

**A LEGAL ANALYSIS ON CURBING MONEY LAUNDERING THROUGH THE
CASHLESS ECONOMY: A CASE STUDY OF UGANDA**

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DECLARATION

I would love to declare that this research is entirely individual by my own self and has not been submitted, wholly or partially, in any application of the same. And where it has, acknowledgement for the same has been given in regards to the references. But other than that, this work is entirely my own.

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ABSTRACT

This research examines the legal analysis of the Ugandan legal frame work on curbing money laundering through the cashless economy. In Uganda the cashless economy is used though not on a large scale. Following the increase of money laundering cases in Uganda as per the FIA reports, I was encouraged to write this dissertation in regards to the cashless economy as a solution to curb money laundering. Looking at the current laws and technology advancements, the cashless economy is a way forward for Uganda and is a developing area that has made the developed countries to effectively curb money laundering. This research looks at how the cashless economy works, how it has evolved in other countries and how it actually curbs money laundering. The research covers the Ugandan laws, regional and international laws that implement this cashless economy showing how they have worked to curb money laundering and makes recommendations on how such practices can be implemented in Uganda so as to curb money laundering.

DEDICATION

This research is dedicated to Kembabazi Flavia my mother, Edonu Emmanuel my best friend, Eminat Prince Titus, Aturinde Mary Lynate, Agasha Hildah, Ainomugisha Hillary my siblings who have been there for me in this journey I do equally dedicate this research to all the financial committees in the country, the UCU Community, my family and friends. I also dedicate this to the global population of African countries, the Financial Institutions trying to ensure there is development of our economy and ensuring that we leave the “Third world Country state” through promoting cashless economy. Lastly, I dedicate this work to all the countries that are ensuring they promote the cashless economy.

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<https://www.premiumtimesng.com/business/business-news/521288-court-throws-out-suit-challenging-cbns-cashless-policy.html?tztc=1>

LIST OF ABBREVIATIONS/ACRONYMS

1. Alternative Dispute Resolution- ADR
2. Anti Money Laundering Act- AMLA
3. Artificial intelligence- AI
4. Automated Teller Machines- ATMs
5. Bank of Uganda- BoU
6. Bank Verification Number- BVN
7. Capital Markets Authority- CMA
8. Central Bank Digital Currencies- CBDCs
9. Central Bank of Kenya- CBK
10. Central Bank of Nigeria- CBN
11. Common Market for Eastern and Southern Africa- COMESA
12. Consumer Financial Protection Bureau- CFPB
13. Counter Terrorism Financing- CFT
14. Customer Due Diligence- CDD
15. East African Community- EAC
16. Eastern and Southern Africa Anti-Money Laundering Group- ESAAMLG
17. Electronic Fund Transfer Act- EFTA
18. European Union Anti-Money Laundering Directives- AMLD
19. European Union- EU
20. Financial Action Task Force- FAFT
21. Financial Intelligence Authority- FIA
22. Financial Intelligence Units- FIUs

23. Financial Sector Conduct Authority- FSCA
24. Foreign Account Tax Compliance- FATCA
25. General Data Protection Regulation- GDPR
26. Ghana Interbank Payment and Settlement Systems- GhIPSS
27. Global System for Mobile Communications- GSMA
28. Indian Banks' Association- IBA
29. Information Communication Technology- ICT
30. Insurance Regulatory Authority of Uganda- IRAU
31. International Monetary Fund- MF
32. Know Your Customer- KYC
33. Machine learning- ML
34. Management Expense Ratio- MER
35. Money Laundering- ML
36. Mutual Evaluation Report- MER
37. National Risk Assessment- NRA
38. National Risk Assessment- NRA
39. Near Field Communication- NFC
40. Non-profit organizations- NPOs
41. Office of the Comptroller of the Currency- OCC
42. Payment and Settlement Systems Integration Project- PSSIP
43. Payment Services Directive- PSD2
44. Payment System Vision- PSV
45. Point of Sale- PoS
46. Proliferation Financing- PF.

47. Real-time gross settlement- RTGS
48. Reserve Bank of India- RBI
49. Terrorist Financing- TF
50. The Directorate of Public Prosecutions- DPP
51. The National Payments Corporation of India- NPCI
52. The United Nations Convention against Transnational Organized Crime-
UNTOC
53. The United Nations office On Drugs and Crime- UNODC
54. Uganda Bureau of Statistics- UBOS
55. Uganda Communications Commission- UCC
56. Uganda Revenue Authority- URA
57. Unified Payments Interface - UPI
58. Unified Payments Interface- UPI
59. United Nations Convention against Corruption- UNCAC
60. Virtual Asset service providers- VASPs

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CHAPTER ONE

1.0. Introduction

Money laundering is one of the persistent challenges the Government of Uganda faces and according to different reports such as the financial intelligence authority report on anti-money laundering and counter-terrorist financing measures, it poses a significant challenge to Uganda's financial system and economy.¹ To address this risk the Government of Uganda established the FIA and other agencies for curb money laundering through risk assessments together with implementing measures to address vulnerabilities. Despite the efforts made, Uganda's legal framework in combating money laundering and terrorism financing was found deficient by the FATF and hence from 2020 to 2024 it was put on the FAFT grey list for increased monitoring. As a country being on the grey list adversely impacts the economy as it negatively impacts the country's reputation, trade, investment, and international relations.² While Uganda exited the FAFT grey list on 23rd February, 2024, the threat of money laundering is still prevalent because the country's economy is largely cash based which facilitates the movement of laundered money without detecting the source of income.

Money laundering” is referred to as the process of turning illegitimately obtained property into legitimate property and it includes concealing or disguising the nature, source, location, and movement of the proceeds of an activity as per section 116 of this Act;³

The Government of Uganda has put a critical focus on the curbing of money laundering because of the potential threats to economic development of the country which include terrorism financing, tax evasion among others. To address these risks the Government has taken various steps to mitigate this risk including the formation and putting in practice of the anti-money laundering laws and ratifying or becoming party to international conventions and bodies. Such international conventions include;

¹ Financial Intelligence Authority (2023). Uganda's National Risk Assessment on Money Laundering and Terrorism Financing. Financial Intelligence Authority Uganda. Available at: <https://fia.go.ug>

² <https://www.acode-u.org/newsId.php?id=26>.

³ The anti-money laundering act cap 118.

(i) The United Nations Convention against Transnational Organized Crime (UNTOC) whose main role is to curb money laundering as part of its objective of addressing crime;⁴

(ii) The Financial Action Task Force (FATF): This is an organization that is responsible for setting standards and promoting effective implementation of legal and regulatory ways to curb money laundering and terrorist financing.⁵

(iii) The United Nations office On Drugs and Crime (UNODC): This body addresses various forms of corruption, including money laundering. It establishes measures to prevent, detect, and punish money laundering offenders and;⁶

(iv) European Union Anti-Money Laundering Directives (AMLD IV): This is a directive established by the European Union to curb money laundering and terrorist financing. These directives provide a framework for member states to adopt and enforce measures to prevent and detect money laundering activities⁷.

Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG): this is a body that is charged with putting in place measures to combat Money Laundering and the financing of associated terrorism in Eastern and Southern Africa.⁸ Additionally, it's part of the Common Market for Eastern and Southern Africa (COMESA) the which ensures regional cooperation in curbing money laundering.⁹

Lastly, Uganda is also part of the East African Community (EAC).¹⁰ This body is to develop a method for preventing corruption amongst people. Once adopted, it will facilitate the EAC joint effort to prevent and combat corruption which include measures against money laundering.

Despite the actions taken to fight against money laundering, Uganda still faces a number of hurdles majorly because Uganda is largely a cash-based economy which provides a platform

⁴ '[United Nations Convention against Transnational Organized Crime](https://www.unodc.org/unodc/en/organized-crime/intro/untoc.html)' <https://www.unodc.org/unodc/en/organized-crime/intro/untoc.html>.

⁵ 'The FATF Recommendations' <https://www.fatf-gafi.org/en/topics/fatf-recommendations.html>.

⁶ 'The United Nations Convention Against Corruption' <https://www.unodc.org/corruption/en/uncac/index.html>.

⁷ '[Anti-Money Laundering and Terrorist Financing Directive 4 - European Commission](#)' > Accessed on 8th march 2025.

⁸ https://www.esaamlg.org/index.php/about_what_we_do.

⁹ <https://www.comesa.int/> > Accessed on 8th of march at 9:00am.

¹⁰ <https://www.eac.int/eac-partner-states>.

for money launders to legitimize their transactions since it makes it difficult to trace the source and destination of the laundered money.

Considering the above, the research seeks to analyse how the legal framework of Uganda can effectively curb money laundering through a cashless economy. The purpose of this research is to contribute to finding a lasting solution against money laundering in Uganda. This analysis will assess the effectiveness of the legal framework on money laundering, the challenges faced by the Ugandan government in its implementation and how these challenges can be mitigated through the adaptation of the cashless economy.

The findings of this research will be relevant in guiding policy makers, commercial intermediaries and other stakeholders to adopt and implement the cashless economy as a means of curbing the money laundering.

1.1 Background

Since the enactment of the first legislation on Anti money laundering in July 2013 to date, Uganda has made significant progress in combating money laundering and terrorist financing which is evidenced by its latest achievement of exiting the FATF grey list in February 2024, and its ongoing focus to strengthen its AML/CFT framework

In addition to the progressive steps taken by Uganda in the fight against money laundering as highlighted in the introduction, Uganda also established the Financial Intelligence Authority (FIA), a body responsible to monitor, investigate, and prevent money laundering in the country. It is also responsible for the enforcement of Uganda anti-money laundering laws and the monitoring of all financial transactions inside the country's borders.

Uganda is also committed to the global fight against Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF). To this end Uganda has formulated a National Anti-Money Laundering (AML)/Countering Financing of Terrorism (CFT) and Proliferation Strategy to address the deficiencies existing in its AML/CFT regime, and mitigate the Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) risks that it is exposed to. The strategy is intended to address the findings of Uganda's money laundering and terrorist financing risk assessment which was conducted in 2017. Section 2 of the AMLA (Anti Money Laundering Act) criminalises money laundering by prohibiting it and section 116 makes it an offence after prescribing the punishment for anyone found guilty of money laundering. All these laws and regulations have been enacted to ensure effective development of the Uganda economy.

