proper customer due diligence before creating any business relationship with the customer. This includes; understanding the source of wealth and the sources of funds and finding out if the customer might be a PEP in order to know in what way such a person can be handled by the organisation.

E. Financial Infrastructure

It is estimated around 2.5 billion adults' worldwide, lack access to formal banking services. This is equivalent to 50% of the world population. Moreover, most of these people are from the developing countries, (FATF, 2013, Anti-money Laundering and Terrorist Financing Measures and Financial Inclusion). One of the issues that have been overlooked by the FATF recommendations is the criminal proceeds laundered through cash, Ardizzi et al, (2014). As it is well known, cash is different from any other form of payment because it guarantees anonymity; this allows banknotes to pass from hand to hand without a trace, impacting the degree of transparency of the banking systems (Ardizzi et al, 2014). According to FATF, (2015), despite the popularity of non-cash means of payment in developed economies, cash remains an important method of payment across the globe, with an estimated USD 4 trillion in circulation and between 46% and 82% of all transactions in all countries being conducted in cash, FATF, (2015). Sander (2001), indicates that due weak financial infrastructures in East Africa have left a huge gap in the market for money transfer services which encourages movement of cash into and outside of the region without any restrictions. This has seen financial inflow/ remittances increasing into developing countries where estimated remittances into developing countries estimated at $88 billion in the year 2002, seem to be double the amount of development assistance given to these developing countries, Sander et al, (2003). Additionally, this indicates that the amount of money injected into developing countries especially in East Africa through remittance can raise some concerns on whether weak financial infrastructure can result in money launderers using the loophole of remitting money through different remittance services that have been developed and portrayed to have lesser restrictions and controls. Only 12% of the population in Tanzania engaged in the formal financial sector. In Uganda, only 4 million people, out of a total population of 35 million, have deposits in the formal banking sector, with the rest of the populace relying on cash transactions or informal alternative forms of banking, (Money Laundering and Financial Crimes, Country Database, 2015). That is why bank is the most widely used route by criminals to launder their illicit gains, both in the developed and developing countries, Shawgat, (2011). The Detection of money laundering transactions in the financial sectors still remains a great challenge in the process of combating money laundering and terrorist financing that are continuously becoming a major threat on the survival of the financial institutions, especially the baking sector in the developing countries. As most financial institutions in the developing countries are still in the development stage and characterized by the lack of proper laws and technologies to govern and identify the money laundering activities that might arise, Shawgat, (2011). Therefore, appropriate actions need to be taken against this criminal act in order to protect the reputation of the financial institutions and the economy of the given countries, (Shawgat, 2011; Verhage, 2009).

The following tables show the summary of response concerning financial infrastructure

Financial Infrastructure	Mean	Standard Deviation
E 1.1.0	2.53	1.454
E 2.1.0	2.49	1.349
E 4.1.0	2.3	1.282
E 5.1.0	2.79	1.311

Financial Infrastructure (General Analysis)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	F	%	F	%	F	%	F	%	F	%	F	%
E 1.1.0	31	30.1	33	32.0	7	6.8	19	18.4	11	10.7	2	1.9
E 2.1.0	26	25.2	39	37.9	14	13.6	12	11.7	10	9.7	2	1.9
E 3.1.0	31	30.1	38	36.9	17	16.5	9	8.7	5	4.9	3	2.9
E 4.1.0	17	16.5	31	30.1	28	27.2	14	13.6	10	9.7	3	2.9

National and institutional culture (Based on banks)	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		No Response	
	Local	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**Local**	**Intn'l**	**local**	**Intn'l**	**Local**	**Intn'l**
E 1.1.0	29	2	32	1	7	0	15	4	10	1	2	0
E 2.1.0	25	1	37	2	12	2	11	1	8	2	2	0
E 3.1.0	29	2	37	1	15	2	7	2	5	0	2	1
E 4.1.0	17	0	29	2	27	1	12	2	9	1	1	2

Financial Infrastructure (Country analysis)	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	No Response	Total
E 1.1.0 Tanzania Uganda Kenya	6 19 6	13 12 8	2 2 3	13 0 6	4 0 7	0 1 1	38 34 31
Total	**31**	**33**	**7**	**19**	**11**	**2**	**103**
E 2.1.0 Tanzania Uganda Kenya	12 7 7	16 13 10	3 7 4	5 0 7	2 6 2	0 1 1	38 34 31
Total	**26**	**39**	**14**	**12**	**10**	**2**	**103**

E 3.1.0 Tanzania Uganda Kenya	14 11 6	15 11 12	4 8 5	4 0 5	0 3 2	1 1 1	38 34 31
Total	**31**	**38**	**17**	**9**	**5**	**3**	**103**
E 4.1.0 Tanzania Uganda Kenya	3 8 6	13 11 7	14 7 7	7 0 7	0 8 2	1 0 2	38 34 31
Total	**17**	**31**	**28**	**14**	**10**	**3**	**103**

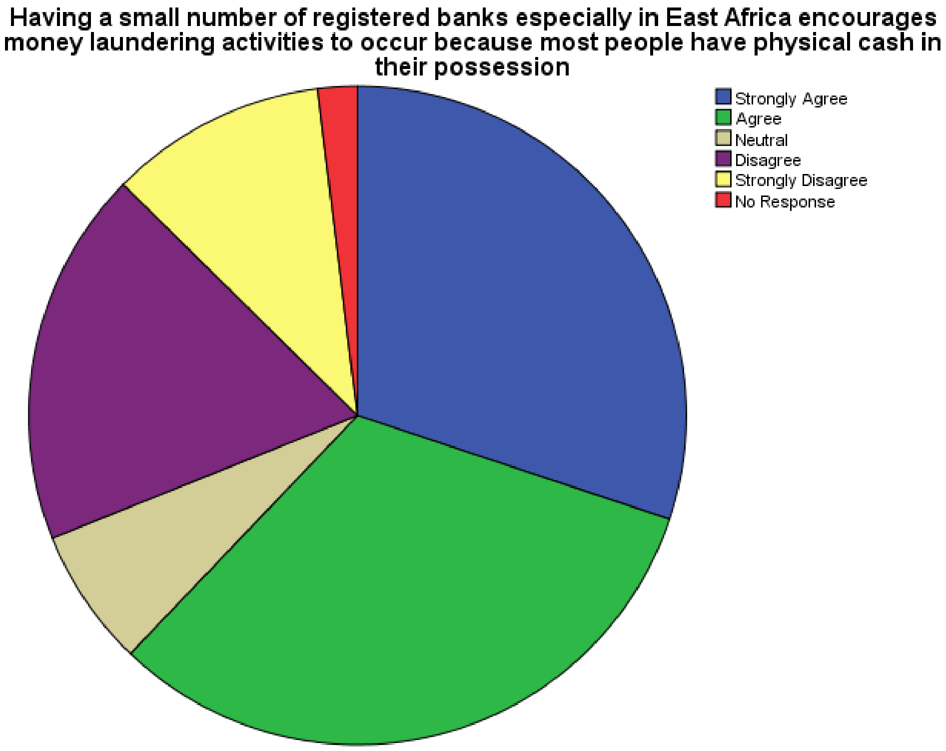
Hypothesis relating to Financial Infrastructure

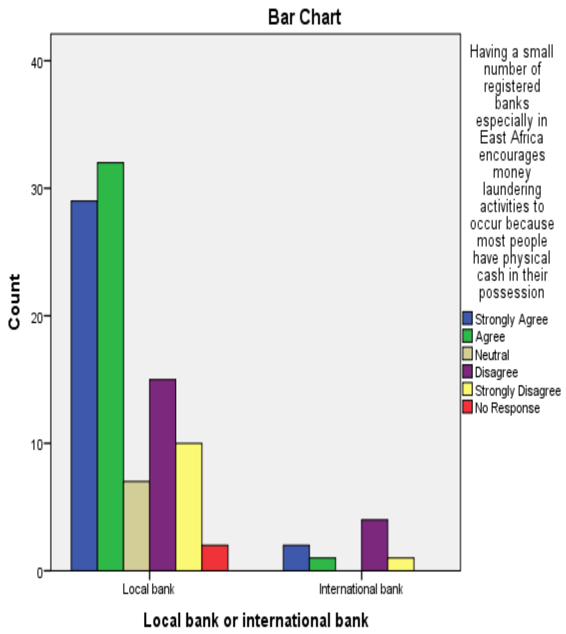
	Hypothesis	Variable-1	Variable-2	Test	Test-Statistics	Test Result
E1	Complicated formalities in opening and maintaining bank accounts is associated with the number of registered banks.	Number of registered banks	Complicated formalities in opening and maintaining bank accounts	Association: Chi-Square	Chi-square =126.746, df=25, P<0.001	Proven
E2	A cash-based economy is associated with the number of registered banks	Number of registered banks	Cash based economy	Association: Chi-Square	Chi-square =96.378, df=25, P<0.001	Proven

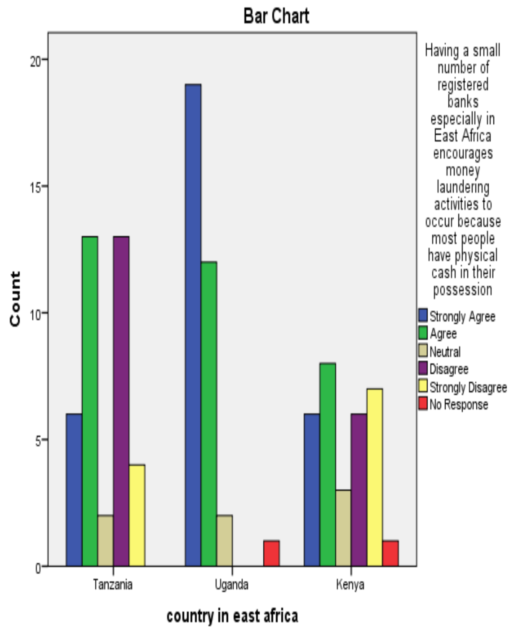
E3	There is a difference in the impact of cash-based economy between local and International banks	Cash based economy	Local/ International	Difference: Wilcoxon Signed Ranks Test	Z= -7.368 P<0.001	Proven

E.1.1.0 Having a small number of registered banks especially in East Africa encourages money-laundering activities to occur because most people have physical cash in their possession

E.1.1.1 Findings







E.1.1.2 Findings and Discussion

It is estimated around 2.5 billion adults' worldwide, lack access to formal banking services. This is equivalent to 50% of the world population. Moreover, most of these people are from the developing countries, (FATF, 2013, Anti-money Laundering and Terrorist Financing Measures and Financial Inclusion). One of the issues that have been overlooked by the FATF recommendations is the criminal proceeds laundered through cash, Ardizzi et al, (2014). As it is well known, cash is different from any other form of payment because it guarantees anonymity; this allows banknotes to pass from hand to hand without a trace, impacting the degree of transparency of the banking systems (Ardizzi et al, 2014). The interesting part is that 62.1% of the management working in banks across East Africa agreed that having a small number of registered banks, especially in East Africa, encourages money-laundering activities to occur because most people have physical cash in their possession. Having a small number of registered banks in the region has resulted in money laundering occurring due to a huge sum of physical cash in individuals' possession. The Competitiveness Report, (2011) indicated that more than 80% of the population in East Africa do not use formal banking system; this is due to widespread of cash-based economies. This results in a lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail where the money comes from and where it is heading. This indicates that there is an urgent need to ensure that people in the region have good and reliable access to the banking services. One of the respondents has suggested, *"Banking institutions needs to increase the accessibility of financial services in rural areas in order to discourage cash savings and also improve transaction monitoring which will help to curb money laundering problem in the region", (comment Fs.81)*. According to FATF, (2015), despite the popularity of non-cash means of payment in developed economies, cash remains an important method of payment across the globe, with an estimated USD 4 trillion in circulation and between 46% and 82% of all transactions in all countries being conducted in cash, FATF, (2015). Moreover, most financial institutions in the developing countries are still in the development stage and characterized by the lack of proper laws and technologies to govern and identify the money laundering activities that might arise, Shawgat, (2011). That is why money laundering is on the rise and money launderers prefer developing countries as a way of concealing their illicit proceeds. Further, according to Sander, (2001) only the capital cities and regional trading centres have the highest availability of financial services in the region. This leaves other rural and undeveloped regions with limited access to financial services thus encouraging cash saving among individuals; this argument is also supported by interviewee-(4), who stressed that;

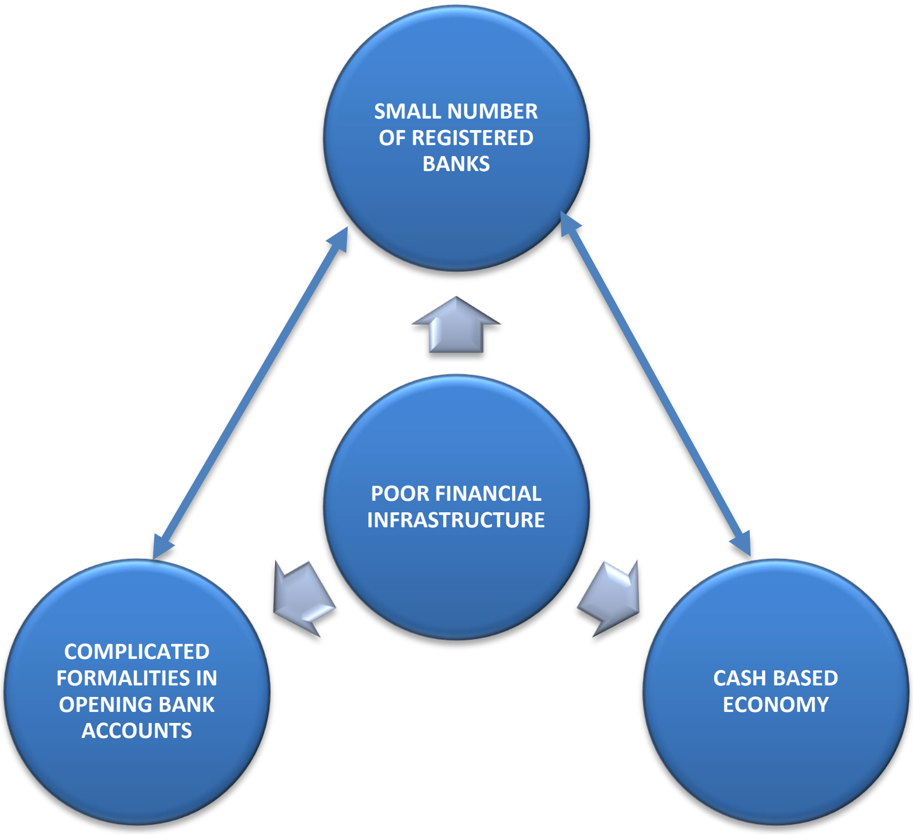
"There is a cost of running a business and that comes hand in hand with knowing where the business should be situated in order to make profit. Rough estimation shows that 70% of all banks and its branches located in Dar-es-salaam, which is a capital, and according to the recent national statistics, all the business ventures and companies situated in Dar-es-salaam. That is to tell you most business is in the town area and that is where there is a huge circulation of money compared to rural areas".

Similarly, Interviewee-(7), also pointed out that, *"in most cases most banks tend to situate themselves where there is a high level of money in circulation and where the organisation is more likely to make profits. So, investing in the rural areas where there is low level of money in circulation is not a good idea"*

This means that the government needs to do, in order to minimize the threat of money laundering, is to have well-established banking services even in the rural areas to discourage cash savings, which in turn will help to properly monitor cash flow in the region. Country wise in Tanzania 6 of 31 and 13 of 33 strongly agreed and agreed that having a small number of registered banks especially in East Africa encourages money-laundering activities to occur because most people have physical cash in their possession. Similarly, 19 of 31 and 12 of 33 in Uganda strongly agreed and agreed, and finally 6 of 31 and 8 of 33 in Kenya strongly agreed and agreed respectively, with Uganda showing more concern regarding the issue that having small registered banks has led to an increase in money laundering activities in the region. Again, governments in East Africa needs to take a close look at this issue and ensure that they establish banks even in the rural areas to discourage cash savings, which in turn will discourage money launders from using the region to launder their illicit proceeds.

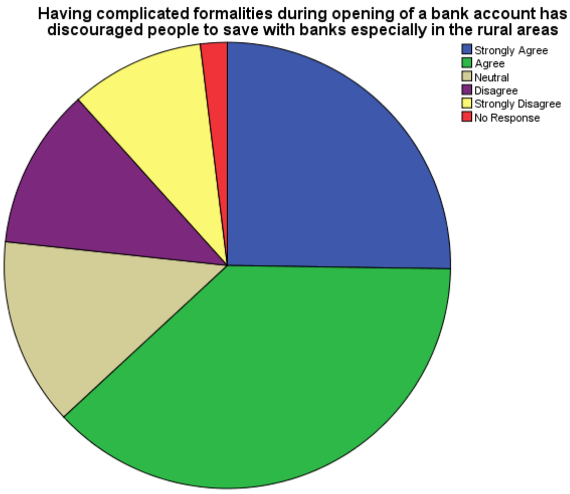
Based on findings, there seem to be evidence of association between the number of registered banks and complicated formalities in opening of bank accounts, and the small number of registered banks and a cash-based economy. All together have contributed to poor financial infrastructure in the region. This is vital in the war against money laundering; below is the diagram that shows the summary of the association and discussion of the findings and tests of the response gathered.

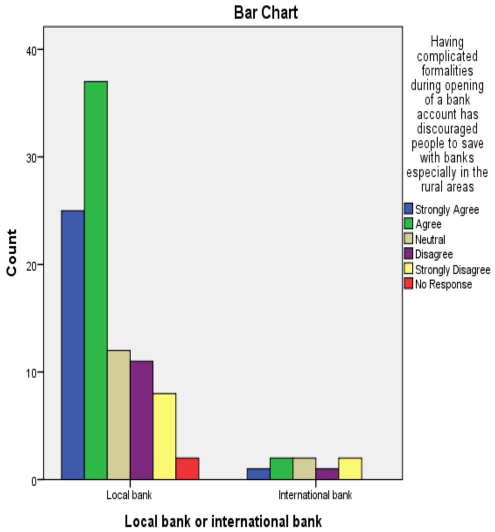
Figure 10 Financial infrastructure

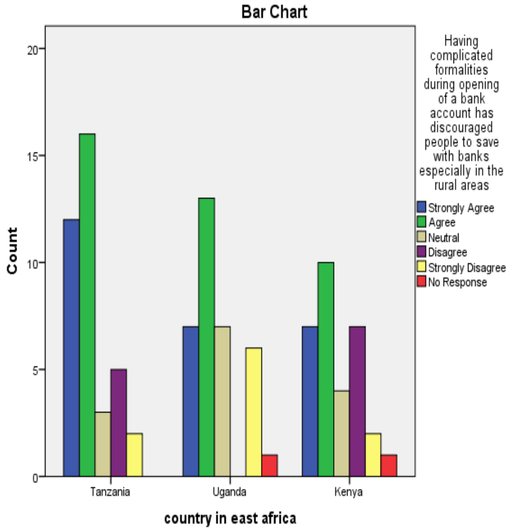


E.2.1.0 Having complicated formalities during the opening of a bank account has discouraged people from saving with banks, especially in the rural areas

E.2.1.1 Findings







E.2.1.2 Findings and Discussion

The challenge facing the regulators, is to support the developing countries is to be able to find the right balance that promotes sensible practices at a reasonable cost for financial services that that offer financial packages to its people the most of whom live on under 1 dollar a day, World Bank, (2005). The AML/CFT regulations should be implemented in a flexible manner to ensure that they do restrict the easy access to formal financial services for low-income people, (World Bank, 2005). Based on findings, 63.1% of the management working in banks across East Africa agreed that having complicated formalities during the opening of a bank account has discouraged people from saving with banks especially in the rural areas. The existence of complicated formalities in opening of bank accounts does not make it any easier for people, especially lower-class citizens who are in need of having bank accounts. High minimum balance requirements, high ATM charges and bank charges prevent large portions of the population from accessing formal financial services in East Africa. e.g. Ouma, (2012), revealed that the average cost of an ATM transaction is $1.8 to $2.3 per transaction. This proves why people prefer to save their money at home rather than having a bank account which does not only discourage saving but also has complications in terms of accessing of funds. Interviewee-(5), also expressed similar concern that;

"It is true and also some other reasons as well such as the due diligence procedures they can also be seen as a problem by some people. Because majority of people lack proper form of ID and that is one of the main requirement for a customer to possess before opening a bank account and during transfers".

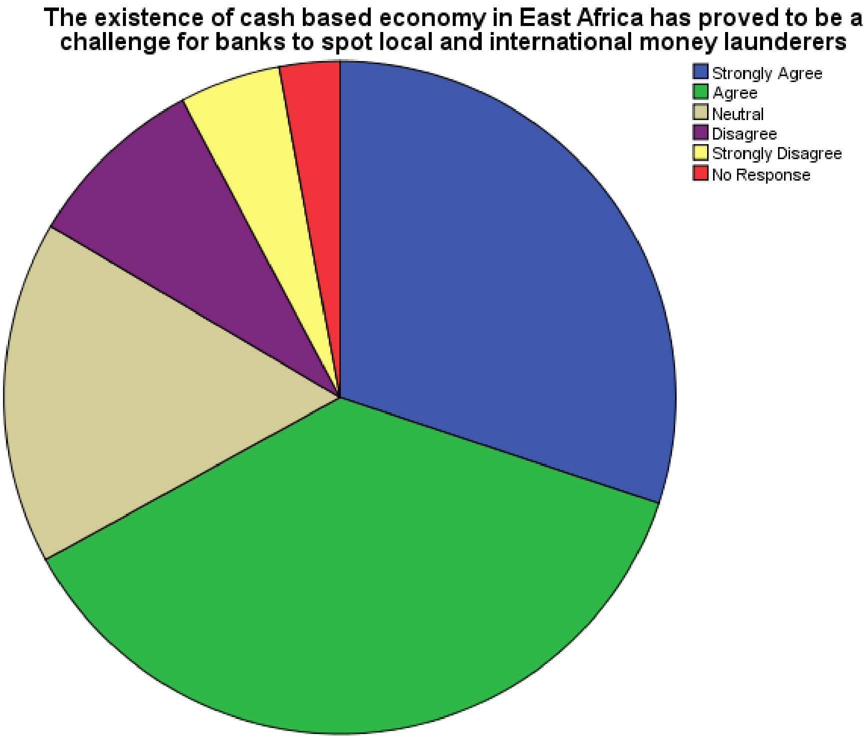
Banks should work hand in hand with the government to ensure that the banking services are easily accessible and at a cheaper and affordable cost. This will help to encourage more people to save through banks and discourage cash savings. This will also help to discourage money launderers who have been abusing the situation, to clean their dirty money. Interviewee-(5) also gave an insight on what actions the banks have started taking in order to encourage more people to save. Here is what was said;

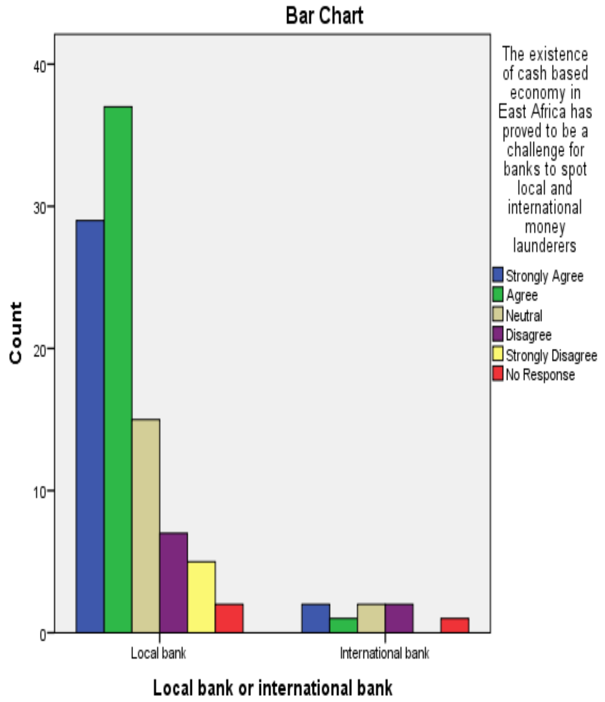
"Due to these challenges, the bank has harmonized their stance in order to encourage people to have bank account. This is through requesting for a letter from the chairman of the place of residence as an identification and proof of address this helps the customer to feel at ease because majority of people don't have passports or driving licences which would have acted as a form of identification".

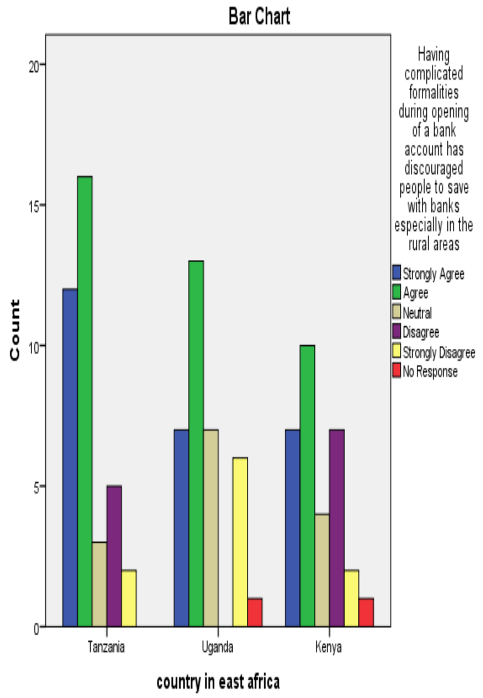
Country wise in Tanzania 12 of 26 and 16 of 39 strongly agreed and agreed that having a small number of registered banks especially in East Africa encourages money-laundering activities to occur because most people have physical cash in their possession. Similarly, 7 of 26 and 13 of 39 in Uganda strongly agreed and agreed, and finally 7 of 26 and 10 of 39 in Kenya strongly agreed and agreed respectively, with Tanzania showing more concern that having complicated formalities during opening of a bank account has discouraged people to save with banks especially in the rural areas. Banks and the government need to address these petty issues in order to encourage people to save money in banks, which in turn will make it easier to track the source of finds and phase out money laundering criminals. In addition, urgent measures need to be adopted in order to address the issue of having small registered banks. Because by increasing the accessibility of these services it will become easier for people to adapt to the formalities of opening and maintaining bank accounts due to the exposure brought through having several registered banks especially in rural areas. That is why there is evidence of association between number of registered banks and formalities in opening and maintaining bank accounts.

E.3.1.0 The existence of cash-based economy in East Africa has proved to be a challenge for banks to spot local and international money launderers

E.3.1.1 Findings







E.3.1.2 Findings and Discussion

The economies of most of African countries especially in East Africa are mainly cash based, accompanied by having poor financial infrastructure acting as fuel for the growth of financial crimes in the region, (Moshi, 2012; Competitiveness Report, 2011). This is due to the widespread cash-based economy that results in the lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail as to where the money comes from and where it is heading to, (Nantege, (2013). According to Imala, (2004), most Africans prefer to use cash for all forms of transactions including the purchase of high-value items such as real estate and motor vehicles and most dealers or sellers prefer this mode of transaction because of a lack of trust that exist among people and fear that the use of cheques or bank transfers might be fraudulent. This situation makes detecting the source of money difficult, (Masare, 2012). Based on findings, 67% of the management working in banks across East Africa, agreed that the existence of cash-based economy in East Africa has proved to be a challenge for banks to spot local and international money launderers. Criminal proceeds to be laundered are usually represented by cash. As it is well known, cash is different from other payment instruments in that it guarantees anonymity, Ardizzi et al, (2014). Moreover, Imala, (2004), has stressed that, most Africans prefer to use cash for all forms of transactions including the purchase of high-value items such as real estate and motor vehicles and most dealers or sellers prefer this mode of transaction because of a lack of trust that exists among people and the fear that the use of cheques or bank transfers might be fraudulent. In addition, the Africa Competitiveness Report, (2011) indicated that more than 80% of the population in East Africa do not use the formal banking system. Moreover, it is estimated around 2.5 billion adults' worldwide, lack access to formal banking services. This is equivalent to 50% of the world population. Moreover, most of these people are from the developing countries, (FATF, 2013). One of the issues that have been overlooked by the FATF recommendations is the criminal proceeds laundered through cash, Ardizzi et al, (2014). As it is well known, cash is different from any other form of payment because it guarantees anonymity; this allows banknotes to pass from hand to hand without a trace, impacting the degree of transparency of the banking systems (Ardizzi et al, 2014). Due to the widespread cash-based economy, which results in the lack of proper monitoring, and control of transactions conducted among individuals that leaves no trail as to where the money comes from and where it is heading. This proves to be the biggest challenge yet because the increasing widespread use of cash rather than other formal means of exchange is perhaps the biggest handicap to many banks in detecting and controlling money laundering in East Africa, Imala, (2004). Interviewee-(1), expressed a concern that;

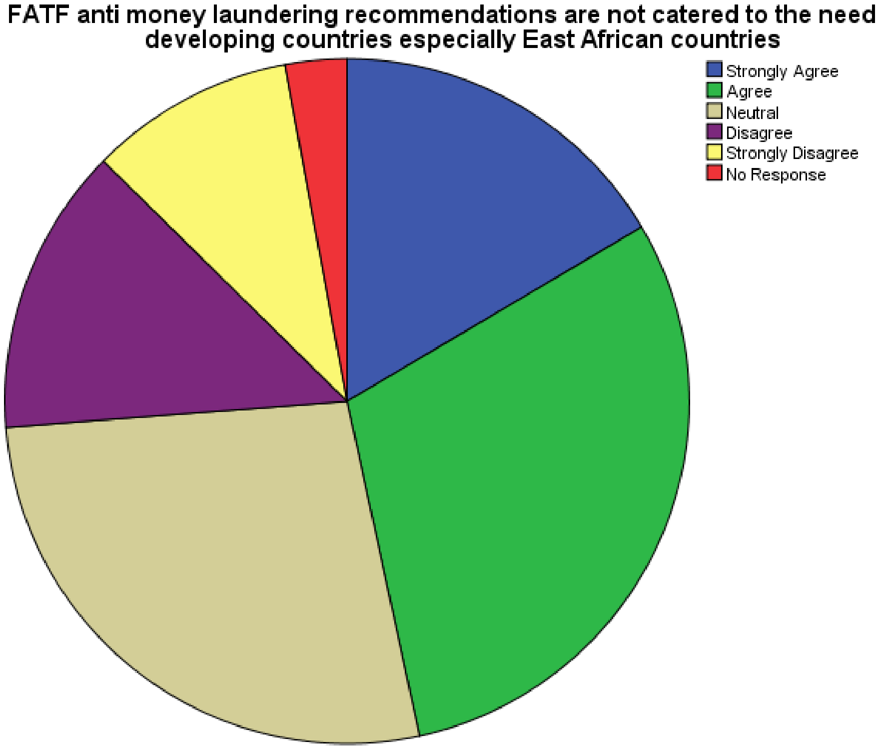
"As a bank if we are not careful someone might use the loophole of cash economy to launder their illicit proceeds due to majority of deposits and transactions are done through physical cash".

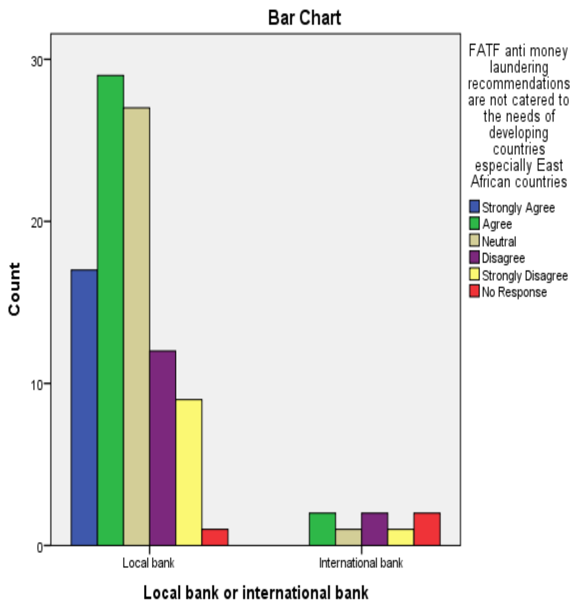
Similarly, Interviewee-(2) also said *"cash-based transactions are really difficult to trace compared to bank to bank transfers. However, in recent year's cash transactions have reduced to some extent compared to the olden days, but people still prefer cash transactions especially businesses"*

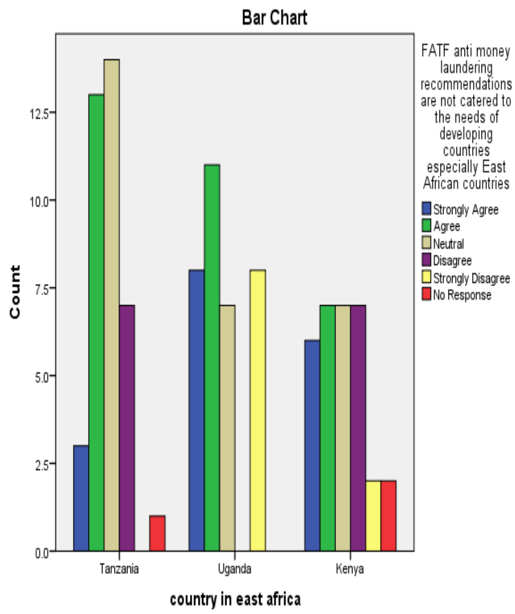
This shows that if no concrete effort is taken, the region will end up exposed to more money-laundering criminals because in the majority of developing countries they have tight rules and they do not encourage cash transaction, this means that money-laundering criminals are looking at other places where they can launder their illicit proceeds. East Africa will become one of the most attractive places and if nothing is done to address the issue of the cash-based economy then banks and the governments will suffer because of fines and restrictions that might be imposed. One of the respondents suggested that *"The East African governments should take measures to abolish cash-based economy which will make it easier to track cash transactions and also the government should conduct a review of its system of governance because majority of money laundering incidences starts from within the government itself", (comment Fs.60)*. Without taking concrete measures to control the cash-based economy then money laundering will continue to haunt the region for a very long time. Country wise in Tanzania 14 of 31 and 15 of 38 strongly agreed and agreed that the existence of cash-based economy in East Africa has proved to be a challenge for banks to spot local and international money launderers. Similarly, 11 of 31 and 11 of 38 in Uganda strongly agreed and agreed, and finally 6 of 31 and 12 of 38 in Kenya strongly agreed and agreed respectively. Tanzania showing more concern that the existence of cash-based economy in East Africa has proved to be a challenge for banks to spot local and international money launderers. Based on the nature of banks 66 of the management working in banks across local banks in East Africa, agreed that the existence of cash-based economy in East Africa has proved to be a challenge for banks to spot local and international money launderers, only 3 from the international banks across the region also agreed. A Wilcoxon signed-rank test showed that, there is a significant difference in the impact of cash-based economy between local and International Banks. Central banks and other stakeholders find it impossible to trace the origin of cash because people refuse the formal mode of payments especially the local banks. as indicated by Competitiveness Report, (2011) that more than 80% of the population in East Africa do not use the formal banking system. Moreover, it is estimated around 2.5 billion adults' worldwide, lack access to formal banking services. This is equivalent to 50% of the world population. Moreover, most of these people are from the developing countries, (FATF, 2013). This indicates that East Africa is more vulnerable to financial crimes in this situation than any other country. That is why the governments in the region need to work harder to ensure that they increase accessibility of banking services in order to discourage cash savings, because through increasing the accessibility of banking services it will allow people to conduct transactions through registered banks that makes it easier to trace and it will eventually reduce the cash-based economy. That is why there is an evidence of association between number of registered banks and cash-based economy. Due to the widespread cash-based economy, which results in the lack of proper monitoring, and control of transactions conducted among individuals that leaves no trail as to where the money comes from and where it is heading. This proves to be the biggest challenge yet because the increasing widespread use of cash rather than other formal means of exchange is perhaps the biggest handicap to many banks in detecting and controlling money laundering in East Africa, Imala, (2004).

E.4.1.0 FATF anti-money laundering recommendations do not cater to the needs of developing countries especially East African countries

E.4.1.1 Findings







E.4.1.2 Findings and Discussion

In recent years, anti-money laundering regulation has emerged as a key part of international financial regulation, in terms of government involvement and media attention, and with regard to the effort by professionals in the banking industry, Maggetti, (2014). Additionally, Money laundering is increasingly becoming one of the great ethical alarms of modern days, Alldridge, (2008). According to Hitesh and Bharat, (2012), the current global economy and integrated financial markets mean that the process of transferring of funds across the borders has never been easier and faster than in recent years. Based on the findings it is not a coincidence that 46.6% of the management working in banks across East Africa, agreed that FATF anti-money laundering recommendations do not cater to the needs of developing countries, especially East African countries. The emergence of FATF has acted, as a valuable campaigner for having strong global AML/CFT controls and its achievement in raising and increasing awareness on issues regarding the dangers of money laundering and terrorist financing and in trying to persuade countries all over the world to improve their controls and supervision on these two key areas, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002). Nevertheless, financial and resource constraints facing most of the developing countries makes it particularly difficult for these countries to fully implement all the FATF recommendations, Moshi, (2007). Nobody would argue that most developing countries have exclusively strong overall controls and it appears as if, there are no significant issues that need to be addressed, nevertheless, there is a great danger that the level of compliance among these developing countries is hyped. In most developing countries, the FATF anti-money Laundering system is still in the development stage. A good example; is that most African countries have passed their AML laws in 2005 and the reason that they decided to pass such laws is the continuous pressure from the developed countries regardless of how insignificant their financial services system may be domestically or internationally, or how effective they are in regulating money laundering in these countries. Levi, (2013). This is why interviewee-(1), have expressed a concern that;

"FATF recommendations do not satisfy the developing countries due to the nature of the environment, and most of these laws are more suitable for developed countries rather than developing countries".

Similarly, interviewee- (4), also said, *"to be honest they are not fit for developing countries due to so many reasons and one of them is, there is still an existence of barter trade in some areas were people exchange goods for goods as a form of exchange and this situation exists due to poor financial system that is in place"*

Further, according to Brandon, (2011), in order to account for this, it is necessary for the regulators to conduct an investigation in order to gain a deeper understanding into different types of FATF Recommendations. Moreover, exactly what goes into building a strong domestic AML/CFT regime to match the requirements of the developing countries? Practically all developing countries have anti-money laundering laws in place; They are not as advanced as in developed countries due to the differences in the level of economic development, (Ayodegi, 2011). Hence, international regulators need to take into account this issue, and develop recommendations that can carter for the needs of these developing countries. Especially East Africa and they should not put them on the same scale as the developing countries because they are very different, one of the respondents has suggested, *"FATF needs to involve locals to generate guidelines which will be highly effective to fight money laundering. Involve all stakeholders in East Africa to come up with better solutions on how to tackle money laundering based on the existing environment", (comment Mg.19).* Country wise in Tanzania 3 of 17 and 13 of 31 strongly agreed and agreed that FATF needs to conduct review and formulate recommendations that can cater to the challenges of developing countries especially in East

Africa. Similarly, 8 of 17 and 11 of 31 in Uganda strongly agreed and agreed, and finally 6 of 17 and 7 of 31 in Kenya strongly agreed and agreed respectively. With Uganda leading in indicating that FATF anti-money laundering recommendations do not cater to the needs of developing countries especially East African countries, recent fines imposed on major financial institutions e.g. banks once again affirm that banks face extraordinary pressure to comply with financial crime regulations. The issue of money laundering in East Africa is still complex because banks face a lot of challenges and most of them will take years to overcome e.g. a cash-based economy. The governments in the region need to address these issues in order to easily meet the compliance criteria's of FATF anti-money laundering regulations.

F. General perspective of Money laundering situation in East Africa

All over the world, banks have increasingly become a main target for money launderers to execute their money laundering operations and financial crimes, (Shawgat, 2011; FSA, 2011; Ping, 2010). The reason being that, they offer a range of financial services and instruments that can easily be exploited to conceal the original source of money, (Shawgat, 2011; Vaithilingam and Nair, 2007; Bradley and Steward, 2002). According to Fulbright (2014), approximately 95% of banks in Africa are reportedly to have developed their own anti-money laundering regulations that are in line with the local anti-money laundering regulations; this is aimed at meeting the international standards for anti-money laundering compliance. The development of anti-money laundering regulations can just be on paper as security experts have warned that money laundering is on the rise especially in east Africa where banks have reportedly lost Sh4.06 billion ($48.3 million) to money laundering in the eighteen months ended June 2012, (Mumo, 2012) as they failed to keep pace with criminals, Competitiveness Report, (2011). More than 80% of the population in East Africa do not use the formal banking system, Nantege, (2013). This is due to the widespread cash-based economy that results in the lack of proper monitoring and control of transactions conducted among individuals, which leaves no trail as to where the money comes from and where it is heading to, Nantege, (2013). Subsequently, this situation has caused money laundering flourish due to lack of proper monitoring and secrecy, (Otusanya et al., 2011; Nellen and Lankhorst, 2008; Sikka, 2008). This has seen several banking institutions land themselves in trouble and suffer hefty fines for encouraging money-laundering activities.

The following tables show the summary of the findings

Summary Questions	Mean	Standard Deviation
F 1.1.0	1.21	0.516
F 2.1.0	1.35	0.572
F 3.1.0	1.26	0.54
F 4.1.0	1.25	0.534
F 5.1.0	1.33	0.564

Summary Questions	TRUE		FALSE		No Response	
	F	%	F	%	F	%
F 1.1.0	166	80.6	39	18.9	1	0.5
F 2.1.0	137	66.5	68	33.0	1	0.5
F 3.1.0	156	75.7	49	23.8	1	0.5
F 4.1.0	159	77.2	46	22.3	1	0.5
F 5.1.0	143	69.4	62	30.1	1	0.5

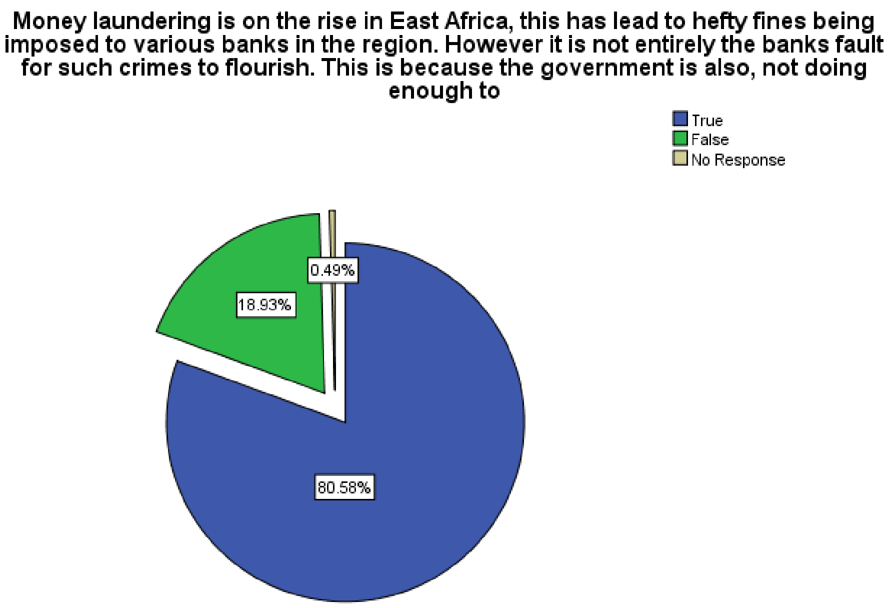
Hypothesis relating to money laundering situation in East Africa

	Hypothesis	Variable-1	Variable-2	Test	Test-Statistics	Test Result
F1	Bank secrecy is associated with the rise of money laundering in East Africa	Bank secrecy	The rise of money laundering in East Africa	Association: Chi-Square	Chi-square =209.680, df=4, P<0.001	Proven
F2	Corruption that exists in the society is associated with the rise of money laundering in East Africa.	Corruption	The rise of money laundering in East Africa	Association: Chi-Square	Chi-square =208.367, df=4, P<0.001	Proven
F3	Cash based economy is associated with the rise of money laundering in East Africa.	Cash Based Economy	The rise of money laundering in East Africa	Association: Chi-Square	Chi-square =211.037, df=4, P<0.001	Proven

F4	Difficulty in determining the source of wealth of PEPs is associated with the rise of money laundering in East Africa.	PEP`s Source of wealth	The rise of money laundering in East Africa	Association: Chi-Square	Chi-square =210.086, df=4, P<0.001	Proven

F.1.1.0 Money laundering is on the rise in East Africa; this has led to hefty fines being imposed to various banks in the region. However, it is not entirely the banks fault for such crimes to flourish. This is because the government is also not doing enough to curb this growing problem

F.1.1.1Findings



Findings and Discussion

Money laundering is increasingly becoming one of the great ethical alarms of modern days, Alldridge, (2008). Financial and resource constraints facing most of the developing countries makes it particularly difficult for these countries to fully implement all the FATF recommendations, Moshi, (2007). Based on the findings, 80.6% of the front-line staff members working in banks across East Africa indicated that it is true that Money laundering is on the rise in East Africa. The sums of money that vanish from the poor countries are totalled in trillions of USD and are reported to be on the increase (Markovska and Adams, 2015; FATF, 2011). Further, Security experts agree with this Ngarambe, (2012). This summarizes the high response that indicates that majority of the respondents believe money laundering is on the rise in the region. There are various reasons as to why money laundering is on the rise, according to Report, (2011) This indicates that more than 80% of the population in East Africa do not use formal banking system. This is due to widespread cash-based economies, which results in a lack of proper monitoring, and control of transactions conducted among individuals that leaves no trail on where the money comes from and where it is heading. This increases the challenge for banks and other financial institutions in the region to tackle money launderers using financial system to clean their dirty money. Further, according to interviewee-(1);

"Money laundering is on the rise the reason behind is because of poverty which makes people to be willing to engage in unlawful acts, due to the money involved in facilitating such acts Poverty also encourage people to engage in terrorism activities in order to make ends meet. As the data shows majority of people who are in these terrorist groups are coming from poverty-stricken background, and because they are offered a substantial amount of money just to participate in these unlawful acts they do see anything wrong with it because that's the only way they can survive and support their families".

Further, interviewee-(1), also pointed out *"most banks lack knowledge of money laundering policies and guidelines, this has created a number of loopholes that money launderers exploit in the expense of lack of proper knowledge about the issue by most banks. Another factor is corruption; sometimes a client might walk into the bank and want to make a transfer and when you request for the proof of the reason for the transfer they start lamenting that why doesn't he get such requests from other banks especially local banks when they want to make the transfers, and the next thing you know he/ she pulls out bank notes wanting you to facilitate the transfer without any supporting document now if you are corrupt you shall give in but at the end of the day the issue shall come back to you and the entire organisation if the transfer you have facilitated was not legitimate"*.

Another respondent also had a view on why money laundering is on the rise in the region and one of the reasons is that *"most banks lack knowledge of money laundering policies and guidelines, this has created a number of loopholes that money launderers exploit in the expense of lack of proper knowledge about the issue by most banks"*. All these reasons can contribute towards an increase in money laundering activities in the region; it is a responsibility of the government and other stakeholders to take drastic action to prevent this problem getting out of hand. Anti-money laundering laws and policies need to be enforced comprehensively, especially in the banking sector because they are targeted and affected by money launderers.

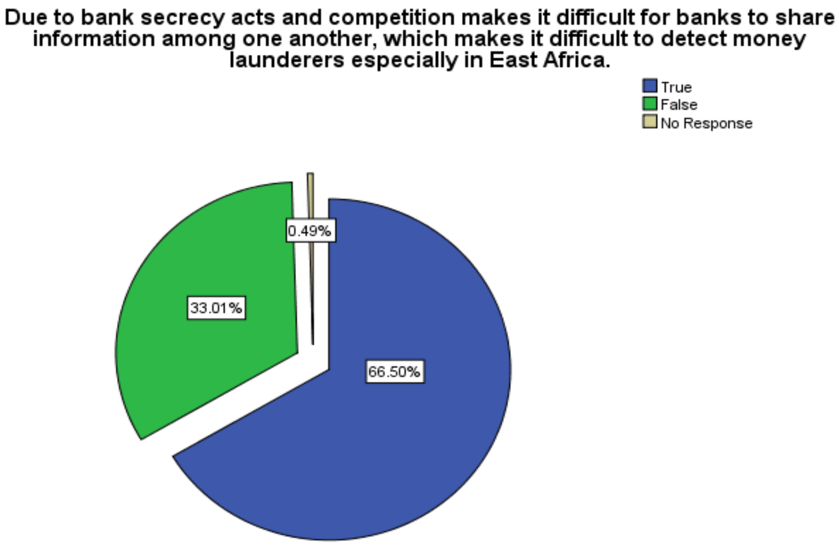
Based on findings there seems to be an evidence of association between the levels of corruption, cash-based economy, powers of political figures and bank secrecy. Moreover, how they have contributed to the rise of money laundering in the region below is the diagram that shows the summary of the association and discussion of the findings and tests of the response gathered.