The National Strategy to Combat Money Laundering, Financing of Terrorism and Proliferation provides the approach which Uganda has adopted to tackle ML, TF and PF (Proliferation Financing) over the next five years. It also presents Uganda's priorities and objectives in adhering to international standards and obligations set by the Financial Action Taskforce (FATF). The strategy is informed by the findings of two significant reports namely; the ESAAMLG Mutual Evaluation Report (MER) of April 2016, and the National Risk Assessment (NRA) 2017 Report of Uganda's ML and TF risk at national and sectorial levels.¹¹ The purpose of the strategy is to develop a consolidated vision and strategy for improving the AML/CFT regime in Uganda with the ultimate goal of securing Uganda and its citizens from potential damage and havoc arising from ML and TF. Additionally, the strategy aims at safeguarding Uganda from a global emerging risk and threat of proliferation financing. The Uganda MER identified that Uganda does not have a regime to address proliferation financing and recommended that Uganda develops and implements a mechanism to address issues relating to PF.¹²

Despite the several steps taken by the Government of Uganda to curb money laundering the efforts have been challenged because the country's economy is largely cash based. This has facilitated crimes such as corruption and embezzlement, diversion of public funds and bribery which has been a medium of money laundering and has often weakened the implementation of the legal framework on anti-money laundering.

According to different reports, Uganda is ranked among the leading countries in corruption looking at how much money it loses every year due to corruption. It's score has stagnated for the last four years at 26% which now deficients the policy implementation in regards to curbing money laundering.¹³ Corruption in Uganda, as in many parts of the world, is primarily driven by the ambitions of the powerful to sustain their influence and accumulate wealth, whether for personal or political gain. This deeply rooted vice thrives in environments where cash-based economies predominate, making illicit financial transactions difficult to trace and regulate. Beyond economic vulnerabilities, the

¹¹ Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). (2016). Mutual Evaluation Report of Uganda. Retrieved from <https://www.fatf-gafi.org/content/dam/fatf-gafi/fsrb-mer/ESAAMLG-mutual-evaluation-Uganda-2016.pdf.coredownload.inline.pdf>

¹²Ibid.

¹³ Transparency International, Corruption Perceptions Index 2023 (Transparency International 2024) <https://www.transparency.org/en/cpi/2023> accessed 3 May 2025.

persistence of corruption is also attributed to institutional weaknesses, particularly in the legal framework.

Existing legislation, such as Uganda's Anti-Corruption Act, lacks the specificity and severity needed to effectively deter corrupt practices. Although the Act prescribes penalties such as fines and imprisonment, these measures are often insufficient, especially when fines are minimal in comparison to the illicit gains made by corrupt individuals.¹⁴

To combat this, there is an urgent need to strengthen anti-corruption legislation by instituting stricter, well-defined punishments. These should include not only substantial financial penalties that far exceed the value of the ill-gotten gains but also mandatory long-term imprisonment for serious offenses.

Additionally, lifetime bans from holding public office, confiscation of unlawfully acquired assets, and public disclosure of offenders' names should be enforced to reinforce accountability and deter potential offenders. Incorporating provisions for the seizure and repurposing of corruptly obtained wealth to fund public services could further demonstrate a tangible commitment to justice. Only through a combination of stringent, enforceable penalties and transparent judicial processes can the cycle of corruption be meaningfully disrupted and public trust in governance restored.¹⁵

Corruption as one of the cash means that facilitates money laundering which has the potential to weaken the enforcement mechanisms set out under the anti-money laundering laws. The 2021 scientific report by the Inspectorate of Government reveals that Uganda loses 10 trillion shillings due to corruption, citing taxation and procurement as two of the five conduits and facilitators of corruption. This information came to light during a meeting with the Inspector General of Government.¹⁶

Other medium of money laundering in Uganda is cash smuggling. Cash smuggling involves the physical transportation of large sums of money across borders or within a country without declaration or detection. In Uganda, porous borders, weak regulatory frameworks, and limited enforcement capacity have made it easier for criminals to move illicit funds

¹⁴ Anti-corruption act cap 116.

¹⁵ *ibid*

¹⁶ Inspectorate of Government (IGG). (2021). Scientific Report on Corruption in Uganda. Kampala: Government of Uganda. <https://www.ntv.co.ug/ug/news/national/uganda-loses-10-trillion-shillings-to-corruption-taxation-and-procurement-4427866>.

undetected.¹⁷ This movement of cash allows criminals to bypass formal banking systems, making it difficult for authorities to trace the origins of the money.

The trend of cash smuggling not only facilitates domestic money laundering but also connects Uganda to transnational criminal networks. Funds obtained from activities such as corruption, wildlife trafficking, and illegal mining are often smuggled in cash to avoid scrutiny and anti-money laundering (AML) controls.¹⁸ This contributes to the resilience of money laundering operations, as physical cash remains harder to monitor compared to electronic transactions.

Additionally, several cases have been reported relating to money laundering such as the case of Sandus Exchange and Money Transfer and others v FIA¹⁹. The financial intelligence authority ordered for the freeze of the six plaintiffs' money because they were accomplices and participated.

For us to address the persistent problem of money laundering, the adoption of a cashless economy is a viable solution which will address causes of money laundering by detecting the source of income to its utilization

What is a cashless economy? A cashless economy is an economic way where digital transactions are used to make payments and run business other than via cash or coins. The cashless economy mostly involves the use of digital forms through which money can be transferred from one person to another other than holding of the paper money. The cashless economy reduces money laundering because the transactions are traced and tracked and where there is a trace or suspension of money laundering is can easily be identified and blocked unlike in a cash economy where there are no records of it and thus accountability is impossible.

1.2. Statement of the Problem

Between 2013 to 2025, Uganda has been on the FATF grey list twice: that is from 2013 to

¹⁷ Financial Action Task Force. (2021). Anti-money laundering and counter-terrorist financing measures - Uganda: Mutual Evaluation Report. FATF. <https://www.fatf-gafi.org/>

¹⁸ United Nations Office on Drugs and Crime. (2022). Transnational organized crime in Eastern Africa: A threat assessment. UNODC. <https://www.unodc.org/>.

¹⁹ Uganda Legal Information Institute (ULII). Sandus Exchange & Others v. Financial Intelligence Authority. Retrieved from <https://ulii.org> Miscellaneous cause no 154 of 2018.

2017 and from 2020 to 2024 despite its progressive steps to curb money laundering. To prevent any further relapses in the fight against money laundering, it's critical to address the underlying problem of a cash-based economy which has facilitated money laundering and weakened the implementation of the legal framework on money laundering. This can be achieved through the promotion and adaptation of a cashless economy.

The adaption of a cashless economy has been successful in curbing money laundering in different countries. As per GSMA, in 2024, Sub-Saharan Africa held 48% of the world's 835 million mobile money accounts. West Africa led the region with 66 million accounts, followed by East Africa (50M), Central Africa (14M), and Southern Africa (4M). Kenya topped the continent in cashless transactions, with nearly 75% of its population using digital payments driven largely by platforms like M-Pesa making it a model for financial inclusion. Other countries in Africa follow it and these are South Africa, Ghana, and Gabon.²⁰ This is because money can be traced from its origination to final utilization.

Fintech innovations like mobile apps, digital wallets, cryptocurrencies, and online banking have sped up the shift to cashless payments. Countries like Sweden are leading the way—by 2020, only 10% of payments there were in cash, thanks to tools like Swish that enable easy mobile money transfers.²¹

India's fintech sector is growing fast, supported by tools like UPI, which links multiple bank accounts through one app. The India Stack promotes financial inclusion by encouraging fintech innovation. Digital lending is also rising, using data and algorithms to offer fast, low-cost loans compared to traditional banks.²²

Collaboration between regulators and fintech firms is key to shaping effective policies for the future. While fintech can make finance more inclusive, it needs supportive regulations that

²⁰ GSMA. (2024). State of the Industry Report on Mobile Money. Retrieved from <https://www.gsma.com>
<https://businessday.ng/africa/article/top-10-african-countries-adopting-cashless-transactions-by-population/>.

²¹ Riksbank. (2020). Payments in Sweden. Sveriges Riksbank. <https://theconversation.com/how-cashless-societies-can-boost-financial-inclusion-with-the-right-safeguards-199450>.

²² Reserve Bank of India. (2022). UPI and the Digital Payment Revolution in India. RBI Bulletin. <https://theconversation.com/how-cashless-societies-can-boost-financial-inclusion-with-the-right-safeguards-199450>.

encourage innovation, ensure competition, maintain stability, and protect consumers in a cashless economy.²³

China is rapidly becoming a leading cashless society, with Alipay and WeChat dominating mobile payments. These apps, widely used due to smartphone access and a growing middle class, link directly to bank accounts, allowing instant, fee-free transactions by simply scanning QR codes.²⁴

Once the cashless economy is implemented, there will be reduced money laundering transactions because each transaction is tracked through the different means and thus large sums of money cannot circulate around the country. The positive effect of the cashless economy is that the Cashless technologies could be used as assets in the fight against corruption. A cashless economy can help reduce corruption by making all transactions traceable. It limits illegal cash dealings and can significantly curb money laundering. With a fully digital payment system, money flows become transparent whether from aid or investment making it easier to track funds, detect irregularities, and support law enforcement in recovering hidden money.²⁵

1.3 General objective

The general objective of the research is to analyse the effectiveness of anti-money laundering laws in Uganda in curbing money laundering and how it can be enhanced through the adaptation of a cashless economy.

1.3.1 Specific objectives

The objectives of the study are to:

1. To analyse the current legal framework on anti-money laundering in Uganda.
2. To assess the effectiveness of the legal framework in curbing money laundering in Uganda.
3. To identify and critically examine the challenges hindering the effective implementation of Uganda's anti-money laundering legal framework.

²³ Ibid.

²⁴ People's Bank of China. (2023). The Development of Digital Payments in China. <https://globisinsights.com/future-of-work/china-is-leading-by-example-for-cashless-societies-worldwide/>.

²⁵ FATF. (2024). Jurisdictions under Increased Monitoring. Retrieved from <https://www.fatf-gafi.org/https://www.weforum.org/stories/2020/01/benefits-cashless-society-mobile-payments/>.

4. To evaluate the potential of a cashless economy as a strategy for combating money laundering in Uganda

1.4. Research questions.

The questions of the study are;

1. What is the current legal framework on anti-money laundering in Uganda?
2. To what extent does the legal framework in Uganda curb money laundering?
3. What are the challenges hindering the effective implementation of Uganda's anti-money laundering legal framework?
4. What is the potential of a cashless economy as a strategy for combating money laundering in Uganda?

1.5. Scope of study

1.5.1 Thematic scope

The research is founded on curbing money laundering through the use of cashless economy. This entails an evaluation of the anti-money laundering laws to assess their effectiveness and exploring the potential of adopting and implementing a cashless economy to address the underlying and persistent causes of money laundering in Uganda. To succeed in this objective the researcher will analyse how the cashless economy in other jurisdictions has been effectively implemented to curb money laundering and make recommendations on how these practices can be adopted and implemented in Uganda.

1.5.2 Geographical scope.

The research will take place in Kampala specifically with the banks, the FIA and accountable persons. Kampala being the capital city of Uganda, it is densely populated with the recent results of the 2024.

national housing population census reporting a population of 4,051,000 people.²⁶ Additionally, being a capital city there is a lot of economic activities that are cash based and hence a suitable scope for the research.

²⁶ Uganda Bureau of Statistics (UBOS). (2024). National Housing and Population Census 2024: Provisional Results. Kampala, Uganda: UBOS <https://www.ubos.org/wp-content/uploads/2024/12/National-Population-and-Housing-Census-2024-Final-Report-Volume-1-Main.pdf>.

1.5.3 Time scope

This study takes the period between 2013 to 2024. This covers the period when the first anti money laundering laws were enacted and ends in 2024 which covers the latest amendments and enforcement trends on money laundering in Uganda.

1.6. Significance of study.

The significance of the research is to evaluate the effectiveness of the anti-money laundering laws in Uganda and explore the potential of adapting the cashless economy as a means of addressing the underlying cause of money laundering in Uganda that has been persistent despite the progressive steps as discussed above.

This research helps different accountable persons, other researchers, people in academia, the regulators and even the government to embrace and implement the cashless economy as a means of curbing money laundering.

The research will help in understanding how the cashless economy works and how it can effectively be implemented to curb money laundering practices in Uganda.

1.7. Justification of the Study.

This research is critical as it supports Uganda's strategy to strengthen its anti-money laundering policies given its recent removal from the FATCA grey list. One of the challenges that have hindered the effective implementation of the anti-money laundering laws and policies is because the Ugandan economy is largely cash based. This research aims to address the potential of adopting the cashless economy as a means of addressing the underlying causes of money laundering in Uganda. According to the evaluation report on money laundering in Uganda. it was highlighted that money laundering is conducted through various means including through bank institutions, gambling, smuggling of cash, professionals such as lawyers and accountants and shell companies.²⁷ All the above means are aided by the cash economy and thus, the adoption and implementation of a cashless economy has the potential to address the above underlying factors that facilitate money laundering hence becoming a lasting solution in the fight against money laundering.

A major obstacle to curb money laundering is collusion with corrupt officials. Other challenges may include lack of information, limited resources, inadequate expertise, and poor enforcement

²⁷ <https://www.fatf-gafi.org/content/dam/fatf-gafi/fsrb-mer/ESAAMLG-mutual-evaluation-Uganda-2016.pdf.coredownload.inline.pdf>

of anti-money laundering laws.²⁸ This research will therefore provide further insight on curbing money laundering through adopting a cashless economy which is aimed at strengthening the anti-money laundering framework in Uganda.

1.8. Literature Review.

1.8.1 The current legal framework on anti-money laundering in Uganda.

Uganda's efforts to combat money laundering were first reviewed by the World Bank in February 2005 through the Financial Sector Assessment Program. The results were documented in a mutual evaluation report, which was later reviewed by the Eastern and Southern Africa Anti-Money Laundering group. The report identified loopholes in Uganda's AML/CFT framework. Uganda was listed among the jurisdictions required to be subjected to periodic review and remedial measures to improve her AML/ CFT problems i.e. grey listing. In February 2014, Uganda came up with an action plan to improve the framework. To address this, they passed the Anti-Money Laundering (Amendment) Act 2017 to address these issues.²⁹

The Anti-Money Laundering Act (AMLA) was initially enacted to provide mechanisms for detecting, preventing, and punishing the laundering of proceeds derived from criminal activity. Its provisions emphasize reporting obligations for financial institutions, customer due diligence, record-keeping, and the establishment of financial intelligence units.³⁰

Subsequent amendments to the Act have sought to align domestic legislation with international AML standards. These amendments have expanded the scope of reporting entities, introduced stricter penalties, and incorporated provisions for regulating new technologies such as electronic money and digital financial services. As noted by Radu (2021), many jurisdictions have also broadened the definition of predicate offences to include tax evasion, corruption, and cybercrime, reflecting the dynamic nature of financial crime.³¹

However, despite these legislative improvements, challenges persist in enforcing the law effectively. Weak implementation mechanisms, limited investigative capacity, and the

²⁸ <http://makir.mak.ac.ug/handle/10570/6106>.

²⁹ https://www.ensafrica.com/uploads/newsarticles/0_uganda%20aml%20cft%20landscape%202014%202021%20pitfalls%20and%20successes.pdf.

³⁰ Financial Action Task Force. (2023). International standards on combating money laundering and the financing of terrorism & proliferation: The FATF recommendations. FATF. <https://www.fatf-gafi.org/>

³¹ Radu, R. (2021). The politics of combating money laundering in developing economies. Journal of Financial Crime. <https://www.emeraldgrouppublishing.com/journal/jfc>.

persistence of informal financial systems often undermine the effectiveness of these legal provisions.³²

Following the enactment of the Anti-Money Laundering Act (AMLA), 2013, the Financial Intelligence Authority (FIA) was established on July 1, 2014. Various institutional bodies play crucial roles in the enforcement of AML laws. Key among these is the Financial Intelligence Units (FIUs), national police, central banks, and anti-corruption commissions. FIUs are mandated to receive, analyse, and disseminate suspicious transaction reports to relevant law enforcement agencies. According to the FATF (2023), the effectiveness of these units is closely tied to their operational independence and access to timely financial data.³³

Uganda has established a multi-institutional framework to address the threats posed by money laundering and terrorism financing. Several statutory bodies have been mandated through various legislative instruments to implement and enforce Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) measures.

The Financial Intelligence Authority (FIA) is the principal institution responsible for preventing and combating money laundering and terrorism financing in Uganda. Established under the Anti-Money Laundering Act, 2013 (as amended), the FIA operates as an autonomous body tasked with receiving, analysing, and disseminating financial intelligence to competent authorities. The Act mandates the FIA to monitor compliance with AML/CTF laws, issue directives to reporting entities, and collaborate with domestic and international counterparts. Additionally, the FIA is empowered to freeze suspicious transactions and conduct inspections of reporting institutions to ensure regulatory compliance.³⁴

The Bank of Uganda (BoU), as the country's central bank, plays a regulatory and supervisory role over financial institutions, ensuring adherence to AML/CTF obligations. The Financial Institutions Act empowers the BoU to issue guidelines on risk management and reporting procedures for financial institutions. Through its regulatory mandate, the BoU conducts

³² Unger, B., & Ferwerda, J. (2022). *Combating money laundering and terrorism financing: A model for assessing risk and effectiveness*. Edward Elgar Publishing. https://www.e-elgar.com/shop/gbp/combating-moneylaunderingandterrorismfinancepastandcurrentchallenges9781849807517.html?srsId=AfmBOoqVwmMFKgcTkkrVR6QRR_fAKOjV93ATzo3meUePsgWcMlScXTk.

³³ *Supra.* (note 30).

³⁴ Section 18 and 19 of the anti-money laundering act caps 118

inspections, enforces compliance, and works closely with the FIA to address suspected money laundering activities within the banking sector.³⁵

The Uganda Revenue Authority (URA), established under the Uganda Revenue Authority Act, 1991, is responsible for tax administration and enforcement. Its mandate extends to investigating financial crimes linked to tax evasion and illicit financial flows, which are often causes of money laundering. Under the Anti-Money Laundering Act, the URA is recognized as a competent authority obliged to share relevant financial information with the FIA and other law enforcement bodies.³⁶

The Capital Markets Authority (CMA), established under the Capital Markets Authority Act, regulates Uganda's capital and securities markets. The CMA ensures that investment firms, stock exchanges, and brokers implement appropriate AML/CTF policies, risk management procedures, and reporting systems to prevent financial crimes. The CMA collaborates with the FIA by forwarding suspicious transaction reports and participating in national AML/CFT strategy initiatives.³⁷

The Insurance Regulatory Authority of Uganda (IRAU), created under the Insurance Act, supervises the insurance sector to maintain the integrity of financial markets. The IRAU mandates insurance companies and intermediaries to implement internal controls, perform customer due diligence, and report suspicious activities in line with AML/CTF requirements. It works in coordination with the FIA and other regulators to identify vulnerabilities in the insurance sector.³⁸

The Directorate of Public Prosecutions (DPP) is a critical prosecutorial authority in Uganda's AML/CTF framework. The Office of the DPP, established under Article 120 of the Constitution of the Republic of Uganda, and is responsible for prosecuting criminal offences, including those related to money laundering and terrorism financing. The DPP collaborates with investigative agencies, the FIA, and regulatory bodies to bring offenders to justice and recover proceeds of crime.³⁹

³⁵ Financial institutions act cap 57.

³⁶ Anti-money laundering act cap 118.

³⁷ Section 5 of the capital markets authority act cap 64

³⁸ Section 5 of the insurance act cap 191.

³⁹ Article 120 of the 1995 constitution of Uganda as amended.

Uganda is an active member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a regional body that promotes the implementation of international AML/CFT standards. ESAAMLG operates in line with the Financial Action Task Force (FATF) recommendations, providing a platform for peer review and technical assistance⁴⁰.

In practice, however, the performance of these institutions has been mixed. In many jurisdictions, including developing economies such as Uganda, institutional weaknesses such as resource constraints, lack of technical expertise, and political interference hinder their effectiveness.⁴¹

The reviewed literature underscores notable gaps in both the legal and institutional frameworks for combating money laundering. Despite the existence of comprehensive laws and multiple enforcement bodies, enforcement remains inconsistent and often ineffective. Key gaps include insufficient adaptation to emerging technologies, weak inter-agency coordination, and the politicization of AML enforcement processes. These deficiencies justify the need for further research into the practical challenges of AML enforcement and policy implementation. As Unger and Ferwerda (2022) suggest, empirical studies focusing on institutional performance, regulatory weaknesses, and the influence of political dynamics can offer valuable insights into improving AML regimes. The findings from this literature review align with the central concerns of this study, reinforcing its relevance and necessity.⁴²

1.8.2 The effectiveness of the legal framework on curbing money laundering in Uganda.

A notable strength of Uganda's anti-money laundering framework is its alignment with international AML/CFT standards. The AMLA, together with its amendments, embodies many of the FATF's 40 Recommendations by establishing criminalization, preventive measures, and powers for competent authorities. Additionally, the creation of the FIA as an independent

⁴⁰ Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). (2023). About ESAAMLG. <https://www.esaamlg.org/>

⁴¹ Levi, M., & Reuter, P. (2009). Money laundering, *Crime and Justice*, 34(1), 289–375. <https://www.scirp.org/reference/referencespapers?referenceid=3825313>.