Figure 11 Association between levels of corruption; cash-based economy, PEPS and bank secrecy in facilitating the growth of money laundering in the region


High level of corruption
Cash based Economy
Money laundering is on the rise in E.Africa
Powers of Political Figures
Bank secreacy

F.2.1.0 Due to bank secrecy acts and competition this makes it difficult for banks to share information among one another, which makes it difficult to detect money launderers especially in East Africa.

F.2.1.1 Findings



Findings and Discussion

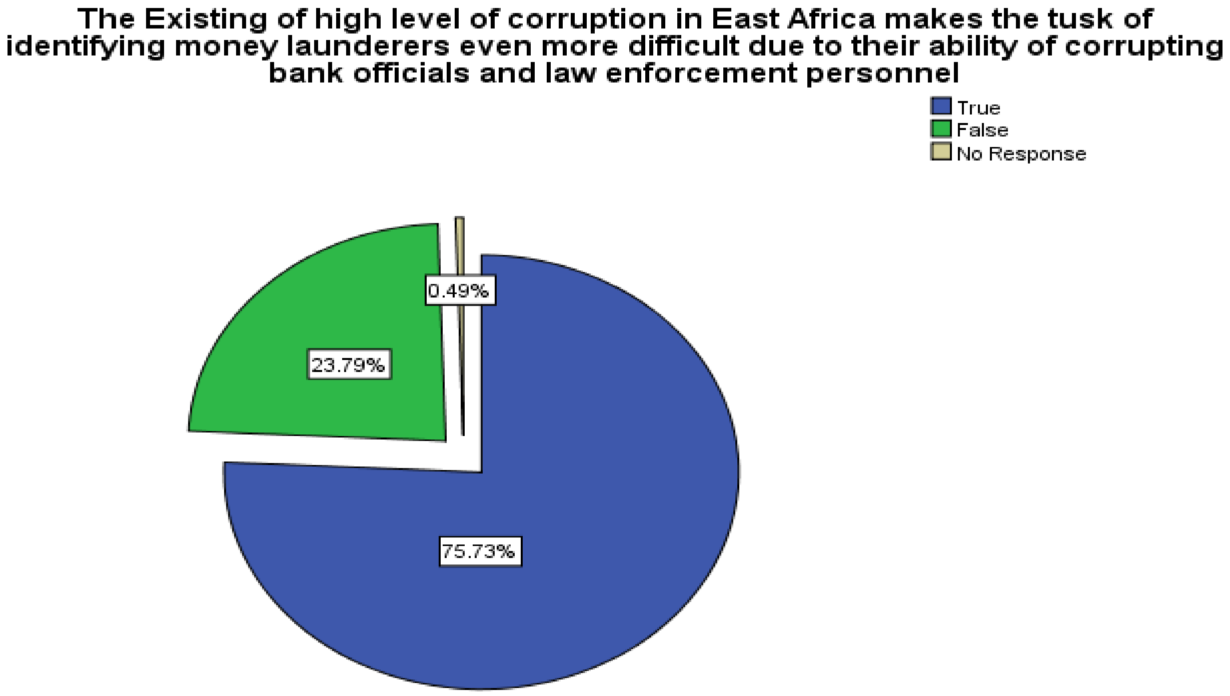
According to (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008), Banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border. Based on the findings 66.5% of the front-line staff members working in banks across East Africa indicated that it is true that due to bank secrecy acts and competition, this makes it difficult for banks to share information among one another, which makes it difficult to detect money launderers especially in East Africa. Agreeing, to Hitesh and Bharat, (2012), the current global economy and integrated financial markets mean that the process of transferring of funds across the borders has never been easier and faster than in recent years. Numerous banks both local and across the borders have strict bank secrecy laws which encourages anonymous money transfer. Money laundering flourishes on secrecy, (Otusanya et al, 2011; Nellen and Lankhorst, 2008; Sikka, 2008). According to PricewaterhouseCoopers, (2008), banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border. This poses a great deal of challenges because most customers' needs are rather self-contradictory, protection and privacy often demand extra controls while the well-organized global access demands less. Banks are motivated to assist their wealthy customers with managing their wealth irrespective of the origin of the funds, because the nature of the banking business which makes the large customers more attractive due to their contribution towards the survival and future prosperity, (Heggstad and Fjeldsstad, 2010, Palmer, 2009). Further Global witness, (2014) states that most banks stand a greater chance of making huge profits by accepting a business relationship with the dodgy rich customers. Despite the existence of rather strict and sound anti-money laundering laws, the potential risks faced by banks for taking tainted assets are very small, and these banks are rarely caught, and even when they are caught, the punishment is small compared to the magnitude of the crime. This shows how serious bank secrecy laws can encourage money laundering especially in East Africa, where competition is very high, and most banks are not willing to share information about their customers with other banks because of fear of losing them. Interviewee-(8), expressed a concern about information sharing stating;

"Sharing of information is not that easy. However, when we share information with other banks we impose restrictions that the information should only be used for the purpose intended either verifying customer transaction or customer background and nothing else".

This shows how unwilling most banks are to share their customer`s information. This is bad news because one of the requirements is to have strong cooperation especially among banks to prevent money launderers from using banks to launder their illicit proceeds. According to one of the respondents, banks in the region have started to address this problem by establishing a *"central integration system"* that the central bank has instructed all the registered banks to have their customer information stored in the central integrated system. This will enable all the banks to be able to verify customer information. For example; prior to the introduction of the central integration system a customer can take a loan from more than three different banks and all these banks are not able to know whether the customer has taken a loan from other banks. This situation made it difficult, because criminals have used this loophole to cleanse their dirty money by taking different loans. By having the integrated system, it helps to ensure that banks can verify customer activities and if a particular customer has a loan with a certain bank it is easier to know and prevent them from taking out another loan from a different bank. Also, the international community should look at tightening up the rules, especially looking at the fines imposed for the failure to comply, because banks are being fined just a fraction of what they make out of a money laundering deal. If no concrete, efforts are taken, money laundering will continue to flourish on the back of poor rules and petty fines that seem to encourage banks to participate in such criminal activities. That is why there is an evidence of association between the rise of money laundering in the region and bank secrecy. The majority of banks are motivated to assist their wealthy customers with managing their wealth irrespective of the origin of the funds and if this motivation is not handled carefully, the region will continue being the hub for both domestic and international money launderers and the dream of having a money laundering free region will seem miles away.

F.3.1.0 The Existing high level of corruption in East Africa makes the task of identifying money launderers even more difficult due to their ability of corrupting bank officials, competent authorities and law enforcement personnel

F.3.1.1 Findings



Findings and Discussion

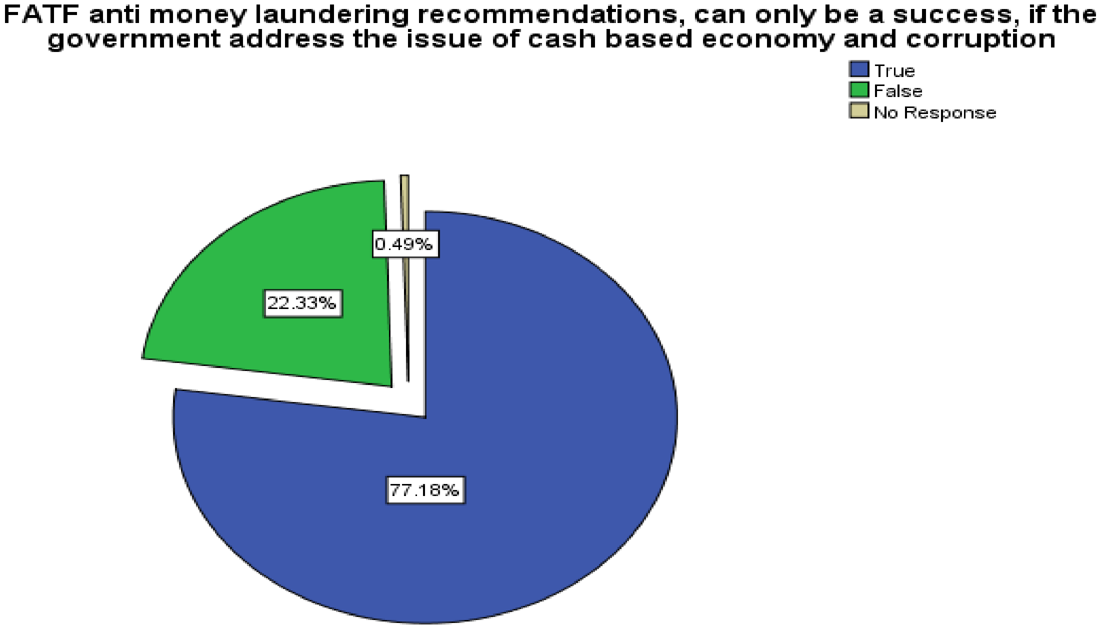
Corruption according to (Markovska and Adams, 2015; Idowu and Obasan, 2012), is a big hindrance for the campaign against money laundering. The proceeds of corruption laundered from developing countries alone range from $20-$40 billion per calendar year. This is equivalent to the Gross Domestic Product (GDP) of 12 of the world's poorest countries with more than 240 million people, (Mendes and Oliveira, 2012; Theodore et al, 2009). Based on findings, 75.7% of the front-line staff members working in banks across East Africa indicated that it is true that the existing high level of corruption in East Africa makes the task of identifying money launderers even more difficult due to their ability of corrupting bank officials and law enforcement personnel. Having weak legal system, and political dishonesty remains as one of the significant issues in the process of combating and fighting against money laundering in developing countries especially in Africa, Shawgat, (2011). The national survey, (2009), conducted in Kenya, has indicated that people have lost faith and trust in the law enforcement agencies, as most of them engage in illegal activities and when good citizens raise a concern towards the issue, the government does not take any actions against the law enforcement officers. Further studies have suggested that lawyers have been assisting African top politicians and other high-profile people to siphon money and cover the tracks of their dirty dealings. Barkley, (2010). Interviewee-(6) also expressed a concern stating that;

"It is easy to cooperate with the law enforcement agencies. However, sometimes you might report a customer or transaction at the end of the day you realise nothing was done and instead of being ensured that you are protected you later realise the customer was alerted and they confront you personally why did I report the transaction instead of asking them personally. That is to tell you might take the initiative to report the issue but at the end of the day it comes back and hunt you down. That is why sometimes we tend to leave everything to the anti-money laundering compliance department to figure things out and determine which transaction is clean and which one is not".

This proves how corrupt and laid back the law enforcement is in the region, because if a banker reports a suspicion, it is the duty of the law enforcement to protect the whistle blower. Some of the respondents fear that they might end up caught in between the law enforcement and the customer and that is why the majority of the respondents have suggested that they would rather report to the anti-money laundering department rather than directly the police and other law enforcement agencies. Significant reforms needed to be carried out, especially in the law enforcement area in the region because they have been the ones breaking the law rather than upholding the law. Laws needs to be changed to give them more independence especially preventing them being used as a shield by money laundering criminals because without them being professional we can’t ensure that they will tackle the issue of corruption. Money laundering crimes will continue to rise in the region. That is why there is an evidence of association between corruption that exists in the region and the rise of money laundering in the region. As stated earlier significant reforms needed especially in the law enforcement in the region because if the law enforcement is weak or shows the signs of working with money laundering criminals then the ESAAMLG might as well scrap any efforts to ensure that all the member countries are compliant with the anti-money laundering recommendations. Because the efforts will only go to waste if there is no proper backing from the domestic law enforcement agencies.

F.4.1.0 FATF Anti-money laundering recommendations, can only be a success, if the government addresses the issue of cash-based economy

F.4.1.1 Findings



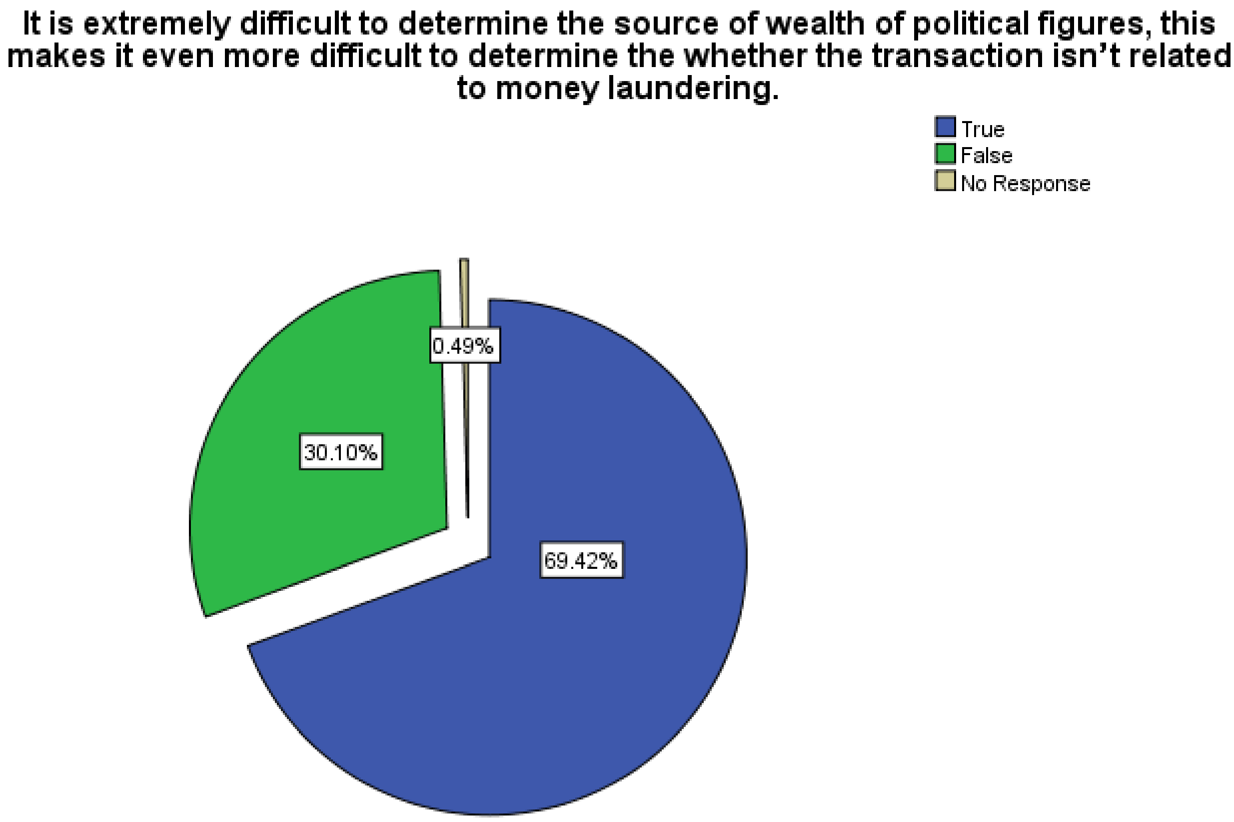
Findings and Discussion

Based on the findings, 77.2% of the front-line staff members working in banks across East Africa indicated that it is true that the FATF anti-money laundering recommendations can only be a success if the government addresses the issue of cash-based economy and corruption. It is estimated around 2.5 billion adults' worldwide, lack access to formal banking services. This is equivalent to 50% of the world population. Moreover, most of these people are from the developing countries, (FATF, 2013, Anti-money Laundering and Terrorist Financing Measures and Financial Inclusion). One of the issues that have been overlooked by the FATF recommendations is the criminal proceeds laundered through cash, Ardizzi et al, (2014). As it is well known, cash is different from any other form of payment because it guarantees anonymity; this allows banknotes to pass from hand to hand without a trace, impacting the degree of transparency of the banking systems (Ardizzi et al, 2014). According to The Corruption Perception Index (2008), has revealed that Kenya is considered to be the most corrupt country in the East African region and that this is due to the high lack of accountability of government officials who have been abusing their monopoly powers to swindle public resources for their own gains. Further, according to Daily Monitor, (2014), corruption is still the largest form of financial crime in the region with Kenya posting the highest rate of 72 per cent followed by Tanzania (71 per cent) and Uganda (67 per cent). This indicates that if no appropriate action is taken about the issue, the regions will be marching backwards as far as development is concerned. Even though, the emergence of FATF has acted, as a valuable campaigner for having strong global AML/CFT controls and its achievement in raising and increasing awareness on issues regarding the dangers of money laundering and terrorist financing and in trying to persuade countries all over the world to improve their controls and supervision on these two key areas, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002). Nevertheless, financial and resource constraints facing most of the developing countries makes it particularly difficult for these countries to fully implement all the FATF recommendations, Moshi, (2007). One of the respondents also stated *"Government should play a major role in discouraging cash-based economy which will make it easier to trace the source of money, (comment Fs83).* Further, another respondent also suggested, "*The government should fight to reduce the level of corruption in order to promote an effective implementation of anti-money laundering", (comment Fs33*). If these two issues are not seriously, addressed then anti-money laundering recommendations will just be a soft music of encouragement playing in the ears of corrupt political figures and other money-laundering criminals in the region. That is why there is an evidence of association between the rise of money laundering in the region and the cash-based economy. The governments of East African countries should start acting immediately to ensure that the cash-based economy scrapped in order to be able to trace the origin of money.

As it stands, it is very difficult to track because majority of the transactions conducted on cash basis rather than bank transactions.

F.5.1.0 It is extremely difficult to determine the source of wealth of political figures, this makes it even more difficult to determine the whether the transaction is not related to money laundering.

F.5.1.1 Findings



Findings and Discussion

According to the United Nations Office of Drug and Crime and the World Bank (2007), it was estimated that the corrupt money received by public of officials in developing and transition countries ranges from $20 to 40bn per year, a figure equivalent to the annual gross domestic product of the world's 12 poorest countries, Chhina, (2017). Based on the situation in East Africa it is a concern that 69.4% of the front-line staff members working in banks across East Africa indicated that it is difficult to determine the source of wealth of political figures. It has been noted that most corrupt PEPs have certain advantage when it comes to laundering of their funds that is not available to other ordinary money launderers, Lishan, (2013). They use their powers to access domestic and international financial systems to launder their proceeds, (Mendes and Oliveira, 2012; Mugarura, 2010; Theodore et al, 2009). This makes it even more difficult to determine whether the transaction isn't related to money laundering. PEPs have been utterly abusive of the national resources, and several outrageous scandals have unfolded involving PEPs, this involves looting of state assets, giving and accepting of bribes and corruption. They use their powers to access domestic and international financial systems to launder their proceeds, Theodore et al, (2009). Further, huge sums of money are often reported to have been laundered by public officials especially in Africa. Only a fraction of the money laundered is normally detected and an even smaller amount is being recovered, Levi, (2013). This makes it even more difficult to determine whether the transaction is not related to money laundering. Most African leaders have been accused several times of laundering government treasuries and it has been estimated that sum of $148 have been leaving Africa yearly into offshore havens in developed countries, AAPPG, (2006). That is why one of the respondents has suggested that; *"The government needs to work hand in hand with the banks in order to assess the source of wealth of political figures. Because in most cases their money is not clean", (comment Fs.44),* this is crucial because involving the government will at least help the situation because they have the powers to compel and stop its people from using the financial institution to launder their illicit proceeds. In addition, strict laws need to be enacted, in order to limit the powers of political figures. Especially the ability to compel law enforcement agencies to act according to their wish because if this situation continues the region will not be able to make any significant step towards development and poverty will continue to strike the majority to the benefit of a few corrupt, greedy political figures.

While the international anti-money laundering laws and regulations can be useful in bringing high profile political figures to be held accountable for money laundering acts, Chaikin, (2010), this situation is unrealistic based on domestic anti-money laundering regulations in East Africa. The institutions involved in implementing anti-money laundering regulations domestically might be under pressure due to the powers possessed by PEPs, Pedro & Alessandra, (2012). That is why there seems to be an evidence of association between the rise of money laundering in the region and the powers and influence of PEPs. As stated earlier, PEPs have been utterly abusive of the national resources, and several outrageous scandals have unfolded involving PEPs, this involves looting of state assets, giving and accepting of bribes and corruption the only way to deal with this situation is to have strong policies to ensure that these people cannot use their influence to launder their illicit proceeds.

Chapter Seven
Conclusion

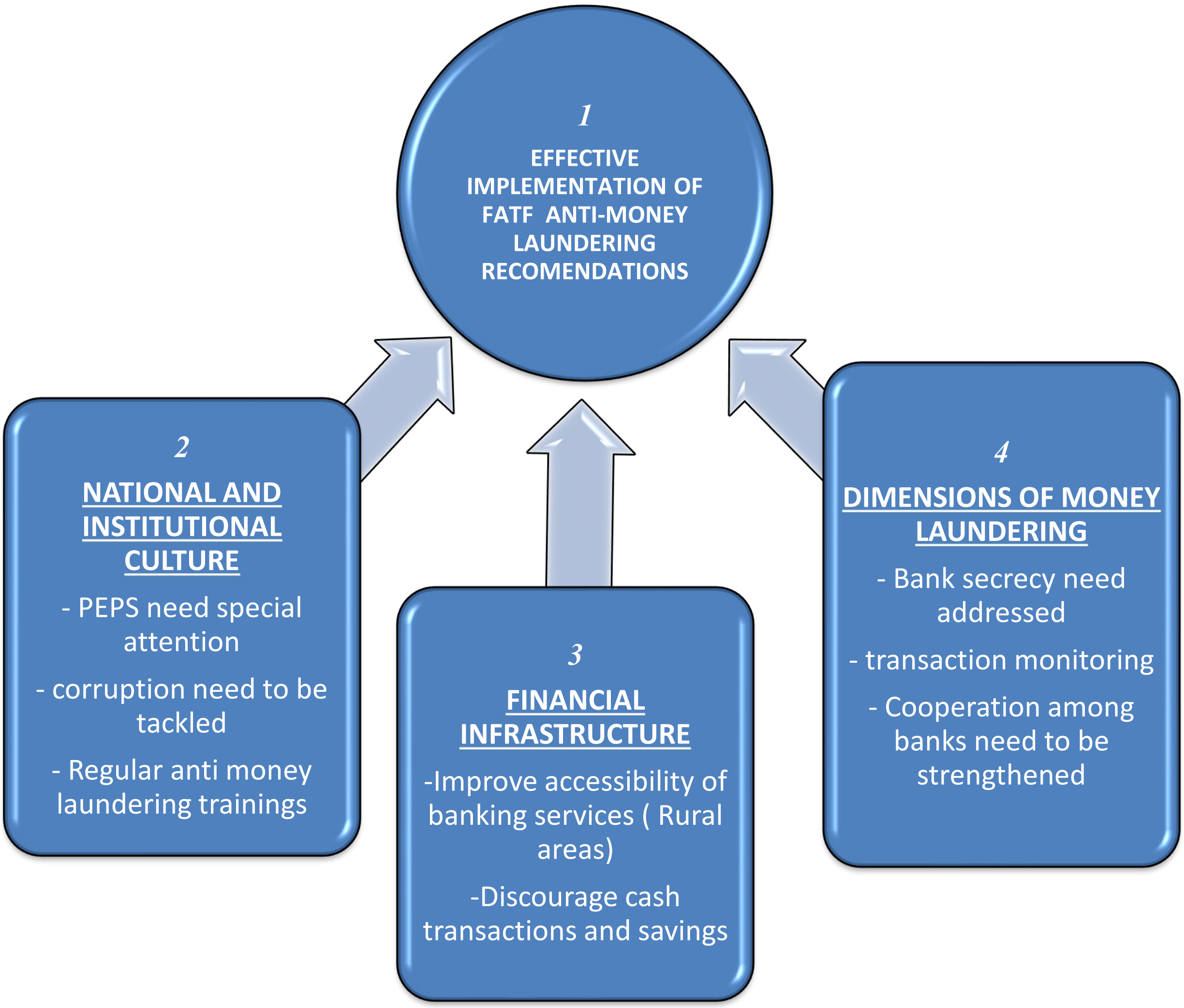
CHAPTER 7

7.1.0 Conclusion

This chapter discusses the conclusion. On the compliance of FATF anti-money laundering recommendations, looking at how the dimensions of money laundering, national and institutional culture and financial infrastructure have impacted on the compliance. This chapter also provides contribution to knowledge and the significance of the research study. This chapter also provides a critique and limitation of this research study. This chapter ends by making recommendations and discussing the potential areas for further study.