⁴² Unger, B., & Ferwerda, J. (2022). *Combating money laundering and terrorism financing: A model for assessing risk and effectiveness*. Edward Elgar Publishing. https://www.e-elgar.com/shop/gbp/combating-moneylaunderingandterrorismfinancepastandcurrentchallenges9781849807517.html?srsId=AfmBOoqVwmMFKgcTkIkrVR6QRR_fAKOjV93ATzo3meUePsgWcMlScXTk.

regulatory and supervisory authority has enhanced financial intelligence operations and inter-agency cooperation.⁴³

Another key strength is Uganda’s commitment to regional cooperation through ESAAMLG, enabling the country to access technical support, training, and peer evaluation mechanisms. This has led to gradual improvements in institutional capacity, legal reforms, and public awareness of money laundering risks.⁴⁴ Furthermore, Uganda’s introduction of asset recovery provisions and cross-border information exchange protocols demonstrates a proactive approach toward international AML obligations.

Despite these developments, several limitations undermine the effectiveness of Uganda’s legal framework in curbing money laundering. One significant challenge is the limited enforcement capacity of AML regulatory and investigative agencies. According to Walugembe (2020), while the FIA and other authorities have statutory powers to investigate and prosecute money laundering offenses, they are constrained by inadequate resources, lack of skilled personnel, and insufficient inter-agency coordination. As a result, few cases are prosecuted successfully, and the detection of complex laundering schemes remains difficult.⁴⁵

The AMLA also imposes stringent obligations on non-profit organizations (NPOs), classifying them as “accountable persons” subject to extensive reporting, registration, and compliance requirements. The Defenders Protection Initiative (2021) criticized this approach, arguing that it restricts civic space and contravenes FATF’s own risk-based recommendation for handling NPOs. The uniform application of compliance measures without distinguishing between low and high-risk entities leads to operational challenges, particularly for resource-constrained organizations.⁴⁶

⁴³ Defenders Protection Initiative. (2021). A report on anti-money laundering and counter-terrorism financing (AML/CTF) laws: An examination of their impact on civic space in Uganda.

<https://www.defendersprotection.org/portfolio/a-report-on-anti-money-laundering-and-counter-terrorism-financing-aml-ctf-laws-an-examination-of-their-impact-on-civic-space-in-uganda/>

⁴⁴ International Monetary Fund. (2024). Uganda: Strengthening the anti-money laundering and combating the financing of terrorism (AML/CFT) regime. <https://www.elibrary.imf.org/view/journals/029/2024/033/article-A001-en.xml>

⁴⁵ Walugembe, T. (2020). The Serwamba case: Achieving Uganda’s first successful money laundering convictions. Basel Institute on Governance. <https://baselgovernance.org/publications/case-study-1-serwamba-case-achieving-ugandas-first-successful-money-laundering>

⁴⁶ Supra. (note 43).

Another limitation lies in Uganda's slow adoption of a comprehensive risk-based approach. As noted by Semakula (2016), Uganda's legal framework applies a largely rule-based model, focusing on prescriptive requirements rather than assessing and mitigating specific money laundering risks. This has resulted in the inefficient allocation of enforcement resources and insufficient attention to high-risk sectors such as real estate, casinos, and emerging virtual assets.⁴⁷

Further, Uganda's financial institutions face operational difficulties in implementing AML compliance obligations. Nakate (2018) observed that commercial banks encounter significant costs in adopting CDD, transaction monitoring systems, and staff training, often without corresponding support from regulatory bodies. The absence of advanced technological infrastructure and reliable data-sharing platforms exacerbates these challenges, increasing the likelihood of inadvertent non-compliance and undermining effective detection mechanisms.⁴⁸

The Serwamba case marked Uganda's first successful money laundering conviction and serves as an important indicator of both progress and limitations in AML law enforcement. In this case, Serwamba and co-accused persons were convicted of laundering proceeds of theft from the Uganda Revenue Authority (URA). Walugembe (2020) notes that the conviction was a landmark in demonstrating the operational potential of Uganda's AML legal framework. However, it also exposed systemic weaknesses, including limited investigative capacity, weak asset recovery procedures, and procedural delays in prosecutorial processes.⁴⁹

Uganda's AML framework faces growing challenges from evolving laundering typologies, notably the rise of cryptocurrencies and informal money transfer systems. Zagaris (2020) warns that virtual assets offer anonymity, speed, and cross-border functionality, making them attractive tools for laundering illicit funds. Although the FIA issued guidelines for virtual asset

⁴⁷ Semakula, M. (2016). *Combating money laundering in Uganda: Challenges and policy options*. Kampala: Makerere University Press. Anti money laundering and counter terrorist financing measures Uganda Mark SEMAKULA https://www.academia.edu/28978935/Anti_money_laundering_and_counter_terrorist_financing_measures_Uganda_Mark_SEMAKULA.

⁴⁸ Nakate, N. M. S. (2018). *Critical analysis of the impact of the anti-money laundering act on commercial banks in Uganda* [Master's thesis, Kampala International University]. <https://ir.kiu.ac.ug/items/6c841183-9cd8-4576-bbbc-08f314c49be0>.

⁴⁹ Supra (note 45)

service providers (VASPs) in 2022, regulatory coverage and technical expertise remain limited, leaving gaps in supervision and enforcement.⁵⁰

The literature suggests several reforms to enhance the effectiveness of Uganda's AML framework. First, strengthening the institutional capacity of the FIA, Directorate of Public Prosecutions, and law enforcement agencies through increased funding, specialized training, and modern investigative tools is essential. Second, the AMLA should be amended to adopt a risk-based approach in line with FATF recommendations, prioritizing high-risk sectors and entities while reducing undue burdens on low-risk NPOs and financial institutions.⁵¹

Third, Uganda should develop a national AML strategy that integrates emerging threats, such as virtual assets and trade-based laundering, with clear guidelines for regulatory agencies and reporting entities. Finally, improving inter-agency collaboration, data-sharing mechanisms, and public-private partnerships can enhance the overall efficiency and responsiveness of AML enforcement.⁵²

The adoption of a cashless economy has been proposed as a strategic measure to enhance the effectiveness of anti-money laundering (AML) frameworks. A cashless economy, characterized by the predominance of electronic financial transactions, offers significant advantages in the detection, tracking, and prevention of money laundering activities. Unlike cash transactions, electronic payments create digital footprints that can be monitored and analysed by financial intelligence units and regulatory authorities.⁵³ This transparency enables the timely identification of suspicious financial patterns, such as unusually large transfers, layering schemes, and fund movements across jurisdictions, which are often indicative of money laundering attempts.

Moreover, digital financial systems facilitate the automation of compliance processes, including Know Your Customer (KYC) and transaction monitoring protocols. These automated systems are equipped with algorithms that can track irregular behaviour in real-time, allowing

⁵⁰ Zagaris, B. (2020). *International white-collar crime: Cases and materials*. Cambridge University Press.

<https://www.amazon.com/International-White-Collar-Crime-Zagaris/dp/1107519721>.

⁵¹ Supra. (note 43)

⁵² Ibid.

⁵³ "enhancing anti-money laundering efforts with ai and ml a comprehensive approach to financial crime prevention", *ijnrd - international journal of novel research and development* (www.ijnrd.org), ISSN:2456-4184, Vol.6, Issue 9, page no.14-19, September 2021, Available :<https://ijnrd.org/papers/IJNRD2109003.pdf>.

institutions to act swiftly in investigating and reporting potential laundering cases.⁵⁴ Consequently, this streamlining of the investigative process not only improves detection but also ensures that available resources are used more efficiently and effectively.

Additionally, the integration of blockchain technology and fintech innovations in a cashless framework provides further safeguards by enabling secure, immutable records of transactions. These technological advancements significantly reduce the risks of tampering and fraud, which are prevalent in cash-based systems.⁵⁵ Therefore it reduces opportunities for anonymity and increases traceability. A cashless economy serves as a deterrent to criminal actors seeking to exploit financial systems for laundering purposes.

In conclusion, transitioning to a cashless economy can significantly strengthen anti-money laundering efforts by enhancing transaction transparency, streamlining investigative processes, and enabling more effective use of resources. This shift addresses the previously identified weakness in AML mechanisms, paving the way for a more robust and accountable financial system.

1.8.3 The challenges hindering the effective implementation of the anti-money laundering framework.

Despite the establishment of comprehensive anti-money laundering (AML) frameworks, their effective implementation remains with challenges. This section explores the challenges to AML enforcement, emphasizing the role of cash-based economies in facilitating financial crimes, the obstacles faced by enforcement bodies, and the existing gaps that necessitate further research.

Cash-based economies are particularly susceptible to money laundering due to the anonymity and untraceability of cash transactions. In regions where cash dominates, financial institutions often lack the capacity to monitor and report suspicious activities effectively. Mynhardt and Marx (2013) highlight that in West African countries, the prevalence of cash transactions and

⁵⁴ FATF. (2022). Digital transformation of AML/CFT for operational agencies. Financial Action Task Force. <https://www.fatf-gafi.org>

⁵⁵ Houben, R., & Snyers, A. (2018). Cryptocurrencies and blockchain: Legal context and implications for financial crime, money laundering and tax evasion. European Parliament. https://scholar.google.com/citations?view_op=view_citation&hl=en&user=yTMxgiQAAAAJ&citation_for_view=yTMxgiQAAAAJ:0EnyYjriUFMC.

limited financial infrastructure hinder the implementation of AML measures.⁵⁶ Similarly, Lebanon's reliance on cash following its banking sector collapse has exacerbated money laundering risks, leading to its placement on the Financial Action Task Force's (FATF) "grey list".⁵⁷

The challenges in cash-based economies are further compounded by the limited reach of formal financial institutions, making it difficult to enforce AML regulations. Moshi (2012) notes that the dominance of cash transactions and the narrowness of the financial sector in such economies create an environment conducive to money laundering. Consequently, criminals exploit these vulnerabilities to launder proceeds from various illicit activities, including drug trafficking and corruption.⁵⁸

Enforcement agencies encounter numerous obstacles in combating money laundering. A significant challenge is the lack of coordination among government agencies, which weakens AML regimes. The International Monetary Fund (IMF) observed that ineffective law enforcement, insufficient resources, and poor inter-agency collaboration hinder the investigation and prosecution of money laundering cases.⁵⁹

Resource constraints are particularly evident in developing countries. For instance, Uganda's Financial Intelligence Authority (FIA) and Bank of Uganda (BoU) face challenges due to understaffing and manual supervisory processes, limiting their capacity to conduct effective AML oversight.⁶⁰ Additionally, the complexity of AML legislation, as seen in the European

⁵⁶ Mynhardt, R. H., & Marx, J. (2013). Anti-money laundering recommendations for cash-based economies in West Africa. *Corporate Ownership & Control*, 11(1-1), 24-32. <https://doi.org/10.22495/cocv11i1conf1p3>

⁵⁷ Financial Times. (2024). Lebanon placed on global money-laundering 'grey list'. Retrieved from <https://www.ft.com/content/9b721d62-cef4-42b0-b80e-50b1683a68a6>

⁵⁸ Moshi, H. P. B. (2012). Implications of cash-dominated transactions for money laundering. ISS Africa. Retrieved from <https://issafrica.org/research/situation-reports/implications-of-cash-dominated-transactions-for-money-laundering>.

⁵⁹ International Monetary Fund. (2005). Chapter 8 Assessing Financial System Integrity—Anti-Money Laundering and Combating the Financing of Terrorism. Retrieved from <https://www.elibrary.imf.org/view/book/9780821364321/ch08.xml>

⁶⁰ International Monetary Fund. (2024). Uganda: Strengthening the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regime. Retrieved from <https://www.elibrary.imf.org/view/journals/029/2024/033/article-A001-en.xml>

Union's Fourth Anti-Money Laundering Directive (AMLD4), poses implementation difficulties for member states, leading to inconsistent enforcement across jurisdictions.⁶¹

Technological advancements have also introduced new challenges. Criminals leverage emerging technologies such as cryptocurrencies and decentralized finance platforms to obscure the origins of illicit funds, outpacing the capabilities of regulators and enforcement agencies.⁶² Moreover, limited data sharing and lack of inter-agency collaboration impede the detection of complex money laundering schemes.⁶³

Despite existing research, several gaps persist in understanding and addressing the challenges in AML implementation. There is a need for comprehensive studies focusing on the unique obstacles faced by cash-based economies in enforcing AML measures. While literature acknowledges the susceptibility of such economies to money laundering, there is limited empirical research on effective strategies tailored to these contexts.

Furthermore, the role of non-financial institutions and informal sectors in facilitating money laundering in cash-based economies remains underexplored. Given the significant volume of transactions occurring outside formal financial systems, understanding these dynamics is crucial for developing holistic AML strategies.

Additionally, the impact of technological innovations on money laundering practices necessitates continuous research. As criminals adopt sophisticated methods to launder money, enforcement agencies must adapt accordingly. Studies examining the effectiveness of current AML frameworks in addressing technological challenges are essential for informing policy and regulatory reforms.

The effective implementation of AML frameworks is impeded by various factors, including the prevalence of cash-based economies, resource constraints, legislative complexities, and technological advancements. Addressing these challenges requires a multifaceted approach,

⁶¹ European Court of Auditors. (2021). Special report: EU anti-money laundering policy. Retrieved from <https://op.europa.eu/webpub/eca/special-reports/fight-money-laundering-13-2021/en/>

⁶² Dilisense. (2024). Impact of Money Laundering: Challenges and Solutions. Retrieved from <https://dilisense.com/en/insights/how-does-money-laundering-work>

⁶³ Fortwall Advisors. (2024). Understanding the Challenges in Current Anti-Money Laundering Frameworks. Retrieved from <https://www.fortwalladvisors.com/post/understanding-the-challenges-in-current-anti-money-laundering-frameworks>

encompassing capacity building, inter-agency collaboration, and continuous research to adapt to evolving money laundering tactics.

A transition to a cashless economy offers promising opportunities to mitigate the weaknesses inherent in current AML enforcement. Primarily, digital transactions create traceable and verifiable records, making it more difficult for illicit funds to be disguised or concealed. This digital footprint allows for real-time monitoring and analysis, enhancing the transparency of financial flows.⁶⁴

Furthermore, data integration and automation enabled by digital payment systems improve inter-agency collaboration and information sharing. When transactions are processed through centralized or blockchain-based systems, regulators can more easily access and cross-reference financial data, improving detection capabilities.

The adoption of artificial intelligence (AI) and machine learning (ML) in cashless platforms also supports predictive analytics, identifying suspicious patterns with greater speed and accuracy than traditional systems. This helps overcome the limitations of outdated technologies and understaffed FIUs by automating part of the monitoring process.

Lastly, legal and policy reforms necessitated by the shift to a digital economy provide an opportunity to strengthen institutional frameworks. Governments can establish clearer AML regulations tailored to digital finance, invest in the upskilling of law enforcement, and enforce stricter compliance requirements on financial service providers.

The current weaknesses in anti-money laundering implementation ranging from opaque cash transactions to fragmented oversight pose serious risks to the integrity of financial systems. However, a carefully implemented cashless economy has the potential to address these shortcomings through increased transparency, better data analytics, and more robust regulatory oversight. While challenges remain, the benefits of such a transition make it a strategic tool in the global fight against money laundering.

⁶⁴PwC. (2022). The future of AML: Fighting financial crime in a digital world. PricewaterhouseCoopers. <https://www.pwc.com/m1/en/publications/documents/2024/the-future-of-crime-eng.pdf>.

1.8.4 The potential of a cashless economy in curbing money laundering

The adoption of cashless economies has increasingly been proposed as a strategic tool for combating money laundering challenges in Africa, especially in response to the rapid growth of technology, financial exclusion, and institutional corruption. Several studies have explored how transitioning from cash-based to digital financial systems can strengthen anti-money laundering (AML) frameworks.

While technology has introduced sophisticated avenues for laundering money, particularly through anonymous electronic payment systems and online platforms, a regulated cashless economy improves transaction monitoring and traceability.⁶⁵ Digital transactions leave electronic footprints that financial institutions and regulators can track, making it harder for criminals to conceal illicit funds. According to the Financial Action Task Force, digital payment systems equipped with AML-compliant monitoring tools can effectively detect and disrupt layering stages of money laundering, particularly in cross-border transactions.⁶⁶

Financial exclusion contributes significantly to money laundering by forcing vulnerable populations to rely on informal cash-based systems that operate outside government oversight. A study by Mburu and Ondiek (2021) in Kenya revealed that mobile money platforms like M-Pesa have helped formalise financial transactions among rural and low-income populations, reducing the informal economy's attractiveness for laundering proceeds of crime.⁶⁷

Digital financial services expand access to safe, regulated, and affordable financial products, thereby limiting the use of unregulated cash-based channels.⁶⁸ Notably, 96% of Kenyan households have at least one member using mobile money regularly, significantly reducing reliance on cash transactions.⁶⁹ The platform's implementation of Know Your Customer (KYC)

⁶⁵ Arthur, Kingsley K. et al. (2024): Financial crimes in Africa and economic growth: Implications for achieving Sustainable Development Goals (SDGs), AGDI Working Paper, No. WP/24/029, African Governance and Development Institute (AGDI), Yaoundé <https://www.econstor.eu/bitstream/10419/303207/1/1902520122.pdf>.

⁶⁶ Financial Action Task Force (FATF). (2020). Digital transformation of AML/CFT. <https://www.fatf-gafi.org/media/fatf/documents/reports/Digital-transformation-AML-CFT.pdf>

⁶⁷ Mburu, N., & Ondiek, C. (2021). Effectiveness of mobile money services in curbing money laundering activities in Kenya. *Journal of Finance and Accounting*, 9(2), 19-29. <https://doi.org/10.11648/j.jfa.20210902.11>

⁶⁸ Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution. World Bank. <https://doi.org/10.1596/978-1-464812590>

⁶⁹ Vanguard News. (2024). 96% of Kenyan households use mobile money regularly. Vanguard News. <https://www.vanguardngr.com/2024/01/96-of-kenyan-households-use-mobile-money-regularly>.

protocols, requiring users to register with national identification numbers, has enhanced transaction traceability, thereby mitigating ML risks.⁷⁰

Corruption undermines AML enforcement in many African countries by enabling criminals to collude with officials and exploit regulatory loopholes. Digital payment systems introduce automated transaction records and audit trails, limiting opportunities for under-the-table cash dealings. In Nigeria, Ojo (2021) observed that government adoption of e-payment systems in public finance management significantly reduced opportunities for bribery and embezzlement by providing transparent transaction histories that could be independently audited.⁷¹

Money laundering often involves moving illicit funds across jurisdictions. Cash-based economies pose a challenge to international cooperation due to the difficulty in tracing physical cash movements. Cashless financial systems, however, facilitate data sharing between national Financial Intelligence Units (FIUs), strengthening cross-border AML collaboration⁷². In South Africa, Viljoen and Makina (2021) noted that the integration of digital financial services with international AML protocols improved the country's capacity to track and intercept suspicious cross-border financial flows.⁷³

Despite the benefits, the adoption of digital finance presents certain risks and challenges. Cybersecurity threats, such as hacking and data breaches, pose significant concerns, potentially compromising sensitive financial information. Additionally, the rapid proliferation of fintech platforms may outpace regulatory frameworks, leading to regulatory gaps and potential exploitation by illicit actors. In Nigeria, for example, the Central Bank's ban on cryptocurrency

⁷⁰ IntaSend. (2023). Money Laundering in Kenya - the Role of Digital Payments. Retrieved from [https://intasend.com/payments/money-laundering-in-kenya-the-role-of-digital-payments/\(Intasend Payment Gateway\)](https://intasend.com/payments/money-laundering-in-kenya-the-role-of-digital-payments/(Intasend%20Payment%20Gateway))

⁷¹ Ojo, A. (2021). E-payment systems and anti-corruption reforms in Nigeria: Opportunities and limitations. *Journal of African Governance and Development*, 8(1), 6580. https://www.researchgate.net/publication/336130296_e-Governance_and_Anti_Corruption_War_in_Africa_The_Nigeria_Experience.