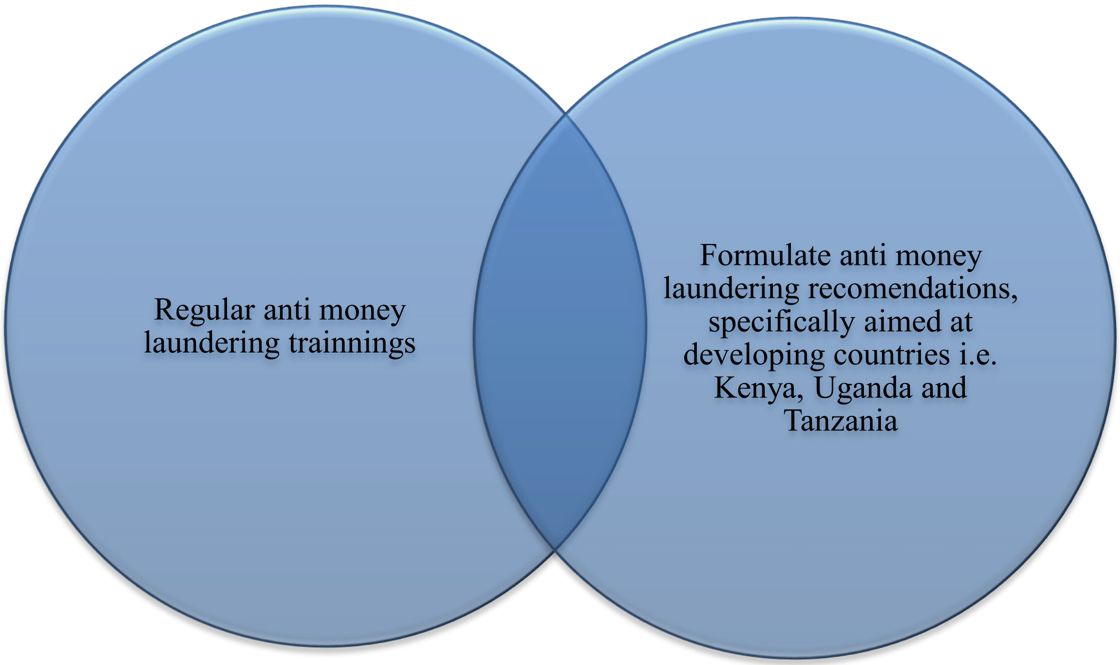
Researchers have devoted their time and energy to finding out how money laundering has contributed to global financial crisis and caused instability in the global financial systems and economies, (Murray, 2018; Vaithilingam & Nair, 2007, Singh, 2009; Simwayi & Guohua, 2011, Peter, 2012). Further, banks have increasingly become a main target for money launderers to execute their money laundering operations and financial crimes, Shawgat, (2011). Little attention has been paid on how dimensions of money laundering, national and institutional culture and financial infrastructure have impacted with compliance with FATF anti-money laundering recommendations. The aim of the study is to explore the compliance of FATF anti-money laundering recommendations among banks in East Africa effectiveness. In general, the study found that the compliance of FATF anti-money laundering recommendations in East Africa is dependent on the following issues being addressed: the issue of national and institutional culture, specifically the issue of corruption, PEPs and awareness of money laundering; the issue of financial infrastructure, specifically addressing the issue of cash-based economy, accessibility of financial services, and formalities in opening and maintaining bank accounts: finally, the issue of dimensions of money laundering specifically, cooperation among banks, information sharing and transaction monitoring. The following summary shows the findings according to the themes.

Figure 12 Summary of key findings based on themes



7.1.1-FATF anti-money laundering recommendations

Figure 13 summary anti-money laundering recommendations

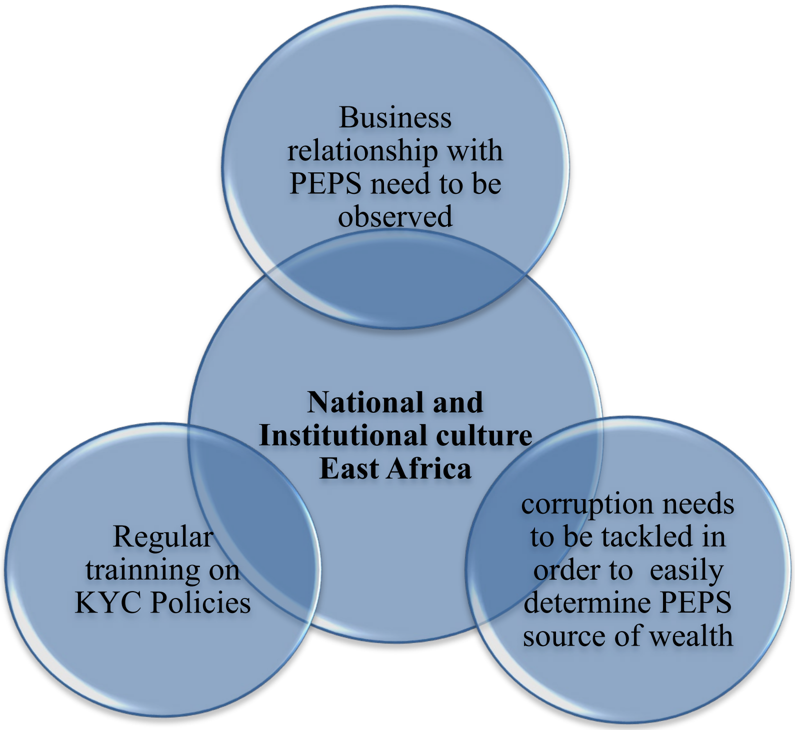


The emergence of FATF has acted as a valuable campaigner for having strong global AML/CFT controls and its achievement in raising and increasing awareness on issues regarding the dangers of money laundering and terrorist financing and in trying to persuade countries all over the world to improve their controls and supervision on these two key areas, (Brandon, 2011; Leong, 2007; Johnson and Lim, 2002). Nevertheless, financial and resource constraints facing most of the developing countries make it particularly difficult for these countries to fully implement all the FATF recommendations, Moshi, (2007). Recent fines imposed on major financial institutions i.e. banks once again affirm that banks face extraordinary pressure to comply with financial crime regulations. Recently regulators have collected more than $10 billion worth of fines and settlements on banks over the last few years, demonstrating the determination and ability of regulators to use civil and criminal law to enforce financial sanctions on a global level, Proviti, (2014). Based on the hypothesis which states “An employee’s awareness of FATF anti money laundering recommendations is associated with regular anti money laundering training”, the study has found evidence of association between frequent trainings by banks and the employee’s awareness of FATF anti-money laundering recommendations and the ability of employees to be aware of current money laundering issues. Further, employees’ awareness on various anti-money laundering issues has also given the opportunity for the banks to update its anti-money laundering policies based on the ideas that they gather through these frequent trainings. Lastly, FATF anti-money laundering recommendations are not catered to the needs of developing countries especially East African countries.

Regular training and cooperation among banks needs improvement because without a collective efforts and regular training among the banking institutions. Money laundering will continue to grow in the region and cause even further damage to the image of financial institutions in the region. Through frequent trainings organisations they will be in a better position to alert the staff members about new emerging money laundering threats, which will enable them to stay alert and be able to tackle the threats when they occur. FATF need to formulate recommendations that can meet the needs of developing countries. Because as it stands due to the differences in the level of economic development, and the advancement of the banking systems between developing and developed countries. International regulators need to take into account this issue and develop recommendations that can meet the needs of these developing countries specifically East Africa.

7.1.2-National and Institutional culture in East Africa

Figure 14 summary of conclusion on national and institutional culture



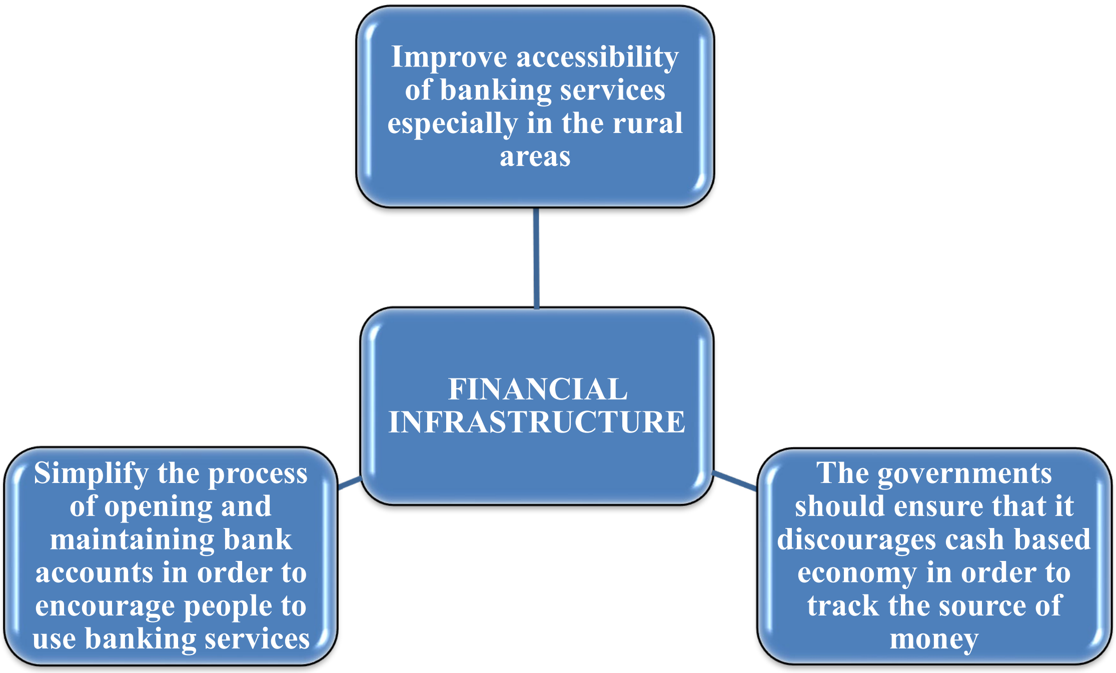
Mahoney et al. (2009) gave clarity on circumstances in which public institutional environments can impact positively on value creation in the private sector. Banking industry union or reform in response to institutional crisis represents typical example. In support, Naim et al, (2012), stated that the first step that is required to successfully combat money laundering is the fight against financial and administrative corruption, because corruption aids money laundering by bribing the financial institutions and private people who regulate anti-money laundering (Kemal 2014; Chaikin, 2008). This implies that the fight against money laundering should not only be professed but also action needs to be taken to curb the problem. Further, the institutional theory states that organisations will take on structures that are of similar structure with the institutional environment in which the organization exists, and by doing so discusses the rightfulness of resources and a survival advantage to these organizations (Glynn and Azbug, 2002). Moreover, Daulatran, (2003) also, emphasised that, having a good Institutional culture is the one that allows the management to recognise the aspects of corporate culture and its effect to the behaviour of the employees. The study found 68% of the management working in banks across East Africa, agreed that Politically Exposed Persons (PEP) have proved too difficult to be questioned about their source of funds due to their popularity especially in East Africa, this is because of their nature and the influence they have over different affairs of the country because they are policy makers including the policies on how organisations should operate in the country. Moreover, based on the hypothesis which states "Establishing the source of wealth of a PEPs is associated with corruption", the study has found there is evidence of association between corruption and difficulty in questioning the Politically Exposed Persons (PEP) about their source of funds. It has been noted that most corrupt PEPs have certain advantage when it comes to laundering of their funds that is not available to other ordinary money launderers, Lishan, (2013). They use their powers to access domestic and international financial systems to launder their proceeds, (Mendes and Oliveira, 2012; Mugarura, 2010; Theodore et al, 2009). Hence, the significance of developing a culture of anti-money laundering compliance within the banking and financial institutions have been on discussion for several years. According to Carr and Golby, (2009), several money-laundering activities, especially relating to the proceeds of corruption, normally takes place through the money transfers channelled through the world's financial systems. Based on the findings it is clear that corruption needs to be addressed in order to be able to determine PEPs source of wealth. And if corruption is not properly addressed then it will be difficult to know whether the sources of funds from these political figures are connected to corruption.

Regular training on KYC policies is also important because based on the hypothesis which states "An employee's awareness of know your customer policies is associated with regular training on know your customer", the study has found evidence of association between employee's awareness with KYC and regular KYC trainings. Frequent trainings will enable staff members especially in the local banks to utilise them especially when dealing with PEPs who have proved to be difficult to determine their source of funds. In addition, banks are required to monitor all transactions especially the ones connected to PEPs, by improving the level of enhanced due diligence carried out on high-risk customers and PEPs. Because the study found, 69% of the respondents, indicated that it is extremely difficult to determine the source of wealth of political figures, this makes it even more difficult to determine the whether the transaction not related to money laundering. Politically exposed Persons "PEPs" have been abusive of the national resources over the years. Moreover, some respondents also expressed their concerns about how PEPs in East Africa the powers have to do anything especially in East Africa. Because they have links to higher authorities. PEPs are sometimes difficult to deal with. In addition, due to their influence, you might report them to higher authorities about their suspicious transaction and no action taken against them. PEPS need to be looked at with close attention and ensure that strict laws are in place, order to control their financial activities.

Many banks struggle to understand what, and how much, enhanced customer due diligence information they are required to collect and how they should use such information. Further, banks have shown lack of willingness to ask for information from prominent PEPs customers and were therefore unable to carry out adequate enhanced customer due diligence. All banks are required to ascertain the identity of their customers on the basis of reliable or official documents and always maintain records of the customers on frequent basis when establishing business relations or carrying out transactions.

7.1.3-Financial infrastructure in East Africa

Figure 15 summary of conclusion of financial infrastructure



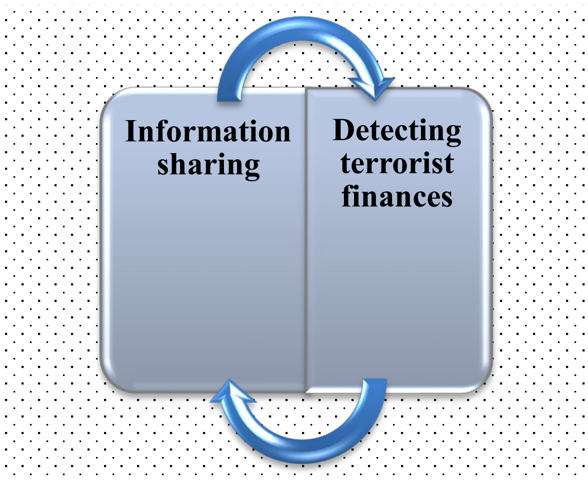
According to Hitesh and Bharat, (2012), the current global economy and integrated financial markets mean that the process of transferring of funds across the borders has never been easier and faster than in recent years. Moreover, according to (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008), banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border. Hence, the detection of money laundering transactions in the financial sectors still remains a great challenge in the process of combating money laundering and terrorist financing, which are continuously becoming a major threat on the survival of the financial institutions especially the banking sector in the developing countries. Most financial institutions in the developing countries are still in the development stage and characterised by the lack proper laws and technologies to govern and identify the money laundering activities that might arise, Shawgat, (2011). The study found banking organization is the most preferred vehicle by money launderers as identified by 74 management officials. Furguson et al, (2015) identified what good or bad culture means for the behaviour of bank executives. Further, how culture impact on other serious factors such as reputation, trust, ethics, values, mission, purpose and conduct is not as direct as one might believe. This study expands an understanding on the roles that can be played by the management in ensuring that the organisation is alert to the threats of money laundering because as the study shows they are aware that bank is the most preferred route by money launderers. And it is their duty to set an example in ensuring that the organisation is compliant with anti-money laundering recommendations, Furguson et al, (2015). This will have a positive impact on institutional culture and enhance its reputation by not allowing money launderers to exploit the organisation, (Verhage, 2009).

The study also found existence of complicated formalities in opening and maintenance of bank accounts does not make it any easier for people especially lower earning citizens who are in need of having bank accounts, as expressed by 63% of the management officials in East Africa. According to Ouma, (2012), the average cost of ATM transaction is $1.8 to $2.3 per transaction. This situation discourages people especially those with low-income to save their money in the banks. That is why it is important for this issue to be addressed because if the formalities and costs are high during opening and maintaining of bank accounts this forces people to save in cash and leave the region exposed to the risk of money laundering.

It is estimated around 2.5 billion adults' worldwide, lack access to formal banking services. This is equivalent to 50% of the world population. Moreover, most of these people are from the developing countries, (FATF, 2013, Anti-money Laundering and Terrorist Financing Measures and Financial Inclusion). One of the issues that have been overlooked by the FATF recommendations is the criminal proceeds laundered through cash, Ardizzi et al, (2014). As is well known, cash is different from any other form of payment because it guarantees anonymity; this allows banknotes to pass from hand to hand without a trace, impacting the degree of transparency of the banking systems (Ardizzi et al, 2014). According to FATF, (2015), despite the popularity of non-cash means of payment in developed economies, cash remains an important method of payment across the globe, with an estimated USD 4 trillion in circulation and between 46% and 82% of all transactions in all countries being conducted in cash, FATF, (2015). According to Moshi, (2012), in East Africa people can walk around with suitcases and bags of money without being questioned and even purchase properties such as houses, cars, and other expensive items without being questioned about the source of their money. The study also found that FATF Anti-money laundering recommendations can only be a success if the government address the issue of cash-based economy as expressed by 77% of the front-line staff working across banks in the region. This study found evidence of association between the rise of money laundering in the region and the cash-based economy. As the study reveals that, money laundering can be controlled and minimized if the cash-based economy. This will make it easier for banks to trace the source of money because as it stands money launderers will continue to exploit the banking sector in the region if this issue is not properly addressed.

7.1.4-Dimensions of money laundering in East Africa

Figure 16 Association between information sharing and detecting terrorist finances



According to Hitesh and Bharat, (2012), the current global economy and integrated financial markets mean that the process of transferring of funds across the borders has never been easier and faster than in recent years. Numerous banks both local and across the borders have strict bank secrecy laws which encourage anonymous money transfer. Money laundering flourishes on secrecy, (Otusanya et al., 2011; Nellen and Lankhorst, 2008; Sikka, 2008). The increase in demand for integration of illicit proceeds into the world's financial system and the removal of barriers, which encourages free movement of capital, are two major factors that have contributed immensely to an increase in money laundering through the banking system especially in East Africa, (Shon, 2002). The study found, 81% believe money laundering is on the rise in the region, and it's entirely not the fault of the banks but the governments in the region have not done enough to help curb this growing problem.

According to (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008), banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety are equivalent to their irresistible need for efficient means of moving money across the border. To facilitate information sharing between appropriate authorities and further outline several measures or controls for financial institutions to relieve risks and prevent money laundering and terrorist financing, Proviti, (2014). Based on the hypothesis which states; "Detecting terrorist financing is associated with information sharing". The study has found evidence of association between the rise of money laundering and information sharing in the region. Bank secrecy has been a problem in the fight against money laundering in the region. Lack of information sharing among banks encouraged money launderers to continue exploiting the banking institutions to launder their money. Otusanya and Lauwo (2012), stressed the importance of eradicating bank secrecy because money laundering cannot be tackled effectively if there is bank secrecy. One of the interviewee stressed that sharing of information is not easy. This calls for a reform on information sharing because if information cannot be shared across different local or international banks in the region then money laundering will continue to rise in the region as the study found.

With the current global economy and integrated financial markets, the process of transferring of funds across the borders have never been easier and faster than recent years. Numerous banks both local and across the borders have strict bank secrecy laws which encourages anonymous money transfer, (Otusanya et al., 2011; Nellen and Lankhorst, 2008; Sikka, 2008). This situation has led to money launderers using banking institutions to launder their illicit proceeds due to the existence of bank secrecy that act as their shield and allows them to cleanse their dirty proceeds. Banks are increasingly facing a predicament with their clients whose increasing desires for confidentiality and safety for their money are equivalent to their irresistible need for efficient means of moving money across the border, (Dion, 2012; Otusanya et al, 2011; PricewaterhouseCoopers, 2008). This poses a great deal of challenges because most customers' needs are rather self-contradictory, protection and Privacy often demands extra controls while the well-organized global access demands less. Based on findings banks are still not willing to cooperate and stop money launderers from using the banks to launder their money. One of the respondents stressed that; "Sharing of information is not that easy as one might think".

Sometimes information can be shared with other banks but with restrictions and mostly the information is only shared upon request by law enforcement officials. This is not good news because one of the key ways on how to prevent the banking institutions to be used by money launderers is to have strong cooperation among banks both local and international.

7.2.0 Contribution to knowledge

This research study contributes to the body of knowledge in the area of money laundering specifically in the field of forensic accounting. Using mixed methods specifically convergent parallel mixed methods to explore the compliance of FATF anti-money laundering recommendations. Exploiting findings from both quantitative and qualitative have helped to expand the understanding on the nature of these anti-money laundering recommendations on how dimensions of money laundering, national and institutional culture, and financial infrastructure have affected the compliance of FATF anti-money laundering recommendations in East Africa. The study identifies that effective compliance of anti-money laundering recommendations in East Africa is dependent on the following areas being addressed.

7.2.1-FATF Anti money laundering Recommendations; this research fills the gap on literature on anti-money laundering compliance in East Africa. a handful of recent studies have explored the FATF anti money laundering recommendations, their compliance and applicability to countries all over the world, (Makin, 2017, Brandon, 2011, Ayodegi, 2011 Chatain et al, 2009). However, none of the studies have taken into account the nature of these recommendations based on the East African perspective. This study has found that; 46.6% of the management working in banks across East Africa, agreed that FATF anti-money laundering recommendations do not cater to the needs of developing countries, especially East African countries. This leaves the region in dilemma because when it comes to evaluating the accomplice of anti-money laundering recommendations. the international anti-money laundering regulators do not take into account the challenges that the region faces in complying with the anti-money laundering recommendations because there are so many factors that hinders the proper compliance i.e. Cash based economy, awareness, accessibility of banking services etc. All these as discussed on the previous chapter have contributed to difficulty in implementing the FATF anti money laundering recommendations. that is why some of the respondents from the survey and interviews suggested that; there is a need to develop recommendations that can carter for the needs and challenges of developing countries especially East African countries because as it stands these countries are under pressure to keep up with money launderers and the changes on these recommendations which makes the situation even harder to manage. Except, if FATF take into account the challenges the East African countries face and develop anti money laundering recommendations while taking into account those challenges will be a positive step towards the battle against money laundering in the region, which is on the rise as specified on this study.

7.2.2- National and Institutional culture; this research study tries to fill the gap on literature specifically on anti-money laundering compliance culture in East Africa. A handful of the recent studies have explored corruption and how it has affected organisations and the economy in East Africa (Minkov & Blagoev, 2009; Carr and Golby, 2009; Pillay and Dorasamy, 2010; McLaughlin, 2013). However, none of the studies have taken into account how corruption has made the task of questioning PEPs source of funds. The study found evidence of association between corruption and difficulty in questioning the Politically Exposed Persons (PEP) about their source of funds. Further, study found 68% of the management officials indicated that Politically Exposed Persons (PEP) have proved too difficult to be questioned about their source of funds due to their popularity especially in East Africa. Moreover, one of the aspects of national culture that have captured the attention is the existence of corruption especially in all sectors in East Africa both public and private. This has greatly affected not only the way banks operate in terms of curbing money laundering, but also the standard of living of individuals as a result of money laundering in the region. The study identifies PEPs as an obstacle in the process of curbing money laundering in the region. Investigation conducted by FSA, (2011); indicated that some of the banks, the general concept of AML culture was still a great concern and with senior management and the people responsible for compliance. This challenge the whole point of having anti-money laundering regime especially the need to identify the PEP`S whom according to many banks are seen as the valuable customers and the need to segregate them might result to losing them completely. Banks and the government in East Africa need to come together and find a way to tackle corruption and limit the powers of PEPs in order to simplify the task of determining the source of wealth.