⁷² FATF (Financial Action Task Force). (2020). FATF Recommendations. Retrieved from <https://www.fatf-gafi.org>

⁷³ Viljoen, K., & Makina, D. (2021). Anti-money laundering effectiveness in South Africa's digital financial services sector. *South African Journal of Economic and Management Sciences*, 24(1), a3863. <https://doi.org/10.4102/sajems.v24i1.3863>

transactions in 2021 highlighted the challenges regulators face in keeping pace with fintech innovations.⁷⁴

Furthermore, the reliance on digital infrastructure may exclude populations in regions with limited internet connectivity or technological literacy, potentially creating disparities in financial access. In Nigeria, the introduction of redesigned currency notes and limits on large cash withdrawals led to a severe cash shortage, impacting the ability of people to purchase necessities and forcing many businesses to shut down, illustrating the challenges of transitioning to a cashless economy in cash-dependent societies.⁷⁵

To support the shift towards cashless economies, several countries have implemented legal reforms aimed at strengthening AML frameworks and regulating digital financial services. In South Africa, the Financial Sector Conduct Authority (FSCA) has augmented its staff and investigations to combat money laundering and terrorist financing, following criticism from the Financial Action Task Force (FATF). The FSCA's budget for the 2023-24 fiscal year has been tripled compared to the previous year to support these efforts, and supervisory activities have surged by 300%.⁷⁶

In Nigeria, the Central Bank has granted Flutter wave, a leading fintech company, the country's highest payment processing license, allowing it to process transactions between banks and cards without intermediaries. This regulatory approval signifies a commitment to integrating fintech innovations within the formal financial system, thereby enhancing AML efforts.

As globalization and digital transformation redefine financial systems globally, many African nations are strategically transitioning towards a cashless economy to enhance financial transparency and combat illicit financial activities, particularly money laundering. Given the significant shift to adopting a cashless economy by countries like Kenya, Nigeria, and Rwanda, it is critical for Uganda to leverage policies and practices from these countries. Uganda's

⁷⁴ The Business & Financial Times. (2024). Of central banks and driving fintech innovation in Africa. Retrieved from <https://thebftonline.com/2024/11/12/of-central-banks-and-driving-fintech-innovation-in-africa/>(The Business & Financial Times)

⁷⁵ AP News. (2023). Nigeria sees cash shortage amidst push for redesigned currency. Retrieved from <https://apnews.com/article/79af9efa63c7f7d41913f4f8bb63db5f>(AP News)

⁷⁶ Reuters. (2024). South Africa's financial conduct regulator bulking up to address deficiencies. Retrieved from <https://www.reuters.com/world/africa/south-africas-financial-conduct-regulator-bulking-up-address-deficiencies-2024-02-29/>(Reuters)

financial system must evolve accordingly not only to curtail money laundering but also to remain competitive and attractive for investment in East Africa.

Kenya's pioneering success with M-Pesa, a mobile money platform, has demonstrated how digitized financial services can increase financial inclusion while enabling effective anti-money laundering (AML) measures. Through enhanced traceability and strict Know Your Customer (KYC) requirements, Kenya has improved transaction monitoring and reduced illicit cash flows (GSMA, 2022).⁷⁷ Similarly, Nigeria's Cashless Policy Initiative, implemented by the Central Bank of Nigeria, imposed limits on cash withdrawals and promoted digital alternatives. This policy has resulted in better financial reporting and has curtailed large-scale untraceable cash transactions (Central Bank of Nigeria, 2021).⁷⁸

Rwanda has taken a comprehensive approach by integrating cashless platforms into public service payments. The government's Irembo platform allows citizens to access over 100 services online. Moreover, tax incentives for merchants who accept mobile payments and a VAT refund scheme for small businesses have incentivized the shift from cash to digital transactions. Rwanda's approach has improved public revenue collection, reduced corruption, and enhanced AML compliance (Rwanda Revenue Authority, 2021).⁷⁹

These developments serve as valuable lessons for Uganda. They show that a strong political will, supported by inclusive digital infrastructure and well-aligned regulatory frameworks, can shift a country toward transparency, ultimately helping to curb financial crimes.

Uganda's current Anti-Money Laundering (AML) framework, under the Anti-Money Laundering Act (2013), is robust in principle but requires digital reinforcement. The Financial Intelligence Authority (FIA) has made progress in monitoring mobile money and bank transactions. However, widespread use of cash in rural areas and weak integration between regulatory and financial institutions continue to present loopholes for money laundering.⁸⁰

Uganda must now recognize that the cashless transformation is no longer optional but essential. By aligning its financial policies with regional best practices, Uganda can enhance transaction

⁷⁷ GSMA. (2022). The mobile economy Sub-Saharan Africa 2022. <https://www.gsma.com>

⁷⁸ Central Bank of Nigeria. (2021). Cashless policy overview. <https://www.cbn.gov.ng>

⁷⁹ Rwanda Revenue Authority. (2021). Digital tax collection and incentives. <https://www.rra.gov.rw>

⁸⁰ FIA (Financial Intelligence Authority Uganda). (2023). Annual report 2022/2023. <https://www.fia.go.ug>

transparency, reduce physical cash-related risks, and increase international investor confidence, adopt regulatory sandboxes to safely test digital financial innovations under the supervision of the Bank of Uganda and the FIA similar to Kenya's model.

Implement transaction caps and encourage digital payments by removing or rationalizing mobile money taxes that discourage usage, integrate public services (e.g., tax, licensing, and government fees) with mobile money and digital platforms to create traceable financial flows, enhance public trust through digital literacy campaigns, cybersecurity improvements, and customer protection frameworks. By doing so, Uganda will not only modernize its AML regime but also boost regional competitiveness and economic resilience.

1.9. Methodology.

1.9.1 Introduction

This chapter outlines the methods used in the study. The research adopts a doctrinal approach, focusing on legal analysis and comparing laws governing cashless economies and anti-money laundering in different countries. Case law will also be referenced to support the analysis.

Primary sources used include the 1995 Constitution of Uganda (as amended), relevant statutes, and law reports. These provide original, in-depth legal information. Secondary sources include journals, articles, and publications from institutions such as the Bank of Uganda, Ministry of Finance, Financial Intelligence Authority, the World Bank, and the IMF, as well as academic works like theses and dissertations from other researchers.

A narrative literature review is used due to the limited number of existing studies on Uganda's cashless economy. Literature was drawn from Google Scholar, news articles, journals, reports, websites, and official government documents to build a comprehensive understanding and propose a standardized regulatory framework for Uganda.

The study also uses historical research to trace the evolution of cash usage in Uganda. This includes reviewing materials like budget speeches, ministerial instruments, cabinet papers, draft laws, press releases, older legislation, Hansards, and past case law. These sources help provide a deeper, contextual understanding of the current legal landscape and highlight the need for reform.

Overall, multiple methodologies are employed each chosen to fit the research's focus on evaluating laws, policies, and ethical principles. Using different methods ensures a balanced, credible, and well-supported analysis. Helps trace the development of concepts, laws, or

institutions over time. It is justified when understanding the origin and evolution of an issue is necessary to explain its current form or relevance. Focuses on analysing legal rules, statutes, and case law, essential for clarifying the current state of the law and is justified when research involves interpretation or application of legal texts. Primary sources provide original material such as legislation, court decisions, or historical documents. They are crucial for accuracy and authority. Secondary sources, such as scholarly commentary and analysis, offer interpretation and critique. Both enhance understanding.

1.10. outline of chapters.

Chapter One: Gives an overview of the introduction, research problem, as readers get along with the background information for the research reported in the paper. The main purpose is to look at a framework for the focus of the research topic, it has the background, statement of the problem, the methodology, significance, justification, literature review and the scope of the research.

Chapter Two: Addresses the history of cash in Uganda to show the developments of the country's cashless economy at different intervals. It explains what cashless economy entails, evolution of the cashless economy globally. The adoption/ implementation of the cashless economy in Africa. The use of cashless economy in curbing anti money laundering. Overall, this chapter analyses how adopting the cashless economy in Uganda can potentially curb money laundering in Uganda.

Chapter Three: Examines the relevant authorities and the legal framework of cashless economy from domestic and international perspective and their potential contribution to the development of a cashless economy in Uganda.

Chapter four: Assesses the summary of findings from each chapter, recommendations obtained from the research and then the conclusion.

CHAPTER TWO

2.0 Introduction.

This chapter addresses the history of cash in Uganda to show the developments of the country's cashless economy at different intervals. It explains what cashless economy entails, evolution of the cashless economy globally. The adoption/ implementation of the cashless economy in Africa. The use of cashless economy in curbing anti money laundering. Overall, this chapter analyses how adopting the cashless economy in Uganda can potentially curb money laundering in Uganda.

2.1 The History of Money

Money, as a fundamental element of economic systems, has undergone significant transformation throughout human history. From primitive barter systems to modern digital currencies, the evolution of money reflects broader socio-economic developments and technological advancements. Understanding this progression provides insights into the foundations of trade, finance, and modern economies.

Before the invention of money, early human societies relied on the barter system a direct exchange of goods and services without a standardized medium of exchange. While practical in small communities, barter was inefficient due to the "double coincidence of wants," which

required both parties to have what the other desired at the same time.⁸¹ This inefficiency highlighted the need for a more convenient exchange system.

To address the limitations of barter, many societies adopted commodity money items with intrinsic value such as cattle, salt, and precious metals like gold and silver. These commodities were widely accepted due to their perceived value, durability, and divisibility. For example, cowry shells were used in Africa and Asia, while Roman soldiers were paid in salt, giving rise to the term "salary."⁸²

The first standardized coins emerged in Lydia (modern-day Turkey) around 600 BCE under King Alyattes. These coins, made from electrum (a natural alloy of gold and silver), were stamped with official symbols to guarantee authenticity and value. Coins facilitated trade over long distances and across empires, forming the basis of early monetary economies in Greece, Rome, and China.⁸³

The Chinese Tang Dynasty introduced early forms of paper money in the 7th century, though it was during the Song Dynasty (11th century) that paper currency became widespread. This innovation addressed the burden of carrying heavy metal coins and marked a significant leap in monetary technology. European nations were slower to adopt paper money, with Sweden issuing the first European banknotes in the 17th century.⁸⁴

The development of banking institutions in Renaissance Italy marked the beginning of credit-based money systems. Banks such as the Medici family's offered promissory notes and bills of exchange, which functioned like money and facilitated large-scale trade. The rise of central banks, particularly the Bank of England in 1694, played a crucial role in managing national currencies and monetary policy.⁸⁵

⁸¹ Davies, G. (2002). *A history of money: From ancient times to the present day* (3rd ed.). University of Wales Press. https://library.uniteddiversity.coop/Money_and_Economics/A_History_of_Money-From_Ancient_Times_to_the_Present_Day.pdf.