7.2.3-The financial infrastructure, this research work tries to fill the gap on literature specifically, on anti-money laundering compliance in East Africa. Recent studies have explored how money laundering has impacted banks and other financial institutions and penalties imposed by anti-money laundering regulators for their failure to prevent money launderers from using their organisation to launder their ill-gotten wealth, (Shawgat, 2011; Arasa and Ottichilo, 2015; Furguson et al, 2015). However, none of these studies have taken into account the existence of complicated formalities in opening and maintenance of bank accounts as a factor that increases the likelihood of money laundering to grow. Because based on the study, people especially lower earning citizens who are in need of having bank accounts have no access to it due to these complicated formalities which makes it difficult for people to own bank accounts and have access to banking services, as expressed by 63% of the management officials in East Africa. Further, FATF Anti-money laundering recommendations can only be a success, if the government address the issue of cash-based economy as expressed by 77% of the front-line staff working across banks in the region. With more than 50% of the population in the Eastern Africa region living on less than $2 a day (Transparency International-Kenya, 2013).

The problem of having complicated formalities in opening and maintaining of bank accounts, coupled by the existence of cash-based economy has further fuelled money laundering to flourish in the region. The reason being that people can save money in cash and later inject it into the financial system without any difficulties because the banks wouldn't be able to identify if the funds are from a legitimate source or not. This situation has resulted to the region being more vulnerable to money launderers because the process of concealment and integration easily made without being detected due to cash-based economy and limited access to the banking services. For these people to afford banking services, banks need to look at their formalities and costs of maintaining bank accounts so as it will discourage majority of these people to save in cash which will enable banks to easily trace the source of funds. Further, the study found it will also help to discourage cash-based economy in the region by encouraging people to save their money and conduct transactions using banks.

7.2.4-Dimensions of money laundering; this research study fills the gap on literature on anti-money laundering compliance in East Africa by giving an insight on the nature of money laundering in the region. A handful of recent studies have explored dimensions of money laundering in East Africa based on drug trafficking and the flow of proceeds of corruption in the region, (Warutere, 2006, Gastrow, 2011). However, none of the studies have taken into account that money laundering is on the rise in the region due to the existence of bank secrecy. This study gives evidence of association between the increase in money laundering in the region and the bank secrecy that makes the task of detecting money laundering and terrorism financing much more difficult to detect and to deal with. This leaves the banking sector more vulnerable to money laundering. Further, this study links the dimensions of money laundering to national and institutional culture, and financial infrastructure in the region. Because it helps to shapeup culture and financial infrastructure in a sense that, if money laundering is on the rise in the region the banks are more likely to fall victims and due to bank secrecy, that exists among banks in the is seen as a barrier to a culture of anti-money laundering compliance because the institutional theory states that organizations will take on structures that are of similar structure with the institutional environment, (Glynn and Azbug, 2002). Bank secrecy needs to be looked at as discussed in the previous section in order to tackle the growing problem of money laundering in East Africa.

7.3.0 The significance of this Research Study

The findings of this research study would benefit the following set of groups: **i) The governments of East African countries (TANZANIA, KENYA AND UGANDA)**. This research project would benefit the East African countries by helping to understand the current situation of money laundering in the region and the world at large. Further, due to current plans aimed at creating a common set of anti-money laundering guidelines, applied in the region. This research project is beneficial, as it has managed to explore in depth the FATF anti-money laundering recommendations, which are now a necessity for every country in the world to implement. More focus has been placed on the level of compliance of these recommendations in the region taking into account factors that might affect the compliance process such as culture and the financial infrastructure as discussed in the sections below. In addition, this research work gives highlights on what the government needs to look at, and the areas that they need to pay more attention on in order to improve the level of compliance in the region by taking into account various suggestions from this research work.

ii) Regulators of money laundering crimes; this research work is of great benefit to the regulators of money laundering crimes in East Africa because it has highlighted the areas that require more attention as discussed in different sections of this research work. Further, this research work has simplified the task of the regulators by actually pointing out what needs to be done in order to rectify the existing money-laundering situation.

iii) Banks in East Africa; this research work has great significance to the East African banks as they have constantly come under immense pressure from the regulators on the lack of compliance on their part that have resulted to hefty fines being imposed to banks that have been found guilty for non-compliance. This research project intends to render a helping hand on the areas that banks need to address especially when it comes to the issue of know your customer KYC. Especially how to treat politically exposed people when they decide to commit into a business relationship, as revealed in this research that such people have continuously caused problems for banks due to their ability to get what they want especially in East Africa. Further, this research work provides further advice on how to adjust the existing culture in the organisation to have an effective implementation of the anti-money-laundering recommendations. Lastly, it also provides an insight on what needs done in order to improve the level of service in terms of reducing the complicated formalities when it comes to opening and accessing the banking services. This encourages more people to save their money with a bank hence it reduces cash saving and people using cash to make huge payments hence it makes it easier to track the sources of funds and reduce the likelihood for money launderers to try to use the loophole to launder their ill-gotten funds in the region.

iv) Academic researchers on the field of Forensic Audit and Accounting especially on issues relating to money laundering and terrorist financing. This research project intends to add new knowledge on the field of money laundering. The reason being that money laundering is a current issue that is beginning to attract more attention to not only academic researchers but also the media and other sources of information. Due to this reason, this research project comes handy. Because it adds a significant knowledge to the already existing knowledge and hoping that the contribution from this research work sets a platform for further research on the money laundering issue. I hope that, the experience that can help to change the existing money-laundering situation that keeps on growing and even create a future that is free from money laundering crimes by proving advice and ways that different institutions can adopt to tackle this problem.

7.4.0 Limitations and future research

One of the biggest challenges faced in this research project is the process of gathering data. The reason being that this research topic is very considered to be very sensitive especially in East Africa where money laundering is on the rise and the researcher had to start building contacts more than one year prior to the official data collection stage in order to be sure of whom and where the data can be collected. Many people the researcher came across believe this topic is very timely and useful. Though, they were concerned about the "intention" when collecting data. Because they thought the researcher was an undercover investigative agent while I was just a normal researcher. That is why some of the respondents that were lined up for the interview pulled out last minute because they didn't want to get into trouble, which is understandable taking into account the nature and the sensitivity of the topic.

Another limitation due to the nature of the topic the research questionnaire could not cover everything as the researcher might have hoped and because of time constraint, made it even harder. The researcher managed to have a good response especially from the questionnaire. That being said the research questionnaire and the interviews have managed to cover the important bits of the research.

The limitations as described above provide opportunities for further investigation. So far, this study has provided evidence of compliance of FATF anti-money laundering recommendations taking into consideration how national and institutional culture, financial infrastructure and dimensions of money laundering have affected the compliance of these recommendations in East Africa. The findings focus on how different aspects of national and institutional culture, financial infrastructure and dimensions of money laundering have played a role on the compliance of these anti-money laundering recommendations. This study provides interesting areas for further investigation.

Anti-money laundering compliance culture; to add to our understanding there is a need for more in-depth study and investigation on how the anti-money laundering culture can be a success among banks in East Africa because this study has found that politically exposed persons (PEPs) have proved too difficult to be questioned about their source of wealth due to corruption. The issue of corruption and politically exposed persons need further investigation especially on how banks can establish culture of anti-money laundering compliance despite the powers and the influence of PEPs in the region. Banks need to understand that if they fail to uphold the anti-money laundering compliance guidelines because of PEPs, they will be the one affected. Hence a plan is need in order to facilitate anti-money compliance culture despite the challenges they face from PEPs.

The impact of poor financial infrastructure specifically, cash-based economy. To add to our understanding there is a need to have an in-depth research on how to address the issue of cash-based economy in the region. Because study found evidence of association between the rise of money laundering in the region and the cash-based economy. This calls for further investigation on what needs to be done in order to discourage cash-based economy that makes it difficult to trace and to track the source of funds. Majority of the East African countries still embrace cash economy and there are no signs of improvements although there is evidence of governments already have regulations in place, but the implementation is still not encouraging. That is why there is a need for further research on what measures need to be taken in order to discourage cash transactions and cash savings in the region in order to promote efficiency in the compliance anti-money laundering recommendations.

A number of approaches have explored the compliance of FATF anti-money laundering recommendations taking into account the perspectives of national and institutional culture, financial infrastructure and dimensions of money laundering. Using the existing literature and theories of anti-money laundering compliance. The researcher conducted a study using mixed methods specifically convergent mixed methods using interviews and questionnaire to investigate the research aims. This study provides evidence on the impact of national and institutional culture, financial infrastructure and dimensions of money laundering in the compliance of FATF anti-money laundering recommendations. These findings provide evidence that the research approach has proved useful in the investigation of the compliance of FATF anti-money laundering recommendations in East Africa.

REFERENCES

A Fair Share, (2006). Nature; the concept of sharing primary data is generating unnecessary angst in the psychology community, Volume 444, Issue 7120, pp. 653-654,

AAPPG (2006), the other side of the coin: the UK and corruption in Africa, a report by the Africa All Party Parliamentary Group, March.

Abudu. K, (2012). Examining the Role Commercial Banks in Ghana Play in Dealing with Money Laundering: A Case Study of Access Bank (Ghana) Limited, A thesis submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology

African Development Bank (ADB) and African Development Fund (ADF), (2007). Bank group strategy for the prevention of money laundering and terrorist financing in Africa.

Aithilingam. S and Nair. M, (2007). Factors affecting money laundering: lesson for developing countries, Journal of Money Laundering Control, 10(3), 352 – 366

Alessandra. F, Roberto. A, Acharya. CG, and Hamdok. A, (2014). Fighting corruption and illicit financial flows, Chapter 13, part 2, Mobilising Resources for Sustainable Development, OECD, 2014

Alexander. R, (2009), “Cost Savings” As Proceeds of Crime: A Comparative Study of the United States and the United Kingdom. A Quarterly Publication of The Aba/Section of International Law Vol 45, No 3, pp. 98-104

Ali. A, Barno. R, Fantaye. D, Goredema. C and Verjee. A (2012). Baseline study on anti-money laundering and countering the financing of terrorism in the Igad Sub region. Centre on global counterterrorism corporation, USA

Alldridge, P. (2008). “Money laundering and globalization”, Journal of Law and Society, Vol. 35 No. 4, pp. 437-467.

Aluko, A. and Bagheri, M. (2012), “The impact of money laundering on economic and financial stability and on political development in developing countries: the case of Nigeria”, Journal of Money Laundering Control, Vol. 15 No. 4, pp. 442-457.

Arasa R and Ottichilo L, (2015). Determinants of Know Your Customer (KYC) Compliance among Commercial Banks in Kenya, Journal of Economics and Behavioral Studies Vol. 7, No. 2, pp. 162-175,

Ardizzi. G, Petraglia. C, Piacenza. M, Schneider. F, Turati. G, (2014). Money Laundering as a Crime in the Financial Sector: A New Approach to Quantitative Assessment, with an Application to Italy, Journal of Money, Credit and Banking, Vol. 46, No. 8

Asian Development Bank, (2003). Countering Money Laundering and the Financing of Terrorism, Countering Money Laundering in the Asian and Pacific Region, Asian Development Bank's Regional Technical Assistance No. 5967

Aspalella. A, (2014). "Combating money laundering and the future of banking secrecy laws in Malaysia", Journal of Money Laundering Control, Vol. 17 Issue: 2, pp.219-229

Athuman. M, (2015). Tegeta escrow will go down in history as a major scandal. The citizen News Paper, accessed on 10/06/2015, available at http://www.thecitizen.co.tz/News/national/-Tegeta-escrow-will-go-down-in-history-as-a-major-scandal-/-/1840392/2575094/-/nou8fsz/-/index.html

Aufhauser, D.D. (2003), “Analysis – terrorist financing: foxes run to ground”, Journal of Money Laundering Control, Vol. 6 No. 4, p. 301

AUSTRAC. (2007). Typologies and case studies report. Anti-money Laundering and Counter-Terrorism Financing Act 2006 (the AML/CTF Act). Australian Government, common wealth of Australia.

Ayogu. M and Agbor. J, (2014) Illicit Financial Flows and Stolen Asset Value Recovery, political economy research institute, university of Massachusetts Amherst, Working Paper Series No 364

Bagenda. P, (2003). Combating Money Laundering in The SADC Sub – Region: The case of Tanzania, Profiling Money Laundering in Eastern and Southern Africa, ISS Monograph No. 90 Chapter 3 pp 50-82

Baker. W, (2005). Capitalism’s Achilles Hell: Dirty Money and How to Renew the Free Market System, Wiley, Hoboken, New Jersey. Quoted in Journal of Money Laundering Control Vol. 15, pg.3 Emerald Group Publishing Limited

Baker. W, (2007), The Scale of Global Financial Structure Facilitating Money Laundering, Paper, presented at the conference "Tackling Money Laundering", University of Utrecht, Utrecht (The Netherlands), November 2-3, 2007.

Banks. C, Mitchel. B and Renne de Nevers (2007). Combating Terrorism: Strategies and Approaches. 1st Edition, Washington: Congressional Quarterly Press, 2007.

Barkley. T, (2010), Probe of African Leaders' Money-Laundering Reveals Holes in Regulations, the wall street journal, Africa news, accessed on 29/07/14 at http://online.wsj.com/news/articles/SB10001424052748704041504575044903763356876

Barrett. R, (1997), Confronting tax havens, the offshore phenomenon, and money laundering, International Tax Journal, Vol. 23 No. 2, pp. 12-42

Bartlett. B, (2002). Countering Money Laundering in the Asian and Pacific Region, International Economics Group Dewey Ballantine LLP, the Asian Development Bank Regional Technical Assistance Project No.5967

Bartlett. B, & Ballantine. D, (2002). The Negative Effects of Money Laundering on Economics Development, Platypus Magazine, No. 77: Australia

Basel AML Index Report, (2017). The Basel Anti-Money Laundering (AML) Index 6th edition. Basel Institute on Governance, available at https://index.baselgovernance.org/sites/index/documents/Basel_AML_Index_Report_2017.pdf accessed on 11/09/17

BBC News, (2008). Tanzanian PM to resign over graft, Accessed 04/03/2014 http://news.bbc.co.uk/1/hi/world/africa/7232141.stm

Beck. T, Faye I, Maimbo SM and Triki T, (2011). Financing Africa: Through the Crisis and Beyond. Washington, DC: The World Bank.

Becker. G.S, (1968) Crime and Punishment: an Economic Approach. Journal of Political Economy 76(2): 169–217.

Beneficiario. C, (2012). Money Laundering Regulation Compliance; Risks and Costs, LLM Program. Queen Mary University of London, UK

Bester, H, Chamberlain. L. de Koker. C, Hougaard. R, Short. A and Walker. R, (2004). Access to Financial Services in South Africa: A Brief Case Study of the Effect of the Implementation of the Financial Action Task Force Recommendations, par 6.1, Genesis Analytics Ltd, Johannesburg, South Africa.

Bester. H, Chamberlain. D and Hougaard. C, (2008). Implementing FATF standards in developing countries and financial inclusion, G: NESIS Final report, May 2008. Accessed on 29/07/14 available at http://www.cenfri.org/documents/AML/AML_CFT%20and%20Financial%20Inclusion.pdf

Bhattacherjee. A, (2012). Social Science Research: Principles, Methods & Practices, (2nd Edition), Published under the Creative Commons Attribution-Non-Commercial-Share Alike, USA, ISBN-13: 978-1475146127

Biagioli, A. (2008), "Financial crime as a threat to the wealth of nations: a cost-effectiveness approach", Journal of Money Laundering Control, Vol. 11 No. 1, p. 88

Bidabad. B (2017). "Money laundering detection system (MLD) (a complementary system of Rastin banking)", Journal of Money Laundering Control, Vol. 20 Issue: 4, pp.354-366

Biegelman. T, (2009). Identity Theft Handbook: Detection, Prevention and Security. Hoboken, USA

Blaikie. N, (1993). Approaches to Social Enquiry, 1st edition, Polity Press, Cambridge.

Blanche, M.T, Blanche, M.J.T, Durrheim. K and Painter. D, (eds), (2006). Second edition; Research in Practice: Applied Methods for the Social Sciences, University of Cape Town press, South Africa, section 3, 4

Blaxter. L, Christina. H and Malcom. T, (2001). How to Research, (2nd Edition), Open University press, Buckingham, UK.

Bogdan. C & Biklen. K, (2006). Qualitative research for education: An introduction to Theory and methods (5th Edition). Allyn & Bacon publications, Boston, USA

Boles. J, (2015). Financial Sector Executives as Targets for Money Laundering Liability, American Business Law Journal Volume 52, Issue 3, 365–433

Bosworth-Davies. R, (2007). Money laundering – chapter four, Journal of Money Laundering Control, Volume 10, Issue 1, pp 66 – 90

Bradley, L. and Steward, K. (2002), "A Delphi study of the drivers and inhibitors of internet banking", International Journal of Bank Marketing, Vol. 20 No. 6, pp. 250-60.

Brandon. R, (2011). Assessing the True Effectiveness of AML/CFT Controls in Developing Counties, master's thesis, Graduate School of Art and Sciences of Georgetown University, Washington, D.C.

Brannen. J, (2005). Mixed methods: the entry of qualitative and quantitative approaches into the research process, International Journal of Social Research Methodology, Vol. 8 No. 3, pp. 176-84.

Brent. B (2002). The Negative Effects of Money Laundering on Economic Development. International Economics Group Dewey Ballantine LLP for the Asian Development Bank Regional Technical Assistance Project No.5967 Countering Money Laundering in the Asian and Pacific Region

Brigitte. U, Ferwerda. J, de Kruijf. W, Rawlings. G, Siegel. M and Wokke. K, (2006). The Amounts and The Effects of Money Laundering, Report for the Ministry of Finance February 16, 2006, Utrecht School of Economics, Nederland

Browne. H, (1995). On the use of a pilot sample for sample size determination, Statistics in Medicine, 1933– 1940.

Brzoska. M, (2009): Zur Wirksamkeit von Finanzsanktionen als Instrument im Kampf gegen den Terrorismus, Vierteljahrshefte zur Wirtschaftsforschung, ISSN 1861-1559, Duncker & Humblot, Berlin, Vol. 78, Iss. 4, pp. 88-100

Bureau for International Narcotics and Law Enforcement Affairs, (2017). Money Laundering and Financial Crimes International Narcotics Control Strategy Report, (volume III), United States Department of State (March 2017)

Bureau for International Narcotics and Law Enforcement Affairs, (2015). Money Laundering and Financial Crimes, International Narcotics Control Strategy Report, Volume II, United States Department of State

Burns. N and Grove. S, (2003). Understanding Nursing Research, Saunders publishers, ISBN 0721600115, 9780721600116

Camp. P. (2009). Solicitors and Money Laundering: A Compliance Hand Book, 3rd ed., The Law Society, Toronto.

Carfoot. S, Dickson. R, Williamson P.R. (2002). Breast- feeding: The Effects of Skin-to-Skin Care Trial (BEST), Pilot Study. Celebrating Health Research: The Annual R & D Conference; North West Regional Health Authority, Manchester.

Carlin. A and Lokanan. M, (2018). "Ritualization and money laundering in the Swiss banking sector", Journal of Money Laundering Control, Vol. 21 Issue: 1, pp.89-103.

Carr. I and Golby. M, (2009). The UN Anti-Corruption Convention And Money Laundering Working Paper accessed on 15/01/16 available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1409628

Cassella, S.D. (2003), “Reverse money laundering”, Journal of Money Laundering Control, Vol. 7 No. 1, p. 92.

CCPAD, (2012). Partner States Urged to Take Concrete Steps against Money Laundering, Terrorism, East Africa Community, Arusha, Tanzania. Accessed on 02/07/14 at http://www.news.eac.int/index.php?option=com_content&view=article&id=685:concrete-steps-against-money-laundering&catid=48:eac-latest&Itemid=69

Centre on global counter terrorism cooperation, (2012). Base line study on anti-money laundering and countering the financing of terrorism in the IGAD sub region, Published Goshen, USA, ISBN: 978-0-9853060-4-5

Chaikin, D. (2008). “Commercial corruption and money laundering: a preliminary analysis”, Journal of Financial Crime, Vol. 15 No. 3, pp. 269-281

Chaikin. D and Sharman. C, (2009). Corruption and money laundering; A symbiotic relationship, New York, Palgrave Macmillan Publication

Chaikin. D, (2010). International Anti-Money Laundering Laws: Improving External Accountability of Political Leaders. U4 Brief 2010:4. Bergen, Norway: U4 Anti-Corruption Resource Centre

Chatain. P, (2004). The World Bank's Role in the Fight against Money Laundering and Terrorist Financing. Journal of the International Law Association International Law Forum 6 (3–4).

Chatain. P, McDowell. J, Mousset. C, Schott. P and van der Does de W, (2009). Preventing Money Laundering and Terrorist Financing, a Practical Guide for Bank Supervisors, the World Bank, Washington DC

Chawe. M, (2013). Mbeki says Africa loses $15b in illicit money laundering, Africa Review. Lusaka http://www.africareview.com/Business---Finance/Africa-illegally-losing--15b-annually--Mbeki/-/979184/1888132/-/125n304z/-/index.html, accessed 20/01/14

Chêne. M, (2008). Hawala remittance system and money laundering, U4 Anti- Corruption Resource Centre, accessed on 15/10/ 2015, available at http://www.u4.no/helpdesk/helpdesk/query

Chhina. R, (2017). "Implementation of the concept of "politically exposed persons (PEPs)" in India", Journal of Money Laundering Control, Vol. 20 Issue: 1, pp.89-98

Chia, R. (2002), The Production of Management Knowledge: Philosophical Underpinnings of Research Design, in Partington, D. (ed.) Essential Skills for Management Research, 1st edition, SAGE Publications Ltd., London, pp. 1- 19.

Child, J. (1997). Strategic Choice in the Analysis of Action, Structure, Organizations and Environment: Retrospect and Prospect. Organization Studies, 18(1) 43-76.

Chong. A and Lopez-de-silanes. F, (2015). Money Laundering and Its Regulation, Journal Economics & Politics, Volume 27, John Wiley & Son Publications DOI: 10.1111/ecpo.1205

Choo. R, (2008), politically exposed persons; risks and mitigation, Journal of Money Laundering Control, Vol. 11 No. 4, pp. 371-87.

Chowdhury. S, Iqbal. U and Anwar. H, (2003). Managing core risks in banking: Guidance notes on Prevention of Money Laundering, Bangladesh Bank. Bangladesh

Church. M, (2002). The effective use of secondary data, Learning and Motivation, 33, 32-45.

Cihak. M and Podpiera. R, (2005). Bank Behaviour in Developing Countries: Evidence from East Africa, IMF Working Paper Monetary and Financial Systems Department WP/05/129

Clark. S, (2015). Anti-money laundering measures and 'Politically Exposed Persons' (PEPs), SPICe Briefing, 4th Anti-money laundering Directive. The Scottish parliament information centre SPICe

Clarke, A. D. (2006). SMES and corporate governance: politics, resources and trickle-down effects. Accessed on 12/11/15 available at www.clta.edu.au/docs/pdf/2006-conf-papers/ADClarke.pdf

CODESRIA, (2008). International Conference on: Institutions, Culture and Corruption in Africa, 29th-31st October 2008, Addis Ababa, Ethiopia. Accessed on 20/10/14 at http://www.codesria.org/spip.php?article354

Collis. J and Hussey. R, (2013). Business Research, A Practical Guide for Undergraduate and Postgraduate Students, 4th Edition, Palgrave publications.

Collier. P, (2007). The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It, Oxford University.

Concepcion. V, (2011). Compliance with the AML/CFT International Standard: Lessons from a Cross-Country Analysis, IMF Working Paper WP/11/177

Corruption Perception Index (2008), Transparency international the global coalition against corruption; available at; http://www.transparency.org/ accessed on 20/03/14

Cotterill, N. (2001), "Money laundering", Foreign Policy, Vol. 124, pp. 16-22.

Cowton. J, (1998). The Use of Secondary Data in Business Ethics Research', Journal of Business Ethics 17(4), 423–343.

Creswell. W. (2014). Research design: qualitative, quantitative, and mixed methods approaches. (4th Edition). London: SAGE. 300.72 CRE

Crime and misconduct commission, (2005). Background intelligence brief, Money laundering, Crime and Corruption Commission, Queensland, Brisbane, accessed on 08/10/2015 available at http://www.ccc.qld.gov.au/legals/copyright

Croissant, A & Barlow, D (2007) Following the Money Trail: Terrorist Financing and Government Responses in Southeast Asia, Studies in Conflict and Terrorism, Volume 30, Issue 2, February 2007, pp 131 - 156

Cooper. R and Schindler. S, (2003). Business research methods. New York: McGrew-Hill Companies.

Cohen. L, Manion. L and Morrison. K. (2000). Research Methods in Education, (5th Edition), London: Routledge Falmer. Pg. 45-50

Dacin. T, Goodstein. J and Scott. W.R, (2002). Institutional theory and institutional change: introduction to the special research forum. Academy of Management Journal 45(1): 45–57

Daily Monitor, (2014). Uganda leads in bank fraud cases in East Africa, The East African, accessed on 20/03/2014; available at http://www.theeastafrican.co.ke/business/Uganda-leads-in-bank-fraud-cases-in-East-Africa/-/2560/2234662/-/item/1/-/c8pqjvz/-/index.html

Daily News, (2016). President threatens minting new money, the daily newspaper online published on 01/09/2016 accessed on 05/09/2016 available at http://www.dailynews.co.tz/index.php/business/53231-president-threatens-minting-new-money

Daily News, (2016). StanBic bank fines over improper deal; The national news paper, accessed on 25/01/16 available at http://dailynews.co.tz/index.php/home-news/46116-stanbic-fined-over-improper-deal

Daulatran. L, (2003). Organizational Culture and Job Satisfaction, Journal of Business and Industrial Marketing, 18(3): 225

Dawson. S and Migiro. K, (2013). Foreign donors should halt aid to Kenya to protest money laundering-experts, Thomson Reuters Foundation. Accessed on 20/03/14 http://www.trust.org/item/20131218224323-6outb/

De Vos A.S, Strydom. H, Fouché. B and Delport, CSL (2002). Combined qualitative and quantitative approach. Research at grass roots: for the social sciences and human service professions. Pretoria: Van Schaik.

Deloitte, (2015). Meeting new expectations; Foundational considerations when upgrading Know Your Customer programs, Deloitte Centre for Financial Services

Denzin, N. and Lincoln, Y. (2003), The Discipline and Practice of Qualitative Research, in Denzin, N. and Lincoln, Y. (eds.) Collecting and Interpreting Qualitative Materials, (2nd Edition), SAGE Publications, Inc., California, pp. 1-45.

Dev. K & Joseph. S, (2014). Illicit Financial Flows from Developing Countries: 2003-2012, Global Financial Integrity (GFI), Washington DC

Dicta. A, (2014). Money laundering a key threat to EA financial systems, The East African newspaper, Accessed on 11/04/2014; http://www.theeastafrican.co.ke/business/Money-laundering-a-key-threat-to-EA-financial-systems/-/2560/2207672/-/omvupg/-/index.html

Dion. M, (2012). The moral disclosure of banks about money laundering: an analysis of the narrative from Paul Ricoeur`s philosophical perspective, Business Ethics: A European Review, Volume 21, Number 3

Dion. M, (2015). "Is money laundering an ethical issue?". Journal of Money Laundering Control, Vol. 18 Issue: 4, pp.425-437

Dowden. R, (2005). Only Africans can help Africa, quoted in the Journal of Money Laundering Control Vol. 15, pg. 8, Emerald Group Publishing Limited

Dudley. W, (2014). Opening Remarks at the Workshop on Reforming Culture and Behaviour in the Financial Services Industry, Federal Reserve Based Performance: Evidence from the Banking Bank of New York, New York, October.

Dusabe. F, (2016). "Rwanda: Assessing the effectiveness of legal and policy responses to fight Money Laundering", Journal of Money Laundering Control, Vol. 19 Issue: 1, pp.21-31, Eastern and Southern Africa Anti-Money Laundering Group, (ESAAMLG), (2009). Mutual Evaluation Report: Anti-money Laundering and Combating the Financing of Terrorism. Dar es Salaam: accessed on 21/07/2015, available at; http://www.esaamlg.org/userfiles/Tanzania_Mutual_Evaluation_Detail_Report.pdf

Eastern and Southern Africa Anti-Money Laundering Group, ESAAMLG (2009a) Mutual Evaluations for South Africa, Botswana, Malawi, Mauritius, Namibia, Seychelles, Uganda and Zimbabwe. Eastern and Southern Africa Anti-Money Laundering Group.

Eastern and Southern Africa Anti-Money Laundering Group, ESAAMLG (2009b) Uganda: Report on Observance of Standards and Codes – FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism Eastern and Southern Africa Anti-Money Laundering Group

Egbue. N, (2006). Africa: Cultural Dimensions of Corruption and Possibilities for Change Nnamdi Azikiwe University, P.M.B 5025, Awka, Anambra-State, Nigeria, J. Soc. Sci., 12(2): 83-91

Ejanthkar. S and Mohanty. L, (2011): The Growing Threat of Money Laundering: The significant role financial services institutions can play in curbing money-laundering activities

Emerson. R, Fretz. R and Shaw. L, (1995). Writing Ethnographic Field notes. Chicago: University of Chicago Press.

Eriksson. P & Kovalainen. A, (2008), Qualitative Methods in Business Research, 1st edition, SAGE Publications Ltd., London.

Fapohunda. O, (2002). From OAU to AU: The Challenges to Human Rights, Vanguard: Lagos. Nigeria

FATF & CFATF, (2010). Money Laundering Using Trust and Company Service Providers, FATF, Paris, France, accessed on 26/4/2014 www.fatfgafi.org/documents/documents/moneylaunderingusingtrustandcompanyserviceproviders.html

FATF annual report, (2014). Setting The International Standards; http://www.fatfgafi.org/media/fatf/documents/brochuresannualreports/FATF%20Annual%20report%202013-2014.pdf; Accessed on 08/02/2018

FATF Report, (2010). Global Money Laundering & Terrorist Financing Threat Assessment, A view of how and why criminals and terrorists abuse finances, the effect of this abuse and the steps to mitigate these threats, Accessed on 05/10/2015, available at **WWW.FATF-GAFI.ORG**

FATF Report, (2011). Laundering the Proceeds of Corruption, accessed on 20/05/14 At;http://www.fatfgafi.org/media/fatf/documents/reports/Laundering%20the%20Proceeds%20of%20Corruption.pdf

FATF Report, (2013). Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals, the FATF Secretariat, 2 rue André Pascal 75775 Paris Cedex 16, France, accessed on 22/10/2015, available at **www.fatf-gafi.org**

FATF, (2004). Report on Money Laundering and Terrorist Financing Typologies Financial Action Task Force on Money Laundering FATF Secretariat 2; rue André-Pascal 75775 Paris Cedex 16 FRANCE

FATF, (2006). The Misuse of Corporate Vehicles, including Trust and Company Service Providers, FATF, Paris, France, accessed, on 16/03/14 at www.fatfgafi.org/documents/documents/themisuseofcorporatevehiclesincludingtrustandcompanyserviceproviders.html

FATF, (2013). Anti-money Laundering and Terrorist Financing Measures and Financial Inclusion, FATF Guidance, accessed on 21/07/2015 available at http://amlcft.bnm.gov.my/publication/AML_CFT_Measures_and_Financial_Inclusion_2013.pdf

FATF, (2013). International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, FATF RECOMMENDATIONS, France, accessed on 02/07/14, athttp://www.fatfgafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf

FATF, (2014), Risk-Based Approach, Guidance for the Banking Sector, accessed on 23/11/15 available at http://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Banking-Sector.pdf

FATF, (2015). Money Laundering through the Physical Transportation of Cash, FATF and MENAFATF Report, accessed on 08/02/2018 available at: www.fatf-gafi.org/publications/methodsandtrends/documents/ml-through-physical-transportation-of-cash.html

Field. A, (2017). Discovering Statistics Using IBM SPSS Statistics, 5TH Edition, Sage Publications

Financial Conduct Authority, "FCA", (2014). How small banks manage money laundering and sanctions risk Update, Thematic Review. 25 The North Colonnade Canary Wharf, London UK

Fossin. A, (2003). Money Laundering, Global Financial Instability, and Tax Havens in the Pacific Islands, the Contemporary Pacific, Volume 15, Number 2, Fall 2003, 237–275, University of Hawaii Press

Friedrich. S, (2010). Money Laundering and Financial Means of Organized Crime: Some Preliminary Empirical Findings Economics of Security Working Paper 26, EUSECON publication, Berlin

FSA, (2006). New Anti-Money Laundering Rules, Law and Guidance: The FSA Handbook Systems and Controls Sourcebook SYSC 3.2.6

FSA, (2007). Review of private banks' anti-money laundering systems and controls; The Financial Services Authority, 25 The North Colonnade Canary Wharf London

FSA, (2011). Banks' management of high money-laundering risk situations; How banks deal with high-risk customers (including politically exposed persons), correspondent banking relationships and wire transfers, The Financial Services Authority, 25 The North Colonnade Canary Wharf London.

Fulbright. N (2014). Prominence of money laundering in Africa, ten things to know, Norton Rose Fulbright LLP, NRF17741 02/14, UK, accessed on 23/07/2014 at http://www.nortonrosefulbright.com/files/za-prominence-of-money-laundering-in-africa-10-things-pdf-113162.pdf

Furguson. R.W, Rhodes. W, Hausler. G and Heimann. J, (2015). Banking Conduct and Culture: A Call for Sustained and Comprehensive Reform, Published by Group of Thirty Washington, D.C.

Future of Finance Council (FIS), (2013). The anti-money laundering (AML) Rules are broken, how can they be fixed? Future of Finance Council, Fidelity National Information Services, Inc. and its subsidiaries, London, UK

Gallati. R, (2003). Risk Management and Capital Adequacy. New York: McGraw-Hill.

Galvao. G, (2000), Countering money laundering: the FATF, the European Union and the Portuguese experience, past and current developments, visiting expert's papers. http://www.unafei.or.jp/english/pdf/RS_No58/No58_26VE_Galvao.pdf accessed 27/01/14

Gastrow. P, (2011). Termites at work; Transitional organised crime and state Erosion in Kenya, International peace institute. Nairobi, Kenya

Gbenga. L, (2007). Corruption and Development in Africa: Challenges for Political and Economic Change, Humanity & Social Sciences Journal 2 (1), Department of Political Science, Olabisi Onabanjo University, Ago-Iwoye, Nigeria.

Geister. D, (2008). Concepts in customer due diligence: Meeting the challenge of regulatory expectations. LexisNexis® Risk & Information Analytics Group, p. 2

Getz. M, Brindle. E and Flexner. B, (2017). Money Laundering Compliance and Investigations across EMEA. The European, Middle Eastern Africans Investigative Review, Law Business Research, Global Investigative Review Publications

Giancarlo. B (2011). Advancing AML/CFT initiatives in the South and Eastern Africa region. ESAAMLG, Speech, Giancarlo Del Bufalo, FATF President http://www.fatfgafi.org/pages/advancingamlcftinitiativesinthesouthandeasternafricaregion.html ;Accessed 20/01/2014

Gikonyo. C, (2018). "Detection mechanisms under Kenya's anti-money laundering regime: omissions and loopholes", Journal of Money Laundering Control, Vol. 21 Issue: 1, pp.59-70

Gill. M and Taylor. G, (2004). Preventing money laundering or obstructing business, British Journal of Criminology, Vol.44 No.4 pp582

Gilmour. N and Ridley. N, (2015). "Everyday vulnerabilities – money laundering through cash intensive businesses", Journal of Money Laundering Control, Vol. 18 Issue: 3, pp.293-303

Gladwell. O, (2013). Smouldering Evidence, the Charterhouse Bank Scandal Africa Centre for Open Governance (AfriCOG). Accessed 25/02/14 http://www.africog.org/reports/Smouldering_Evidence.pdf

Global Financial Integrity, (2008). Elicit Financial Flows from Africa: Hidden Resource for Development Global Financial Integrity, Washington DC

Global witness, (2014). Poverty, Corruption and anonymous Companies; How Hidden Company ownership fuels Corruption and Hinders the fight against Poverty, London, United Kingdom, ISBN 978-0-9926910-5-9

Global Witness, (2015). Banks and Dirty Money; How the Financial System Enable State Looting at A Devastating Human Cost, London, UK, ISBN: 978-0-9929128-2-6

Glynn M. A, and Azbug. R, (2002) Institutional identity: symbolic isomorphism and organisational names. Academy of Management 45(1): 267–80.

Godefroy. T, Lascoumes. P, and Favarel-Garrigues. G, (2011). Reluctant partners? Banks in the fight against money laundering and terrorism financing in France. Security Dialogue, SAGE Publications, 42 (2), pp.179-196.

Gohain. M, (2014). PwC survey finds economic crime raising globally, all business sectors, regions suffer from impact, The Times Of India, accessed on 20/05/2014 at http://timesofindia.indiatimes.com/business/india-business/PwC-survey-finds-economic-crime-rising-globally-all-business-sectors-regions-suffer-from-impact/articleshow/30681746.cms

Goredema. C, (2003). Money laundering in East and Southern Africa: An overview of the threat, Institute for Security Studies, Brooklyn Square, 0075, Pretoria, South Africa, ISS Paper 69

Goredema. C, (2009). Recovery of proceeds of crime: observations on practical challenges in sub- Saharan Africa. In Basel institute on governance (ed.), tracing stolen assets, a practitioner's handbook. Basel institute on governance, international centre for asset recovery.

Goredema. C, Bangenda. P, Louis de Koker, Fundira. B, Kegoro. G and Goba. R, (2003). Profiling Money Laundering in Eastern and Southern Africa, ESAAMLG, Published in Monograph No 90, December 2003

GPML, (2011). United Nations Global Programme against Money Laundering Proceeds of Crime and the Financing of Terrorism. United Nations Office on Drugs and Crime Vienna International Centre, Vienna, Austria. Pg 15- 50

Graham, T., Bell, E. and Elliott, N. (2003), Butterworths Compliance Series: Money Laundering, Butterworths, London, p. 58.

Graham. W, Hundley. V and Rennie AM, (2001). The importance of conducting and reporting pilot studies: the example of the Scottish Births Survey, Journal of Advanced nursing 34: 289-295.

Gratton. J, Lillis. A and Mahama. H (2011),"Mixed methods research in accounting", Qualitative Research in Accounting & Management, Vol. 8 Iss 1 pp. 5 – 21

Hammersley, M., & Atkinson, P. (1995). Ethnography: Principles in practice (2nd edition.), London: Routledge.

Hampton. P, (1994), Treasure Island's or fool's gold: can and should small island economies copy Jersey? World Development, Vol. 22 No. 2, pp. 237-50.

Hans. G & Oliver. W, (2007). The fight against Money Laundering: An economic analysis of a cost-benefit paradox, Emerald, Journal of Money Laundering Control, Vol. 10 No. 1

Harris, H. (2001), Content Analysis of Secondary Data: A Study of Courage in Managerial Decision Making, Journal of Business Ethics 34(3/4), 191–207.

Hartley. J, Butler. J and Benington. J, (2002). Local government modernization: UK and comparative analysis from an Organisational perspective. Public Management Review, 4(3): 387-404.

Harvey, J. (2009), "The search for crime money – debunking the myth: facts versus imagery", Journal of Money Laundering Control, Vol. 12 No. 2, pp. 97-100

Hatch. J, and Cunliffe. L, (2006). Organization Theory, 2nd edition, Oxford University Press, Oxford.

Haynes, A. (2004). The Wolfsberg principles and analysis, Journal of Money Laundering Control, Vol.7 No.3 pp207

He, P. (2010), "A typological study on money laundering", Journal of Money Laundering Control, Vol. 13 No. 1, pp. 15-32.

Heggstad. K and Fjeldsstad. O, (2010), How Banks Assist Capital Flight from Africa, Norad: Capital Flight and the Banking Sector, CMI report, Michelsen Institute, project number; 29036

Heilman. B and Ndumbaro. L, (2002). Corruption, Politics, and Societal Values in Tanzania: An Evaluation of the Mkapa Administration's Anti-Corruption Efforts African journal of political science. Vol 7 No. 1

Hendriyetty. N and Grewal. B, (2017). "Macroeconomics of money laundering: effects and measurements", Journal of Financial Crime, Vol. 24 Issue: 1, pp.65-81

Henrik T.S, Sabroe. S and Olsen. J, (1996). A Framework for Evaluation of Secondary Data Sources for Epidemiological Research, International Epidemiological Association, International Journal of Epidemiology, Great Britain Vol. 25. No. 2, 435-442

Herman. K, (2009). The head of the FIU, Ministry of Finance and Economic Affairs http://www.corruptiontracker.or.tz/dev/index.php?option=com_content&view=article&id=12

1%3Atanzanias-top-politicians-linked-to-money-laundering-deals&catid=18%3Acurrent-issues-&Itemid=51&lang=en accessed 15/01/14

Hillman. L and Ursprung. W, (2000), Political Culture and Economic Decline, European journal of political economy 16: 189- 213

Hirsch. M., & Lounsbury. M. (1997). Ending the family quarrel: Toward a reconciliation of Old and new institutionalism. American Behavioural Scientist, 40 (S): 406–418

Hitesh. P and Bharat. T, (2012). Money Laundering Among Globalized World, Globalization – Approaches to Diversity, (Chapter 7), PREM Group Inc. and Faculty, College of Business, Walden University, U.S.A

Hofstede.G and Hofstede.J, (2005) Cultures and Organisations: Software of the Mind. New York: McGraw-Hill.

Holbeche. L, (2005). The High-Performance Organization, 4th edition. Elsevier Butterworth Heinemann: Great Britain

Holloway. I, (2005). Qualitative Research in Health Care, The nature of qualitative research, Open University Press, ISBN-10: 033521293X

Honohan. P and Beck. T, (2007). Making Finance Work for Africa (Washington, DC: The World Bank). IMF. 2006, 2007. Regional Economic Outlook: Africa (Washington, DC)

Honohan. P, (2008). Finance in Africa: A Diagnosis. IMF seminar on “African Finance for the 21st Century”, Tunis, March 4-5 2008

Humphrey. D, Pulley. L and Vesala. J, (1996). Cash, Paper, and Electronic Payments: A Cross-Country Analysis, Journal of Money, Credit & Banking (Ohio State University Press). Nov96 PartII, Vol. 28 Issue 4, p914-939

Husted. W, (1999). Wealth, Culture, and Corruption, Journal of International Business Studies 30(2): 339–60.

Idowu, A. and Obasan, K. (2012), "Anti-Money laundering policy and its effects on bank performance in Nigeria", Business Intelligence Journal, Vol. 5 No. 2, pp. 367-374

Ikejiaku. B, (2009). The Relationship between Poverty, Conflict and Development, Journal of sustainable development, Volume 2, No 1, Research Institute for Law, Politics and Justice Keele University, Staffordshire, UK

Imah, A.O. (2003). "Vulnerability of the financial services sector to money laundering activities: 81 the need for inter-agency cooperation", EFCC, 3rd Proceedings of the National Seminar on Economic Crime, pp. 52-73.

Imala. O. (2004). The role of the financial services sector in combating money laundering in Nigeria, the banking industry. Paper presented at the 4th national seminar on economic crimes available at http://www.muhlenberg.edu/library/reshelp/apa_example.pdf accessed on 12/10/2015

International Compliance Association (ICA), (2014). Meaning of Money laundering, Excellence through Education, UK. Accessed on 02/04/14 http://www.int-comp.org/what-is-money-laundering

International convention for suppression of terrorism financing, (1999). Adopted by the General Assembly of the United Nations in resolution 54/10 of 9 December 1999 accessed on 15/03/14 at http://www.un.org/law/cod/finterr.htm

International Monetary Fund (IMF), (2015). The IMF and the Fight against Money Laundering and the Financing of Terrorism, Fact Sheet accessed on 15/07/2015 at http://www.imf.org/external/np/exr/facts/pdf/aml.pdf

Irungu. G, (2012). Kenya seeks exit from watch list of terror financiers. Business Daily: accessed 24/02/2014 http://www.businessdailyafrica.com/Kenya-seeks-exit--from-watch-list-of-terror-financiers-/-/539552/1632276/-/jcq6y0/-/index.html

Irwin A S and Slay. J, (2010). Detecting Money Laundering and Terrorism Financing Activity in Second Life and World of Warcraft, published in the Proceedings of the 1st International Cyber Resilience Conference, Edith Cowan University, Perth Western Australia, 23rd August 2010

Jackson. P, Easter by-Smith. M., Thorpe. R, (2008). Management Research, 3rd edition, SAGE Publications Ltd., London.

Jawahitha, S. (2002). “Banking confidentiality-a comparative analysis of Malaysian banking statutes”, Arab Law Quarterly, Vol. 17 No. 3, p. 255

Jick. D, (1979). Mixing qualitative and quantitative methods: triangulation in action, Administrative Science Quarterly, Vol. 24 No. 4, pp. 602-11.

Johns. R, (2010). Likert Items and Scales, Survey Question Bank: Methods Fact Sheet 1 (March 2010), University of Strathclyde

Johnson. B, Anthony. J and Turner. A.L, (2007). Toward a definition of mixed methods research, Journal of Mixed Methods Research, Vol. 1 No. 2, pp. 112-33.

Johnson. J and Lim. C, (2002). Money Laundering: Has the FATF Made a Difference? Journal of Financial Crime, Vol. 10 Issue 1, p.9

Johnson. J, (2001) "In Pursuit of Dirty Money: Identifying Weaknesses in the Global Financial System", Journal of Money Laundering Control, Vol. 5 Issue: 2, pp.122-132,

Johnson. J, (2008) "Third round FATF mutual evaluations indicate declining compliance", Journal of Money Laundering Control, Vol. 11 Issue: 1, pp.47-66

Jozwiak. G, (2015). Terrorism, fines and money laundering: why banks say no to poor customers. Financial inclusion- Global development Professionals network, The Guardian newspaper article, accessed on 13/07/15 at http://www.theguardian.com/global-development-professionals-network/2015/feb/09/terrorism-money-laundering-know-your-customer-financial-inclusion

Kar. D and Devon. S, (2008). Illicit Financial Flows from Developing Countries: 2002-2006, Global Financial Integrity, Washington DC, December

Karlon. N, (2012). Africa`s White Gold of Jihad: al-Shabaab and Conflict Ivory. Elephant Action League. California (USA)

Katasonov. V, (2014). The International Drug Trade and Money Laundering, Strategic Culture Foundation, online Journal, accessed on 23/09/14 at http://www.strategic-culture.org/news/2014/01/31/the-international-drug-trade-and-money-laundering.html

Kemal. M, (2014). "Anti-money laundering regulations and its effectiveness", Journal of Money Laundering Control, Vol. 17 Issue: 4, pp.416-427

Kempson, E. and Whyley, C, (1999). Kept Out or Opted Out? Understanding and Combating Financial Exclusion, Policy Press, Bristol

Khanna, T. & Palepu, K. (2006). Strategies that Fit Emerging Markets. Harvard Business Review 84(June): 60- 69

Kieser. M and Friede. T, (2000). Re-calculating the sample size in internal pilot designs with control of the type I error rate. Statistics in Medicine, 901–911.