⁸² Weatherford, J. (2009). *The history of money*. Crown Business. https://www.academia.edu/9768252/The_history_of_money_by_Jack_Weatherford.

⁸³Supra (note 81).

⁸⁴ Von Glahn, R. (2005). *The economic history of China: From antiquity to the nineteenth century*. Cambridge University Press. https://assets.cambridge.org/97811070/30565/frontmatter/9781107030565_frontmatter.pdf.

⁸⁵ Ferguson, N. (2008). *The ascent of money: A financial history of the world*. Penguin Books. <https://scispace.com/pdf/the-ascent-of-money-a-financial-history-of-the-world-ch158f1ee1.pdf>.

Modern economies primarily use fiat money, which has no intrinsic value and derives its worth from government decree. Unlike commodity money, fiat currency relies on trust in the issuing authority. This transition became widespread in the 20th century, especially after the collapse of the Bretton Woods system in 1971, when the U.S. dollar was decoupled from gold.⁸⁶

In the 21st century, money has increasingly taken digital forms, with electronic banking, mobile payments, and cryptocurrencies. Bitcoin, introduced in 2009 by the pseudonymous Satoshi Nakamoto, marked the first decentralized digital currency based on blockchain technology. Cryptocurrencies challenge traditional monetary systems by offering peer-to-peer, borderless transactions independent of central authorities.⁸⁷

The history of money illustrates humanity's ingenuity in solving economic challenges. From barter to digital currencies, each stage reflects a shift in societal organization, technology, and economic thought. As digital transformation accelerates, the future of money may continue to evolve in ways that redefine commerce and global finance.

2.2 The Evolution of a Cashless Economy

A cashless economy is one where financial transactions are conducted through digital means, such as electronic banking, mobile money platforms, and credit or debit cards, instead of physical cash. The evolution of the cashless economy has been driven by technological advancement, financial innovation, globalization, and policy reforms. As societies transition towards digital financial systems, the implications span economic efficiency, financial inclusion, privacy, and regulation. This essay traces the historical development of cashless economies, explores the technological and institutional drivers, and examines some of the legal implications surrounding the shift.

The move towards a cashless economy can be traced back to the development of banking systems and non-cash instruments. The use of cheques in the 17th century marked an early

⁸⁶ Eichengreen, B. (2008). *Globalizing capital: A history of the international monetary system* (2nd ed.). Princeton University Press. <https://delong.typepad.com/files/eichengreen-globalizing.pdf>.

⁸⁷ Narayanan, A., Bonneau, J., Felten, E., Miller, A., & Goldfeder, S. (2016). *Bitcoin and cryptocurrency technologies: A comprehensive introduction*. Princeton University Press. https://press.princeton.edu/books/hardcover/9780691171692/bitcoin-and-cryptocurrency-technologies?srsId=AfmBOoqKaBdEEj48ZkY8BKSAfzbIBZw7XXjKG_FD1RMIMWBBQayGxzHf.

transition from physical currency.⁸⁸ In the 20th century, payment cards, such as Diners Club in the 1950s and later credit and debit cards, began to replace cash in many economies. The rise of Automated Teller Machines (ATMs) and electronic funds transfers further facilitated this trend.⁸⁹

By the late 20th century, online banking and e-commerce platforms accelerated the cashless transition. Countries like Sweden and South Korea have become nearly cash-free, owing to strong infrastructure and public policy support.⁹⁰

The main drivers of a cashless economy include technological innovation, consumer convenience, security concerns, and policy initiatives. Mobile banking and digital wallets (e.g., PayPal, M-Pesa, Apple Pay) have enabled real-time, secure, and efficient transactions. In Kenya, for example, M-Pesa revolutionized mobile money services, enhancing financial inclusion for millions.⁹¹

Governments and central banks have also played pivotal roles. The Indian government's 2016 demonetization policy was aimed at reducing black money and encouraging digital payments.⁹² Similarly, the EU's revised Payment Services Directive (PSD2) promotes open banking and secure electronic payments.

2.3 Legal and Regulatory Framework of the cashless economy.

The shift to a cashless economy requires comprehensive legal frameworks to regulate digital transactions and protect consumers. Cybersecurity, data protection, and consumer rights are

⁸⁸ Weatherford, J. (1997). *The history of money*. Crown Business.

<https://www.scirp.org/reference/referencespapers?referenceid=3083515>.

⁸⁹ Singh, B., & Singh, B. (2016). Cashless transactions: Modes, advantages and disadvantages. *International Journal of Management and Applied Science*, 2(12), 45–50.

<https://www.allresearchjournal.com/archives/2017/vol3issue1/PartB/2-12-137-352.pdf>.

⁹⁰ Arvidsson, N. (2019). *Building a cashless society: The Swedish route to the future of cash payments*. Springer.

<https://link.springer.com/book/10.1007/978-3-030-10689-8>.

⁹¹ Jack, W., & Suri, T. (2011). *Mobile money: The economics of M-PESA*. National Bureau of Economic Research Working Paper, No. 16721. https://www.nber.org/system/files/working_papers/w16721/w16721.pdf.

⁹² Rani, P., & Kumar, S. (2017). Demonetization and its impact on the Indian economy. *International Journal of Commerce and Management Research*, 3(12), 48–52. <https://inria.hal.science/hal-01768536/document>.

central legal concerns. The General Data Protection Regulation (GDPR) in the European Union has had a profound impact on how financial institutions handle data in cashless systems.⁹³

In the United States, *U.S. v. Kyllo*⁹⁴, though not directly about financial transactions, laid the groundwork for modern privacy interpretations, which can apply in digital financial surveillance debates. In jurisdictions like Nigeria, the Central Bank's cashless policy is regulated under the CBN Act of 2007 and the Money Laundering (Prohibition) Act.

Textbooks like "Principles of Banking Law" by Ross Cranston (3rd ed.) also discuss the legal principles governing electronic funds transfer, emphasizing contractual obligations and liabilities arising in digital payment systems.⁹⁵

2.4 Challenges and Ethical Concerns of the cashless economy.

The move to a cashless society raises ethical and practical concerns. These include the digital divide, where rural or underprivileged populations may lack access to digital tools. There are also fears of increased surveillance and data breaches. Financial exclusion is a serious issue, especially in developing countries where infrastructure may be lacking.⁹⁶

Moreover, total elimination of cash could marginalize certain populations, including the elderly, low-income earners, and undocumented immigrants who rely on cash for daily transactions.⁹⁷

2.5 Future Outlook of the cashless economy

With the emergence of Central Bank Digital Currencies (CBDCs), cryptocurrencies, and blockchain technologies, the future of cashless economies is rapidly evolving. While China leads with its digital yuan, other nations are exploring or piloting CBDCs as a state-regulated

⁹³ Voigt, P., & Von dem Bussche, A. (2017). The EU General Data Protection Regulation (GDPR): A practical guide. Springer. <https://link.springer.com/book/10.1007/978-3-031-62328-8>.

⁹⁴ *Kyllo v. United States*, 533 U.S. 27 (2001). <https://supreme.justia.com/cases/federal/us/533/27/>

⁹⁵ "Principles of Banking Law" by Ross Cranston (3rd ed.)

⁹⁶ Donovan, K. (2012). Mobile money for financial inclusion. In Information and Communications for Development 2012: Maximizing Mobile (pp.61-73). World Bank. https://www.wto.org/english/tratop_e/serv_e/wksh_op_june13_e/maximizing_mobile_e.pdf.

⁹⁷ *Supra* (note 90)

alternative to private digital payment systems.⁹⁸ However, the transition must be inclusive and supported by robust regulatory frameworks to ensure trust, privacy, and financial stability.

The evolution of the cashless economy reflects a broader digital transformation of financial systems. While technological innovation has significantly enhanced convenience and efficiency, it has also introduced new legal, ethical, and socio-economic challenges. A balanced approach involving legal safeguards, technological inclusivity, and proactive policymaking is crucial for the sustainable development of cashless societies.

2.6 The Adoption of the Cashless Economy in Africa

The evolution of a cashless economy in Africa is transforming the continent's financial landscape, offering unprecedented opportunities for financial inclusion, economic efficiency, and security. While the pace and modes of adoption vary across African countries, a continental trend toward reducing reliance on cash is evident. This section explores how different African countries are embracing the cashless economy and highlights the various methods being used to promote digital financial transactions.

The movement towards cashless systems is driven by advancements in mobile technology, increased internet penetration, regulatory reforms, and the rise of fintech innovations. In Africa, the cashless trend is also fuelled by the need to expand financial services to underserved populations, particularly in remote and rural areas.

Kenya is a pioneer in Africa's cashless revolution, primarily through the success of M-Pesa, a mobile money transfer service launched by Safaricom in 2007. M-Pesa allows users to deposit, withdraw, transfer money, and pay for goods and services using their mobile phones.⁹⁹ By 2024, over 90% of Kenyan adults were using mobile money, enabling even low-income and rural populations to participate in the formal financial system. The Central Bank of Kenya has also promoted digital banking and contactless payments, reinforcing the country's position as a leader in cashless innovation¹⁰⁰.

⁹⁸ Bank for International Settlements (BIS). (2021). CBDCs: An opportunity for the monetary system. Retrieved from <https://www.bis.org>

⁹⁹ Safaricom. (2023). M-Pesa: Empowering lives through mobile money. <https://www.safaricom.co.ke>

¹⁰⁰ Kenya National Bureau of Statistics. (2024). Economic survey 2024. <https://www.knbs.or.ke>

Nigeria has implemented a comprehensive cashless policy initiated by the Central Bank of Nigeria (CBN) in 2012 to reduce the volume of physical cash in circulation. The policy introduced limits on cash withdrawals and deposits, incentivized electronic payments, and encouraged the use of Point of Sale (PoS) systems. Fintech startups such as Flutter wave, pay stack, and Opay have also facilitated digital payments and increased the usage of debit cards, internet banking, and mobile wallets. ¹⁰¹Despite infrastructural and trust-related challenges, Nigeria's urban centres are steadily embracing cashless modes of transaction.