Kimani. J, (2011), Fraud Risk Assessment Plan for Barclays Bank of Kenya. Tampere University of Applied Sciences, Finland

KMPG, (2014). Global Anti-money Laundering Survey, risk consulting, Accessed on 16/11/14 at https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/global-anti-money-laundering-survey/Documents/global-anti-money-laundering-survey-v3.pdf

Kochan. N, (2005): The Washing Machine: how money laundering and terrorist financing soils us, Published by Thomson-Texere Publishing

Koker. L, (2006). Money laundering control and suppression of financing of terrorism, some thoughts on the impact of customer due diligence measures on financial exclusion, Centre for the Study of Economic Crime, University of Johannesburg, Journal of Financial Crime Vol. 13 No. 1, pg. 26-50 Johannesburg, South Africa

KPMG survey (2014). Economic Crime a Threat to business process, Global economic crime survey. Report Kenya accessed on 23/09/14 at www.pwc.com/ke/crime-survey

KPMG Survey, (2012). Africa Region Anti-Money Laundering Survey, accessed on 20/10/14 at http://www.kpmg.com/africa/en/issuesandinsights/articles-publications/pages/2012-africa-anti-money-laundering-survey.aspx

KPMG, (2012). Africa Anti-money Laundering Survey, Financial Services, Press release, Survey report, posted on 6/27/2013, accessed on 24/07/14 available at; http://www.kpmg.com/africa/en/issuesandinsights/articles-publications/pages/2012-africa-anti-money-laundering-survey.aspx

KPMG. (2008). Business NZ and KPMG Compliance Cost Survey Report, New Zealand accessed on 12/11/15 available at https://www.business.govt.nz/companies/pdf-library/business-nz-and-kpmg-compliance-cost-survey-report-2008-215-kb-pdf

KPMG. Global Anti-Money Laundering Survey (2007): How Banks Are Facing up to the Challenge. Anti- Money Laundering Survey. KPMG, 2007

Krieger, T. and Meierrieks, D. (2011), "Terrorist financing and money laundering" Available at SSRN: https://ssrn.com/abstract=1860069 or http://dx.doi.org/10.2139/ssrn.1860069

Kroll Associates, (2011). Report on the Investigation into Corruption During the Moi Era, accessed on 14/10/14, at; http://www.wikileaks.org/wiki/Project_KTM_-_Confidential_Report.

Kumar L.T and Campbell. J. R. (2009). Global Governance: The Case of Money Laundering and Terrorist Financing, Published by the Forum on Public Policy

Lacey. K and George. B, (2003). Crackdown on Money Laundering: A Comparative Analysis of the Feasibility and Effectiveness of Domestic and Multilateral Policy Reforms North-western Journal of international law & Business, Volume 23, Issue 2 Winter, 23 Nw. J. Int'l L. & Bus. 263.

Lanier. S, Sant. G and Michelle. N.G, (2015). The Failure of Anti–Money Laundering Regulation: Where Is the Cost-Benefit Analysis? Notre Dame Law Review Online, Vol 91:1

Laws of Kenya, Revised Edition, (2012). The Proceeds of Crime and Anti-Money Laundering Act, National Council for law reporting.

Leong. A, (2007). "Chasing dirty money: domestic and international measures against money laundering", Journal of Money Laundering Control, Vol. 10 Issue: 2, pp.140-156

Levi. M, (2013). Financial Intelligence Units, Anti- Money Laundering Efforts and The Control of Grand Corruption: How Well Do Anti–Money Laundering Controls Work in Developing Countries?' In P. Reuter (ed.), Draining Development? Controlling Illicit flows from developing countries, Washington DC: World Bank Press. pp 373-414.

Lewisch. P, (2008). Money Laundering Laws as a Political Instrument: The Social Cost of Arbitrary Money Laundering. Online publication, Springer science & business media. LLC 2008.

Lilley. P, (2006). Dirty Dealings: The untold truth about global money laundering, international crime and terrorism, (3rd Edition), published by Kogan Page Limited, London, UK

Lishan. A, (2013). A cost-effective strategy of implementing international anti-corruption initiatives enhancing the role of anti-money laundering in combating corruption, Journal of Money Laundering Control, Vol. 16 No. 1, pp. 83-90

Looney. S.P, (2012). Diffusion of the Unproven: The Global Anti-Money Laundering Regime: MA Public Policy Thesis, Central European University Department of Public Policy, Budapest, Hungary

Lund. D, (2003). Organizational Culture and Job Satisfaction, Journal of Business and Industrial Marketing, 18(3):225

Madzima. J, (2007). Politics, Corruption and Money Laundering in Tanzania, accessed on 21/03/14, available at www.issafrica.org

Maggetti. M, (2014). Promoting Corporate Responsibility in Private Banking: Necessary and Sufficient Conditions for Joining the Wolfsberg Initiative Against Money-Laundering. Journal of Business & Society, Vol. 53(6) 787–819 2014, SAGE Publications, DOI: 10.1177/0007650312439448

Mahoney. J, Pitelis. C and Macgahan. A, (2009). The Interdependence of Private and Public Interests, Organization Science 20(6): 1034-1052.

Mailey. J.R, (2015). The Anatomy of the Resource Curse: Predatory Investment in Africa's Extractive Industries, ACSS Special Report No. 3, Africa Centre for Strategic Studies Washington, D.C.

Makin. P, (2017). Anti-Money Laundering, Know Your Customer, and Curbing the Financing of Terrorism, Reducing Poverty, Through Financial Sector Development, Report. FSD Africa, Nairobi Kenya.

Makula. D, (2013). Africa's Illicit Financial Flows Trump Money Laundering-Related Corruption. AFK insider Accessed on 13/03/14; http://afkinsider.com/35852/africas-illicit-financial-flows-trump-money-laundering-related-corruption/

Mamontov, A. (2007). Internal control reports and financial reporting problems. Accounting Horizons, 10(25), 67-75.

Manning. P (1990). Slavery and African Life, Cambridge University Press, Cambridge, UK

Markovska. A and Adams. N, (2015). "Political corruption and money laundering: lessons from Nigeria", Journal of Money Laundering Control, Vol. 18 Issue: 2, pp.169-181

Marquina. A, (2009). Deceit of Globalization: Energy Security and Challenges of European Foreign Policy Available at; http://www.theory-talks.org/2009/01/theory-talk-25.html Accessed on 22/10/2015, pp. 1-6

Marshall. C & Rossman. G, (1999). Designing qualitative research (3rd edition.). Thousand Oaks, CA: Sage.

Masare, A. (2012). Cash-based economy fuels illegal money available at http://www.thecitizen.co.tz/business/13-local-business/18931-cash-based-economy- fuels-illegal-money.html. Accessed on 27th July 2015

Masciandaro. D, (1998). Money Laundering Regulation, the Micro Economics, Journal of Money Laundering Control 2(1); 49-58.

Masciandaro. D, (1999). Money laundering: The economics of regulations, the European Journal of law and Economics, vol 7, PP 225-240

Masciandaro. D, (1999). Money laundering: the economics of regulation, European Journal of Law & Economics, Vol. 7 No. 3, pp. 225-40

Masciandro. D, (1998). Money Laundering: The Economics of Regulations, European Journal of Law and Economics

Masembe. T, (2013). Six Dar airport workers face axe over drugs. Daily news, Tanzania, Accessed on 24/02/14 http://www.dailynews.co.tz/index.php/local-news/21235-6-dar-airport-workers-face-axe-over-drugs

Mathiason. N, (2007), Tax Evasion Taskforce to Probe UK, Global Financial Integrity (GFI). The Observer, London

Matsuoka. A, (2018). "Ratify and comply: a pathway for Japan to follow the FATF recommendation 35", Journal of Money Laundering Control, Vol. 21 Issue: 1, pp.71-88

Maxwell. J, (2013). Designing a Qualitative Study, an Interactive Approach, 3rd Edition, Volume 41, Chapter 7, George Mason University, SAGE Publications, Inc, ISBM 9781412981194

McLaughlin. E, (2013). Culture and Corruption: An Explanation of the differences between Scandinavia and Africa. American International Journal of Research in Humanities, Arts and Social Sciences, 2(2), March-May 2013, pp. 85-91

McLaughlin. J and Pavelka. D, (2013), (2013). The use of customer due diligence to combat money laundering, Accountancy Business and the Public Interest, Walter E. Heller College of Business Administration, Roosevelt University Chicago

McLaughlin. J, Heller. W and Palveka. D, (2010). Money laundering: Strategic initiatives for preventing a growing menace. In Stachowica-Stanusch, A. (Ed.). Organizational Immunity to Corruption: Building Theoretical and Research Foundations. US: Information Age Publishing.

McNabb. E, (2008). Research methods in public administration and non-profit management: quantitative and qualitative approaches, (2nd Edition), M.E. Sharpe, Inc.

Mendes. C, Oliveira. J, (2012). "Money laundering and corrupt officials: a dynamic model", Journal of Money Laundering Control, Vol. 16 Issue: 1, pp.55-61

Mertens. M, (2007). Transformative paradigm: mixed methods and social justice, Journal of Mixed Methods Research, Vol. 1 No. 3, pp. 212-25.

Meyer. J W, (2007). Reflections on Institutional Theories of Organizations, chapter 34, pg 788,

Migiro. K & Dawson. S, (2013). Chic Nairobi Throbs to the Beat of Dirty Money. All Africa News http://allafrica.com/stories/201312120134.html accessed 28/01/14

Mike. M, (2012). The East African newspaper (21/04/2012), Dar es Salaam, Tanzania; Accessed 04/03/2014 http://www.theeastafrican.co.ke/news/Dar+linked+to+Italian+mafia+dirty+money+scandal/-/2558/1390814/-/2jp2b/-/index.html

Miles. B, & Huberman. M, (1994). Qualitative data analysis: An expanded source-book (2nd edition.). Thousand Oaks, CA: Sage

Miles. J, (2012). Management and Organization Theory, 1st Edition, John Wiley and Sons Inc publication, UK

Ministry of Finance, (2012). About the Financial Intelligence Unit (FIU). Dar es Salaam, Tanzania https://www.fiu.go.tz/AboutFIU.asp accessed, 26/01/2014

Minkov. M & Blagoev. V, (2009). Cultural values predict subsequent economic growth. International Journal of Cross Cultural Management 9(1): 5–24.

Mitsilegas. V. (2003). Countering the Chameleon Threat of Dirty Money: 'Hard' and 'Soft' Law in the Emergence of a Global Regime against Money Laundering and Terrorist Finance' in A. Edwards and P. Gill (eds.), Transnational Organized Crime: Perspectives on Global Security, Routledge, 2003, pp.195-211.

Mkansi. M and Acheampong. A, (2012). Research Philosophy Debates and Classifications: Students' Dilemma. The Electronic Journal of Business Research Methods Volume 10 Issue 2 2012 (pp 132- 140), ISSN 1477-7029

Mkinga. M, (2014). Agency probes banks' role in escrow scandal, The Citizen, accessed on

07/01/16 available at http://www.thecitizen.co.tz/News/national/Agency-probes-banks/-/1840392/2574140/-/uqdrp7/-/index.html

Modell, S. (2005), “Triangulation between case study and survey methods in management accounting research: an assessment of validity implications”, Management Accounting Research, Vol. 16 No. 2, pp. 231-54.

Modell. S, (2010). Bridging the paradigm divide in management accounting research: the role of mixed methods approaches, Management Accounting Research, Vol. 21 No. 2, pp. 124-9.

Money Laundering and Financial Crimes, Country Database, (2015). United States Department of State Bureau for International Narcotics and Law Enforcement Affairs, INCSR 2015 Volume II Country Database

Morris. N, (2013). Money laundering risk management and compliance, brief history of money laundering accessed on 05/08/14 at http://www.countermoneylaundering.com/public/content/brief-history-money-laundering

Moshi. H, (2007). Fighting money laundering. The challenges in Africa, Institute for Security Studies, ISS paper 152, Brooklyn squire, Pretoria, South Africa.

Moshi. H, (2012). Implications of cash-dominated transactions for money laundering, Institute for security studies, Situation Report, Dar es Salaam, Tanzania

Mouton. J, (1996). Understanding Social Research, Van Schaik Publishers, ISBN 0627021638,9780627021633

Mugarura. N, (2010). "The effect of corruption factor in harnessing global anti-money laundering regimes", Journal of Money Laundering Control, Vol. 13 Issue: 3, pp.272-281

Mugarura. N, (2012), The Global Anti-Money Laundering Regulatory Landscape in Less Developed Countries, Ashgate, Farnham, pp.145

Mugarura. N, (2013), scoping the regulatory environment for harnessing normative anti-money laundering laws in LDCs, Journal of Money Laundering Control, Vol. 16 Iss: 4, pp.333 – 352

Mugarura. N, (2016). "Uncoupling the relationship between corruption and money laundering crimes", Journal of Financial Regulation and Compliance, Vol. 24 Issue: 1, pp.74-89

Mugenda. M, and Mugenda. G, (2003), Research Methods: Quantitative and Qualitative approach, Acts press, Nairobi, Kenya.

Mugumu. M, (2010). Drug Barons Getting Real Dirty, All Africa, Daily Nation web, posted in May 8, 2010, accessed on 11/04/2014, http://allafrica.com/stories/201005080003.html.

Mullei. A, (2004). The Role of Central Banks in the Establishment of Anti-Money Laundering Regime in Member States of AACB (Eastern Africa Sub-Region): Co-Operation and Experiences, Central Bank of Kenya, pg. 6-8

Muraleedharan. D, (2014). Modern banking theory and practice, (Eastern Economy Edition), published by PHI learning private limited, New Delhi, India.

Murray. K, (2018). "The cost of not wanting to know – the professions, money laundering and organised crime", Journal of Financial Crime, Vol. 25 Issue: 1, pp.218-229

Musonda. S and Muhammed. H, (2012). The role of Financial Intelligence Units in combating money laundering, Huazhong University of Science and Technology, Wuhan City, People's Republic of China

Muthoki. M, (2012). East African banks lose $48.3 million to fraud. The East African newspaper, Dar es Salaam, Tanzania. Accessed 24/02/14 http://www.theeastafrican.co.ke/news/East+African+banks+lose++48+3+million+to+fraud/-/2558/1467710/-/83v8baz/-/index.html

Mwanzia. M and Kanina. A, (2009). Kenyans Want Poll Chaos Suspects Tried at The Hague, The Standard on Sunday, July 19, 2009, and pg. 4.

Naim. S, Haj. A, Matar. M and Hathloul. M, (2012). The Positive and Negative Role for Banks in Money Laundering Operations, Canadian Social Science Vol. 8, No. 5, 2012, pp. 13-23, ISSN 1923-6697

Nantege. B, (2013). Why corruption thrives in cash-based economies, Daily monitor, accessed on 03/06/2014 at http://www.monitor.co.ug/Business/Prosper/Why-corruption-thrives-in-cash-based-economies/-/688616/2069408/-/k0ceiw/-/index.html

Nasiruzzaman. M, (2015). Managing Core Risk in Banking, Money Laundering & Terrorist Financing Risk Management Guidelines, Bangladesh Financial Intelligence Unit, Bangladesh Bank

Naylor. T, (2002). Wages of Crime. Black Markets, Illegal Finance, and the Underworld Economy. Ithaca: Cornell University Press

Ndikumana. L and Boyce. J, (2008), New Estimates of Capital Flight from Sub-Saharan African Countries, Linkages with External Borrowing and Policy Options, University of Massachusetts, Amherst

Ndungu. J & Etemesi. R, (2010). How local banks are coping with fraud, Daily Nation newspaper, opinion column, pp 13, 10th August 2010. Cited on Challenges faced by Central Bank of Kenya in combating money laundering; available at http://erepository.uonbi.ac.ke/handle/11295/12374

Nel. P, Piet. S.V and Elbert. M, (2004). Human Resources Management; 6th edition, Oxford University Press Cape Town, Southern Africa

Nellen, H. and Lankhorst, F. (2008), “Facilitating organised crime: the role of lawyers and notaries”, in Seigel, D. and Nelen, H. (Eds), Organised Crime – Culture, Market and Policies, Springer, London

Ngarambe. A, (2012). Money laundering on the rise in East Africa, security experts warns The East African, Rwanda http://www.theeastafrican.co.ke/Rwanda/News/Money-laundering-on-the-rise-in-East-Africa/-/1433218/1520096/-/l36xjrz/-/index.html, accessed 21/01/14

Nguyen. C, (2018). "Preventing the use of financial institutions for money laundering and the implications for financial privacy", Journal of Money Laundering Control, Vol. 21 Issue: 1, pp.47-58.

Nobanee. H, and Ellili. N, (2018). "Anti-money laundering disclosures and banks' performance", Journal of Financial Crime, Vol. 25 Issue: 1, pp.95-108

NOU, (2009). Tax havens and development; Status, analyses and measures Government Commission on Capital Flight from Poor Countries, Official Norwegian Reports NOU 2009:19. Oslo

O'Halloran. P, Leuprecht. C, Dizboni. A, Green. A, and Adelstein. D, (2018). "The terrorist resourcing model applied to Canada", Journal of Money Laundering Control, Vol. 21 Issue: 1, pp.33-46,

Office of the Comptroller of the Currency" OCC", (2002). Money Laundering. A Banker's Guide to Avoiding Problems, (3rd Edition), OCC Publications, Washington, DC

Ogbodo. U and Mieseigha. E, (2013). The Economic Implications of Money Laundering in Nigeria, International Journal of Academic Research in Accounting, Finance and Management Sciences Vol. 3 (4), pp. 170–184

Okoth. J, (2014), Anti-Terror Police following money with links to Al-Shabaab, The Standard News Paper. Available at; https://www.standardmedia.co.ke/?articleID=2000102406&story_title=police-on-trail-of-dirty-cash-financing-terrorism accessed 16 Jan 2014

Olagoke. O, (2004). "The extra-territorial scope of the anti-corruption legislation in Nigeria", 38 International Lawyer, p. 71.

Olushola. F, (2014). Banking and the Customer: A Neo-Institutional Reconfiguration, Research Journal of Finance and Accounting, ISSN 2222-1697 (Paper)

Omekwu. C, (2006). "African culture and libraries: the information technology challenge", The Electronic Library, Vol. 24 Issue: 2, pp.243-264

Organisation for Economic Co-Operation and Development (OECD), (2009). Money laundering awareness, handbook for tax examiners and tax auditors, centre for tax policy and administration work on tax crimes and money laundering, Washington D.C, US

Organised crime and trafficking in Eastern Africa, (2009). for discussion at the Regional Ministerial Meeting on Promoting the Rule of Law and Human Security in Eastern Africa Nairobi, Kenya, 23-24 November 2009.

Otusanya. O.J, Ajibolade. S. O and Omolehinwab. E.O, (2011). "The role of financial intermediaries in elite money laundering practices: Evidence from Nigeria", Journal of Money Laundering Control, Vol. 15 Issue: 1, pp.58-84

Otusanya. OJ and Lauwo. S, (2012). The role of offshore financial centres in elite money laundering practices: evidence from Nigeria, Journal of Money Laundering Control Vol. 15 Emerald Group Publishing Limited 1368-5201 DOI 10.1108/13685201211238070, Iss: 3, Pg. 2, and pg.336 – 361

Ouma. M, (2012). Pesa Point unveils new platform to cut ATM costs, The East African. Accessed on 02/06/2014, at http://www.theeastafrican.co.ke/business/PesaPoint+unveils+new+platform+to+cut+ATM+costs/-/2560/1331482/-/13pbfv9/-/index.html

Palmer. R, (2009). Profiting from corruption: the role and responsibility of financial institutions. In u4 (ed.) Bergen, u4.

Parker. R and Nobes, (2012). Comparative International Accounting (12th Edition), Prentice Hall Publication. US, ISBN-13: 978-0273763796

Passas. N, (2003). Informal value transfer systems, terrorism and money laundering. A report to the National Institute of Justice. Washington D.C., U.S. Department of Justice.

Passas. N, (2006). Setting global CFT standards: A critique and suggestions. Journal of money laundering control, 9**,** 281-292.

Patton. Q, (2000). Qualitative evaluation and research methods (3rd Edition.). Thousand Oaks, CA: Sage.

Pedro. G & Alessandra. F, (2012). Using Money Laundering Investigations to Fight Corruption in Developing Countries: Domestic obstacles and strategies to overcome them. Basel Institute on Governance, (14TH Edition) working paper, Steinenring 60, 4051 Basel, Switzerland

Pierre L.C, Macdowel. J, Mousset. C, Schott. P and Emile Van Der Does De Willebois, (2009). Preventing money laundering and terrorism financing: a practical guide for bank supervisors, The International Bank for Reconstruction and Development / The World Bank, Washington DC ISBN 978-0-8213-7912-7 — ISBN 978-0-8213-7913-4 (electronic)

Pierre L.M, (1992). Governance, Cultural Change, and Empowerment, The Journal of Modern African Studies, 30, pp 543-567 doi: 10.1017/ S0022278X00011046

Pillay.S and Dorasamy. N, (2010). Linking cultural dimensions with the nature of corruption: An institutional theory perspective, International Journal of Cross Cultural Management 10(3) 363–378

Ping. H, (2010). A typological study on money laundering. Journal of Money Laundering Control, Vol. 13, pp. 15-32

Pradier. C, (2006). La notion de risque en économie [The Concept of Risk in Economics]. Paris: La Découverte

PricewaterhouseCoopers, (2008). How to discover ways to sustainable anti-money laundering operations, Banking and Capital Markets, connected thinking is trademark of PricewaterhouseCoopers LLP (US). MC-NY-08-0556-A. TP.

Proviti, (2014). Guide to U.S. Anti-money Laundering Requirements, Frequently asked questions, (6th Edition), Proviti publications, US

Public accounts Commitee (PAC), (2014). Taarifa ya kamati kufuatia matokeo ya ukaguzi maalum wa mdhibiti na mkaguzi mkuu wa hesabu za serikali katika akaunti ya Tegeta Escrow iliyokuwa katika benki Kuu ya Tannzania, parliament of Tanzania. Pg 61

Rees. D, (2010). Money laundering and terrorism financing risks posed by alternative remittance in Australia, AIC Reports; Research and Public Policy Series 106, Published by the Australian Institute of Criminology.

Reuter. P and Truman. E. M. (2004), Chasing Dirty Money: The Fight against Money Laundering, Institute for International Economics, Washington D.C.

Reuter. P, (2012). Draining Development. Controlling Flows of Illicit Funds from Developing Countries. International Bank for Reconstruction and Development / International Development Association or The World Bank ISBN (electronic): 978-0-8213-8932-4

Reuters, (2014), Tanzanian bank denies links to terror, money laundering, The East African newspaper, posted Monday 21 July 2014, accessed on 24/07/14, at http://www.theeastafrican.co.ke/business/-/2560/2391930/-/67mhgl/-/index.html

Ricardo. A, (2010). An evolutionary game theory approach to combat money laundering, Department of Economics, University of Brasilia, Brasilia, Brazil, Emerald Group Publishing Limited, Journal of Money Laundering Control Vol. 13 No. 1, 2010 pp. 70-78

Ritchie, J. and Lewis, J. (2003). Qualitative research practice: a guide for social science students and researchers. Sage Publication Inc.

Rose-Acherman. S, (1999). Political Corruption and Democracy. Journal of International Law, 14(2), pp 363- 378

Ross, S. & Hannan, M. (2007). Money laundering regulation and risk-based decision-making. Journal of Money Laundering Control, 10(1), 106-115.

Runder, M. (2010). "Hizbullah terrorism finance: fund-raising and money-laundering", Studies in Conflict & Terrorism, Vol. 33 No. 8.

Rusanov. G and Pudovochkin. Y, (2018). "Money laundering and predicate offenses: models of criminological and legal relationships", Journal of Money Laundering Control, Vol. 21 Issue: 1, pp.22-32

Sabine. L and Brian S, (2004). A handbook of statistical analyses using SPSS, Chapman & Hall/CRC Press LLC, Florida, US, ISBN 1-58488-369-3

Sale. J, Lohfeld. L and Brazil. K (2002). Revisiting the qualitative-quantitative debate: implications for mixed methods research, Quality & Quantity, Vol. 36 No. 1, pp. 43-53.

Saltmarsh, G. (2000), Economic Crime in a Globalized World: Mainstream or Parasite, a conference by the Royal Institute of International Affairs in Association with Corruption Risk Group, International Police Review Official Publication, Chatham House Financial Series, London.

Sander. C, (2001). Passing the Buck in East Africa; the Money Transfer Practice and Potential for Services in Kenya, Tanzania, and Uganda, Micro-Save – Market-led solutions for financial services, Nairobi, Kenya

Sander. C, Maimbo. S and Ratha. D, (2003). Migrant Labour Remittances in Africa: Reducing Obstacles to Developmental Contributions, Financial Sector Vice-Presidency, Africa, World Bank, Washington, D.C

Sarigul. H, (2013), Money Laundering and the Abuse of Financial System, International Journal of Business and Management Studies, Mevlana(Rumi) University, Turkey: 2(1):287–301 (2013).

Saunders, M, Lewis. P and Thornhill. A, (2015). Research Methods for Business Students, (7th Edition), Pearson Education Limited, UK

Schlenther. B, (2013). "The taxing business of money laundering: South Africa", Journal of Money Laundering Control, Vol. 16 Issue: 2, pp.126-141

Schott. P (2006). Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism, (2nd Edition), Supplement on Special Recommendation IX, The International Bank for Reconstruction and Development/The World Bank/ The International Monetary Fund. Washington DC 20433

Scott, W.R. (2007). Institutions and organizations: Ideas and interests. Thousand Oaks, CA: Sage Publications.

Scott. J. and Briggs. S, (2009). A pragmatist's argument for mixed methodology in medical informatics, Journal of Mixed Methods Research, Vol. 3 No. 3, pp. 223-41.

Sharman. J, (2006). The Cost of the International Anti-Money Laundering Regime to Developing Countries: Damned if they Do, Damned if they don't? Paper presented at the annual meeting of the International Studies Association, San Diego

Sharman. J, (2008). Power and Discourse in Policy Diffusion: Anti-money Laundering in Developing States, Australian Research Council grants DP0452269 and DP0771521

Shaw. M, (1997). Finding the Rainbow: Organizational Culture, the Key to Corporate Performance. Ravan Press: South Africa

Shawgat. S. K, (2011). Combating Money Laundering by the Financial Institutions: An Analysis of Challenges and Efforts in Bangladesh, World Journal of Social Sciences Vol. 1. No. 2. May 2011 Pp. 36 - 51

Shawn W. N & Terrence B. B, (2008). Transparent Practices: Primary and Secondary Data in Business Ethics Dissertations, Journal of Business Ethics _ Springer 2008, DOI 10.1007/s10551-008-9717-0, USA

Shaxson. N, (2007), Poisoned Well: The Dirty Politics of African Oil, Palgrave Macmillan, New York, NY. Pg. 9, ISBN 1403971943

Shehu. A, (2005). International Initiative against Money-Laundering and Corruption: An Overview, Journal of Financial Crime, Vol. 12 Issue 3 (2005), and p.233

Sikka. P, (2008). "Enterprise culture and accountancy firms: new masters of the universe", Accounting, Auditing & Accountability Journal, Vol. 21 Issue: 2, pp.268-295

Simser. J, (2011). "Terrorism financing and the threat to financial institutions", Journal of Money Laundering Control, Vol. 14 Issue: 4, pp.334-345

Simser. J, (2012). "Money laundering: emerging threats and trends", Journal of Money Laundering Control, Vol. 16 Issue: 1, pp.41-54

Simwayi. M and Guohua. W, (2011). The role of commercial banks in combating money laundering, Journal of Money Laundering Control, Vol. 14 Iss: 4 pp. 324 – 333

Singh. K. V, (2009). Controlling Money Laundering in India – Problems and Perspectives, paper presented at the 11th Annual Conference on Money and Finance in the Indian Economy, at the Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India, 23 -24 January.

Smith. M, (2015). Research Methods in Accounting, (3rd Edition), SAGE Publications Ltd

Sohn. I, (2002). Money Laundering: The Dark Side of Capital Account Liberalization. Montclair State University, p.4-5

Solomon. H, (2018). Terrorism and counter terrorism in Africa: Fighting insurgency from Al Shabaab, Ansar Dine and Boko Haram. Journal of African Economics, Vol 117, Iss. 466, pp 163-164

Stevinson. C and Ernst. E, (2000). A pilot study of hypericum perforatum for the treatment of premenstrual syndrome, British Journal of Obstetrics and Gynaecology 870– 876.

Talbot, L.A. (1995). Principles and practice of nursing research, St. Louis, MO: Mosby-Year Book, Inc

Tang, J. and Ai, L. (2010), "Combating money laundering in transition countries: the inherent limitations and practical issues", Journal of Money Laundering Control, Vol. 13 No. 3, pp. 215-225.

Tanzanian Affairs, (2010). Corruption cases the latest The Bank of Tanzania's 'Two Towers' scandal Accessed on 17/03/14 http://www.tzaffairs.org/2010/01/corruption-cases-%E2%80%93-the-latest/

Tashakkori. A & Teddlie. C, (2010). Mixed Methods in Social & Behavioral Research, (2nd Edition), SAGE Publications, Inc., ISBN 9781412972666

Theodore. S, Gray. L, Schantz. D, Latham. M and Gardner. C, (2009). Stolen Asset Recovery, Politically Exposed Persons A Policy Paper on Strengthening Preventive Measures. The International Bank for Reconstruction and Development / The World Bank, Washington DC

Thony. J, (2000). Money Laundering and Terrorism Financing: an overview, IMF Legal Department

Tofangsaz. H, (2015). "Rethinking terrorist financing; where does all this lead?" Journal of Money Laundering Control, Vol. 18 Issue: 1, pp.112-130

Trafficking in persons report, (2008). Country reports in US available at http://www.state.gov/j/tip/ accessed on 20/03/14

Transparency International Corruption Perception Index, (2011). Accessed on 14/10/14 at http://www.transparency.org/cpi2011/results/

Transparency International Kenya, (2013). The East African Bribery Index, the United States Agency for International Development (USAID).

Transparency International, (2004). Global Corruption Report 2004. London: Pluto Press. http://www.transparency.org/publications/gcr/gcr_2004 accessed on 28/08/15

Transparent International Report (2009), Transparency in reporting on Anti-Corruption, A report of corporate practices www.transparency.org accessed 26/01/2014

The Economist, (2013). Why does Kenya lead the world in mobile money? Accessed on 01/07/ 2014, at http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18

The Africa Competitiveness Report, (2011). The World Bank and the African Development Bank, World Economic Forum, Geneva. Accessed on 08/05/14 available at http://siteresources.worldbank.org/INTAFRICA/Resources/The_Africa_Competitiveness_Report_2011.pdf

The African Economist, (2013), Ranking African countries by Literacy Rate; accessed on 29/09/16 available at http://theafricaneconomist.com/ranking-of-african-countries-by-literacy-rate-zimbabwe-no-1/#.V-zOdlZnz8t

The Financial System Stability Assessment (FSSA), (2004). Reports for Uganda and Tanzania were published in 2003 (IMF, 2003a, b). The FSSA report for Kenya was discussed in the IMF Executive Board in December 2004,

The Hague, (2007). Monitoring of illegal hunting in elephant range states. Fourteenth meeting of the Conference of the Parties, Netherlands from3 – 15 June 2007, Conference paper No14 - Doc. 53.3

The United Nations Counter-Terrorism Implementation Task Force (CTITF), (2009). Tackling the Financing of Terrorism, the World Bank International Monetary Fund United Nations Office on Drugs and Crime, New York, USA

The United Nations Economic Commission for Africa (UNECA), (2008). International Conference on: Institutions, Culture and Corruption in Africa. The United Nations Conference Centre in Addis Ababa, Ethiopia, from 29th to 31st October 2008.

Thorsten. B and Robert. C, (2013). Banking in Africa, CSAE Working Paper WPS/2013-16, centre for the study of African economies, department of economics, Oxford University

The World Bank, (2013). Fighting 'Dirty Money' and Illicit Flows to Reduce Poverty, working for a world free of poverty, April 4, 2013

U.S. DOS, (2009). U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, International Narcotics Control Strategy Report, March 2009.

UNECA, (2005). African Governance Report, striving for good governance in Africa, Economic Commission for Africa, accessed on 20/10/14 at http://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=441&menu=35

United Nations office on drugs and crime (UNODC), (2015). Introduction to money-laundering, Accessed on 26/01/15 at https://www.unodc.org/unodc/en/money-laundering/introduction.html?ref=menuside

United Nations Office on Drugs and Crime, (2010). International Organised Crime: The African Experience, International Scientific and Professional Advisory Council of the United

Nations Crime Prevention and Criminal Justice Programme, International Conference, Courmayeur Mont Blanc, Italy

UNODC and The World Bank (2007). Stolen Asset Recovery (StAR) Initiative: Challenges, Opportunities and Action Plan, UNODC and the World Bank.

Vaithilingam. S and Nair. M, (2007). Factors Affecting Money Laundering: Lesson for developing countries. Journal of Money Laundering Control, Vol 10, Iss: 3 PP. 352 – 366

Vaithilingam. S and Nair. M, (2009). Mapping Global Money Laundering Trends: Lessons for Pace Setters, Research in International Business and Finance, vol.23 no.1.

Van der Does de Willebois, E., Halter, E., Harrison, R., Won Park, J., and Sharman, J. (2011) The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It, World Bank.

Van der Wal, D. (1999). Aeolian transport of nourishment sand in beach-dune environments. PhD thesis, University of Amsterdam, 159pp. ISBN 90-6787-053-6

Veal, A. J. (1997), Research Methods for Leisure and Tourism: A Practical Guide (Second Ed). London, Financial Times-Prentice Hall, ISBN 0 273 620525.

Verhage. A, (2009). "Supply and demand: anti-money laundering by the compliance industry", Journal of Money Laundering Control, Vol. 12 Issue: 4, pp.371-391

Wakamori. N, and Welte. A, (2017). Why Do Shoppers Use Cash: Evidence from Shopping Diary Data. Journal of money, credit, and banking., Vol.49(1), p.115

Walker. J and Unger. B, (2009). Measuring Global Money Laundering: "The Walker Gravity Model". Review of Law & Economics, Vol. 5, p. 2

Wanguhu. G, (2012). Regulatory deficiencies impacting on anti-money laundering measures, Commercial law international, commercial awareness is global, posted on 11th April 2012, Accessed on14/05/14at http://www.commerciallawinternational.com/?tag=money-laundering-in-kenya

Warutere. P, (2006). Detecting and investigating money laundering in Kenya, A Survey of Money Laundering Experiences, Institute for Security Studies Africa (ISS), chapter 4, Monograph No 124,

Watts. M, Thrift. N and Martin. R, (1994). Oil as money: the devil's excrement and the spectacle of black gold In Cambridge, Basil Blackwell, London.

Whitlock. C, (2008): Al Qaeda master's Terrorism on the Cheap. Washington Post Foreign Service

Wicherts. M, Borsboom. D, Molenaar. D and Kats. J (2006). The Poor Availability of Psychological Research Data for Reanalysis, American-Psychologist 61(7), 726–728.

Williams. T, (2009). "Banker as victim: an approach to money laundering prosecutions", Journal of Money Laundering Control, Vol. 12 Issue: 1, pp.50-58

Williams. W, (2001). Follow the Money', Foreign Affairs July/August 2001, pp. 44, p. 46.

World Bank (2013), Pirate Trails: Tracking the Illicit Financial Flows from Pirate Activities off the Horn of Africa, World Bank, Washington D C, accessed on 08/02/2018, available at: https://openknowledge.worldbank.org/ handle/10986/16196

World Bank / UNODC StAR report, (2011). The Puppet Masters: How the Corrupt Use of Legal Structures to Hide Stolen Assets and What to Do About it", World Bank and United Nations Office on Drugs and Crime's StAR Initiative

World Bank and IMF, (2003). Anti-money Laundering and Combating the Financing of Terrorism Regional Videoconference: Eastern and Southern Africa Region Kenya, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, and Uganda

World Bank, (2005). AML/CFT Regulation: Implications for Financial Service Providers that Serve Low-income People, The International Bank for Reconstruction and Development/ The World Bank, Washington, USA

World Bank, (2009). Combating money laundering and the financing of terrorism: a comprehensive training guide. The International Bank for Reconstruction and Development / The World Bank, Washington, DC, ISBN 978-0-8213-7569-3

World Bank's world development report, (2011). Doing Business in Juba, The International Bank for Reconstruction and Development / The World Bank, A co publication of the World Bank and the international finance corporation, Washington, D.C. accessed on 14/10/14 at http://www.doingbusiness.org/reports/subnational-reports/juba

World Development Report, (1997). The importance of predictability is stressed in World Bank. The State in a Changing World, New York: Oxford University Press

World Economic Situation and Prospects, (2010). Development Policy and Analysis Division, United Nations, New York.

Young, M.A. (2013). "The exploitation of offshore financial centres: banking confidentiality and money laundering", Journal of Money Laundering Control, Vol. 16 No. 3, pp. 198-208.

Zdanowicz, J.S. (2009), "Trade-based money laundering and terrorist financing", Review of Law and Economics, Vol. 5 No. 2, pp. 855-878, Article 3.

Zucker, L. G. (1987). Institutional theories of organization, Annual Review of Sociology, 13, 443–464

Zucker. D, Wittes. J, Oliver. S and Brittain. E, (1999). Internal pilot studies II: comparison of various procedures. Statistics in Medicine, 3493–3509.

APPENDICES

A-Figure 17 List of banks used in this research work

No	BANK
1	ABC BANK
2	ACCESS BANK
3	AKIBA COMMERCIAL BANK
4	AMANA BANK
5	AZANIA BANK
6	BANK M
7	BANK OF AFRICA
8	BANK OF BARODA
9	BANK OF TANZANIA
10	BARCLAYS BANK
11	CHARTER HOUSE BANK
12	CITI BANK
13	COOPERATIVE BANK KENYA
14	CRDB BANK
15	DCB COMMERCIAL BANK
16	DEVELOPMENT BANK OF KENYA
17	DIAMOND TRUST BANK
18	ECO BANK
19	EQUITY BANK
20	EXIM BANK
21	FAMILY BANK
22	FBME BANK
23	FIDELITY COMMERCIAL BANK
24	FINANCE TRUST BANK
25	GURDIAN BANK
26	I & M BANK
28	IMPERIAL BANK
29	INTERNATIONAL COMMERCIAL BANK
30	JAMII BORA BANK
31	KENYAN COMMERCIAL BANK
32	NATIOANL BANK OF KENYA
33	NATIOANL MICROFINANCE BANK
34	NBC BANK
35	NC BANK UGANDA
36	ORIENT BANK
37	PRIME BANK
38	STANBIC BANK
39	STANDARD CHARTERED BANK
40	TWIGA BANKCORP
41	UNITED BANK OF AFRICA

B-Questionnaire Frontline staff

University of South Wales

Dear Participant,

My name is **Prosper K Mbowe** and I am a PhD student at the **University of South Wales, United Kingdom**. For my project, I am examining, "**Implementation of FATF anti money laundering among Banks in East Africa**". Because you are an important person working for one of the highly respectable Bank, your contribution is crucial for the success of this Research Project. I am inviting you to participate in this research study by completing the attached survey.

The following questionnaire will require approximately "**20 minutes**" to complete. There is no compensation for responding nor is there any known risk. In order to ensure confidentiality; the materials obtained through the questionnaires undertaken in this research will be held confidentially. **No data will be directly attributable to the respondent either in the project report or in any correspondence or face-to-face contact between the researcher and the organisation.** The copy of the project shall be kept in the University of South Wales Library and special permission is required subject to the university's library policies. If you choose to participate in this survey, please answer all questions as honestly as possible and return the completed questionnaires promptly directly to the researcher. Participation is strictly voluntary and you may refuse to participate at any time.

Thank you for taking your valuable time to assist me in my academic endeavours. The data collected shall provide some valuable information regarding, different techniques that East African Banks need to adopt in order to comply with FATF anti money laundering recommendations despite facing difficult challenges. Further, the information collected shall also help in suggesting different measures that the government needs to adopt in order to ease the burden of compliance among banks in East Africa. If you would like a summary copy of this research study please feel free to ask. Completion and return of the questionnaire will indicate your willingness to participate in this study. If you require additional information or have questions, please do not hesitate to contact on the details listed below.

Thank you,

Prosper K Mbowe

Email: prosper.mbowe@southwales.ac.uk / mboweprosper@hotmail.com

Phone: +447776 792 879,

1

Frontline staff members

"V" in the relevant box provided

1) Awareness and Training

No		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
i	The organisation ensures that every employee is aware of the existence of **"FATF`S Anti Money laundering recommendations"**					
ii	The organisation conducts regular anti money laundering training to all staff members					
iii	The organisation has a special department that deals with money laundering issues					
iv	The organisation regularly updates its anti money laundering policies					
v	The organisation regularly updates its staff members about various money laundering issues					

2) Transaction Monitoring

No		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
i	The organisation have invested heavily on transaction monitoring as one of anti money laundering controls					
ii	The transaction monitoring system in the organisation is regularly updated					
iii	The transaction monitoring system in the organisation is user friendly					
iv	The transaction monitoring system in the organisation cannot easily detect terrorist finances					
v	Transaction monitoring system does not allow information to be shared across different banks					
vi	The transactions can sometimes be approved by a single person on a very busy day					
vii	Staff members are encouraged to report any suspicious transactions					

1) Politically exposed persons (PEP) and Know your Customer (KYC)

No		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
i	The organisation does not necessarily need to regularly review customer details					
ii	It is expensive for the organisation to regularly update customer details					
iii	The employees are aware of the organisation`s KYC policies					
iv	The organisation conducts regular training on KYC policies					
v	It is sometimes very difficult especially in East Africa to demand evidence from PEP about their source of wealth/ funds due to their status and popularity					
vi	The organisation strongly encourages business relationship with PEP					
vii	It is sometimes difficult to establish if the source of funds, is the result of corruption especially in East Africa where there is a cash based economy					
viii	Banks need to adopt alternative policies that can help to identify the sources of funds especially originating from PEP					
ix	International cooperation needs to be strengthened in order to stop PEPs from laundering their corrupt funds through the international financial system					

2) How much do you agree/ Disagree on the following statements

No		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
i	The government needs to address the issue of corruption to facilitate proper implementation of AML recommendations					
ii	The issue of cash based economy (payments and receipts through physical cash and not through credit cards or other bank payments) needs to					

ii	The issue of cash based economy (payments and receipts through physical cash and not through credit cards or other bank payments) needs to be addressed in order to allow proper monitoring of transactions and especially the source of funds					
iii	Complicated requirements required during opening and maintaining a bank account, needs to be addressed to encourage more people to use banking services					
iv	Banking institutions are required to increase the accessibility of their services especially in the remote areas to discourage cash savings					
v	Banks need to work closely with law enforcement to eradicate money laundering					
vi	Weak financial infrastructure in East Africa has lead to an increase in money laundering activities in the region					
vii	It is difficult to identify and report money being laundered internally (within the country) due to the existing cash based economy					

5) "True" or "False" on the following statements

No		**True**	**False**
i	Money laundering is on the rise in East Africa, this has lead to hefty fines being imposed to various banks in the region. However it is not entirely the banks fault for such crimes to flourish. This is because the government is also, not doing enough to help eradicate this problem.		
ii	Due to bank secrecy acts and competition makes it difficult for banks to share information among one another, which makes it difficult to detect money launderers especially in East Africa.		
iii	The Existing of high level of corruption in East Africa makes the tusk of identifying money launderers even more difficult due to their ability of corrupting bank officials and law enforcement personnel		
iv	FATF anti money laundering recommendations, can only be a success, if the government address the issue of cash based economy and corruption		
v	It is extremely difficult to determine the source of wealth of political figures, this makes it even more difficult to		

1) In your opinion what needs to be done/ changed in order to promote proper implementation of FATF Anti Money Laundering recommendations in East Africa

………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

Your Name:____

Institution:____

"Thank you for taking your valuable time to fill in this Questionnaire"

C-Questionnaire management 1

Dear Participant,

My name is **Prosper K Mbowe** and I am a PhD student at the **University of South Wales, United Kingdom**. For my project, I am examining, **"Implementation of FATF anti-money laundering among Banks in East Africa"**. Because you are an important person working for one of the highly respectable Bank, your contribution is crucial for the success of this Research Project. I am inviting you to participate in this research study by completing the attached survey.

The following questionnaire will require approximately **"20 minutes"** to complete. There is no compensation for responding nor is there any known risk. In order to ensure confidentiality; the materials obtained through the questionnaires undertaken in this research will be held confidentially. No data will be directly attributable to the respondent either in the project report or in any correspondence or face-to-face contact between the researcher and the organisation. The copy of the project shall be kept in the University of South Wales Library and special permission is required subject to the university`s library policies. If you choose to participate in this survey, please answer all questions as honestly as possible and return the completed questionnaires promptly directly to the researcher. Participation is strictly voluntary and you may refuse to participate at any time.

Thank you for taking your valuable time to assist me in my academic endeavours. The data collected shall provide some valuable information regarding, different techniques that East African Banks need to adopt in order to comply with FATF anti money laundering recommendations despite facing difficult challenges. Further, the information collected shall also help in suggesting different measures that the government needs to adopt in order to ease the burden of compliance among banks in East Africa. If you would like a summary copy of this research study please feel free to ask. Completion and return of the questionnaire will indicate your willingness to participate in this study. If you require additional information or have questions, please do not hesitate to contact on the details listed below.

Thank you,

Prosper K Mbowe

Email: prosper.mbowe@southwales.ac.uk / mboweprosper@hotmail.com

Phone: +447776 792 879, +255652911956

Management

"V" in the relevant box provided

1) Money laundering awareness

No		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
i	Banking is the most preferred vehicle by money launderers					
ii	Due to the nature of most banks it is very difficult to turn down high value customers despite the risk associated with them					
iii	Having a good business relationship especially, with high value customers is beneficial to the growth and prosperity of the organisation					
iv	The existence of complicated Anti money Laundering regulations have contributed to the loss of customers, especially high value customers					
v	The high costs of anti-money laundering compliance has resulted to difficulties for banks to be fully compliant					
vi	Due to bank secrecy laws most banks feel insecure to share information with other banks					

2) Culture

No		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
i	The organisation has a strong Anti-money laundering compliance culture					
ii	The organisation has got a separate department that deals with money laundering issues					

iii	Corruption culture that exists in the society is seen as a major challenge to the compliance of anti-money laundering regulations					
iv	Politically Exposed Persons (PEP) have proved too difficult to be questioned about their source of funds due to their popularity especially in East Africa					
v	The management gives full authority and trust to the frontline staff to approve bank payments and receipts					
vi	It is sometimes difficult to determine if the source of funds, especially if they are originated from corruption or other financial crimes due to the cash based Economy that exists in East Africa					
vii	The management conducts regular review on its anti-money laundering policies					

1) Financial infrastructure and operation

No		**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
i	Having a small number of registered banks especially in East Africa encourages money laundering activities to occur because most people have physical cash in their possession					
ii	Having complicated formalities during opening of a bank account has discouraged people					

Having complicated formalities during opening of a bank account has discouraged people to save with banks especially in the rural areas					
Most bank documents are in Swahili or English languages this discourages people from using banking services especially in rural areas who are accustomed to their native language.					
The existence of cash based economy in East Africa has proved to be a challenge for banks to spot local and international money launderers					
FATF anti money laundering recommendations are not catered to the needs of developing countries especially East African countries					
FATF needs to conduct review and formulate recommendations that can cater to the challenges of developing countries especially in East Africa					
The governments of East African countries need to address the issue of corruption in order to promote proper compliance of FATF recommendations					
Due to the nature of corruption in developing countries especially in East Africa, has affected the culture					

1) **In your opinion what needs to be done/ changed in order to promote proper implementation of FATF Anti money Laundering recommendations in East Africa**

………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

Your Name:____

Institution:____

“Thank you for taking your valuable time to fill in this Questionnaire”

D-Invitation letter for interviews

University of South Wales

Dear Participant,

I am a doctoral candidate in the University of South Wales, United Kingdom. I am in the process of writing my doctoral thesis and am collecting data for that purpose. For my doctoral dissertation I am very interested in exploring the methodologies on various issues relating to Anti Money Laundering practices among banks in East Africa. Additionally I am interested in exploring how dimensions of money laundering, culture and financial infrastructure have affected the compliance process of FATF anti money laundering recommendations.

Given the intersection of my research interests with the University of South Wales, I have been accepted into the PhD Program from Jan 2014 to Jan 2017. As a University of South Wales Scholar this research project is being conducted under the guidance and support of the university supervisory team and I will have the opportunity to formally report my findings in the thesis.

The purpose of this letter is to ask for your assistance, because you are an important person working for one of the highly respectable Bank, your contribution is crucial for the success of this Research Project. I am inviting you to participate in this research study by agreeing to be an interview participant in this study.

Thank you,

P.Mbowe

Prosper K Mbowe

Email: prosper.mbowe@southwales.ac.uk

: mboweprosper@hotmail.com