South Africa's advanced financial infrastructure supports a wide range of cashless solutions, including credit and debit cards, internet banking, and contactless payments. The South African Reserve Bank (SARB) and major commercial banks have invested heavily in secure digital banking platforms. The country also has a high rate of bank account ownership, which complements its cashless economy. ¹⁰² Mobile money is less prominent compared to Kenya or Nigeria, but digital wallets and e-commerce platforms are rapidly growing.

Ghana is promoting a hybrid cashless system that combines mobile money, electronic banking, and QR code-based payments. The Bank of Ghana introduced the Ghana Interbank Payment and Settlement Systems (GhIPSS) to streamline interbank transactions and support mobile interoperability. The introduction of the Universal QR Code system allows customers to make payments by scanning QR codes, reducing the reliance on physical cash. As of 2023, over 17 million Ghanaians were registered mobile money users, indicating strong progress in digital finance adoption.¹⁰³

Rwanda's government has taken a proactive role in digitizing its economy through the Smart Rwanda Master Plan, promoting mobile money, digital IDs, and e-government services. Similarly, Tanzania has seen a surge in mobile money usage through services like Tigo Pesa, Airtel Money, and Vodacom's M-Pesa. ¹⁰⁴Interoperability between providers and regulatory support have enhanced adoption, especially in rural areas. Both countries have emphasized

¹⁰¹ Central Bank of Nigeria. (2012). Cash-less Nigeria project. <https://www.cbn.gov.ng/cashless/>

¹⁰² South African Reserve Bank. (2023). Digital financial services in South Africa. <https://www.resbank.co.za>

¹⁰³ Ghana Interbank Payment and Settlement Systems. (2023). Annual report 2023. <https://www.ghipss.net>

¹⁰⁴ Prepared by Angela Garcia Vargas and Beniamino Savonitto. Evolution of mobile money payment in Tanzania Market. <https://www.ifc.org/content/dam/ifc/doc/2024/evolution-of-the-mobile-money-payment-market-in-tanzania.pdf>.

digital literacy and infrastructure as foundational components of their cashless economy strategies.

Despite these advancements, challenges persist across the continent. Infrastructural gaps, low smartphone penetration, cybersecurity risks, and resistance to change among older populations hinder full cashless integration. However, governments and private stakeholders are increasingly investing in digital infrastructure, regulation, and financial education, suggesting that the continent is poised for deeper cashless integration in the coming years.

The adoption of a cashless economy in Africa is diverse and dynamic, driven by both innovation and necessity. Countries like Kenya and Nigeria lead in mobile and policy-based cashless systems, while South Africa relies on formal banking tools. Ghana, Rwanda, and Tanzania represent a balanced approach that combines multiple cashless channels. As Africa continues to digitize its economies, a collaborative effort involving governments, financial institutions, and tech innovators will be crucial to ensuring that the benefits of a cashless society are inclusive and sustainable.

Financial inclusion is key to development. Since 2011, the Global Findex Database has tracked how people around the world use financial services like payments, savings, and loans. The 2021 report, based on surveys in 123 countries during the COVID-19 pandemic, shows how people access and use both formal and informal financial services, especially digital payments. It also highlights how financial habits help people cope with economic challenges and reveals gaps in access for women and low-income adults.

More people around the world now have access to financial services, with 76% owning an account 71% in developing countries. The gender gap in account ownership has narrowed. Digital payments, like wages and government aid, encourage saving and borrowing. COVID-19 speed up the use of digital finance, especially for paying bills and shopping. In Sub-Saharan Africa, mobile money is boosting financial inclusion, especially for women. About half of adults in developing countries can now access emergency funds, showing better financial stability.¹⁰⁵

Africa is undergoing a significant transformation in its financial landscape, with a marked shift towards cashless economies. This transition is driven by the proliferation of mobile money

¹⁰⁵ World Bank. (2022). The global Findex database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19. <https://www.worldbank.org/en/publication/globalfindex>

services, digital payment platforms, and supportive government policies. The adoption of cashless systems not only enhances financial inclusion but also plays a pivotal role in curbing illicit financial activities such as money laundering. This essay explores the adoption of cashless economies across various African countries, the modes employed, their effectiveness, and the impact on reducing money laundering.

The adoption of cashless economies varies across African nations, influenced by technological infrastructure, regulatory frameworks, and consumer behaviour. According to a 2024 Statista report, the following countries lead in digital payment adoption. Kenya, 75.8% of adults reported making a digital payment in the past year. South Africa, 70.5% adoption rate. Ghana, 63.7% adoption rate. Gabon, 62.3% adoption rate. Namibia, 58.5% adoption rate. Zimbabwe, 55.7% adoption rate. Lesotho, 54.9% adoption rate. Senegal, 31.8% of consumers have mobile money accounts, surpassing the 20.4% with traditional bank accounts. Ethiopia, Telebirr, launched in 2021, has onboarded 32 million users. Morocco, 76% of consumers used at least one emerging payment method in 2021.¹⁰⁶

2.7 Modes of Cashless Transactions

African countries employ various modes to facilitate cashless transactions. These include, Mobile Money Platform Services like M-Pesa (Kenya), Telebirr (Ethiopia), and Wave (Senegal) allow users to perform financial transactions via mobile phone, Banking Apps and Internet Banking. Traditional banks offer digital platforms for customers to conduct transactions online. Contactless Payments like Near Field Communication (NFC) technology enables tap-and-go payments, reducing the need for physical cash. USSD Codes, Unstructured Supplementary Service Data codes provide access to financial services without internet connectivity, crucial for users with basic mobile phones.¹⁰⁷

2.8 How the cashless economy helps African countries to reduce on the issue of money laundering.

The shift to cashless economies has significantly impacted the fight against money laundering in Africa. In Kenya the transparency of M-Pesa transactions has made it easier to trace and

¹⁰⁶ <https://businessday.ng/africa/article/top-10-african-countries-adopting-cashless-transactions-by-population/>.

¹⁰⁷ <https://fsduganda.or.ug/towards-a-future-beyond-ussd-case-studies-on-alternative-technologies-advancing-financial-inclusion-for-last-mile-access/>.

monitor financial activities, reducing opportunities for money laundering.¹⁰⁸ Ethiopia, Telebirr's digital platform enhances transaction traceability, aiding in the detection and prevention of illicit financial flows.¹⁰⁹ Senegal, the widespread use of mobile money services like Wave has increased financial transparency, making it more challenging for illicit activities to go undetected.¹¹⁰ Zimbabwe, the adoption of mobile money platforms has provided an alternative to cash transactions, which are harder to trace, thereby reducing the risk of money laundering.¹¹¹

The adoption of cashless economies in Africa is a transformative development that enhances financial inclusion and strengthens the fight against money laundering. By leveraging mobile money platforms, digital banking, and contactless payment technologies, African countries are creating more transparent and secure financial systems. Continued investment in digital infrastructure and regulatory frameworks will further solidify these gains and promote sustainable economic growth.

2.9 Adoption of a Cashless Economy in Uganda and Its Role in Preventing Money Laundering.

The transition towards a cashless economy has gained momentum globally, and Uganda is gradually embracing this transformation. A cashless economy refers to a system where financial transactions are conducted electronically, minimizing the use of physical cash. With the advancement of mobile money, internet banking, and electronic payments, Uganda is making significant strides toward a digital financial ecosystem.¹¹² This shift not only improves convenience and efficiency but also plays a critical role in combating money laundering.

Money laundering thrives in environments where cash transactions dominate due to the anonymity and lack of traceability they offer. In Uganda, the informal sector heavily relies on cash, which makes it easier for illicit funds to be introduced into the financial system without

¹⁰⁸ <https://documents1.worldbank.org/curated/en/638851468048259219/pdf/543380wp0m1pes1box0349405b01public1.pdf>

¹⁰⁹ Kukutschka, R. 2018. Illicit financial flows in Ethiopia. Bergen: U4 Anti-Corruption Resource Centre, Chr. Michelsen Institute (U4 Helpdesk Answer 2018:10) <https://www.u4.no/publications/illicit-financial-flows-in-ethiopia>.

¹¹⁰ https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf.

¹¹¹ BBMTengwa 2021. https://www.researchgate.net/publication/348126478_Drivers_of_Mobile_Money_Services_Development_in_Zimbabwe_The_Case_of_EcoCash.

¹¹² World Bank. (2022). Digital economy for Africa initiative. <https://www.worldbank.org>

detection.¹¹³ By promoting electronic transactions, the cashless economy introduces transparency, as digital trails are automatically generated and can be monitored by financial institutions and regulatory bodies. This makes it more difficult for criminals to hide or disguise illegal funds.¹¹⁴

Furthermore, digital payment systems often require users to be registered and verified through Know Your Customer (KYC) protocols. This verification process limits the ability of individuals to operate anonymously, a key tactic used in money laundering. The adoption of these systems in Uganda, particularly through mobile money platforms, enhances the ability of regulators to detect and report suspicious transactions in real time.¹¹⁵

However, to fully realize the anti-money laundering benefits of a cashless economy, Uganda must invest in digital infrastructure, strengthen cybersecurity, and ensure financial inclusion, particularly for rural and underserved populations. With the right policies and public-private partnerships, a cashless economy can become a powerful tool in Uganda's fight against money laundering.

Uganda uses the different legislations and practical perspectives in the fight against money laundering through the use of cashless economy. These include;

- a) Anti-Money Laundering Act, Cap 118 (Uganda); This is the primary legal framework governing anti-money laundering efforts in Uganda. It outlines the obligations of financial institutions and other entities in preventing and reporting money laundering activities.
- b) Integrity in Mobile Phone Financial Service World Bank; This publication explores strategies to identify and manage potential money laundering and terrorist financing risks in mobile financial services, which are integral to a cashless economy. As Uganda and other countries shift toward a cashless economy, mobile financial services (m-FS) have become central to financial inclusion. However, they also introduce risks related to money laundering (ML) and terrorist financing (TF). To ensure the integrity of a digital financial system, it is essential to identify and mitigate these risks effectively. The four main risk factors in m-FS are anonymity, elusiveness, rapidity, and poor

¹¹³[humphreybmoshi1•19october2012•iss@issafrica.orghttps://www.files.ethz.ch/isn/154325/Oct2012Moshi.pdf](https://www.files.ethz.ch/isn/154325/Oct2012Moshi.pdf)

¹¹⁴ Bank of Uganda. (2020). Annual supervision report. <https://www.bou.or.ug>

¹¹⁵ Financial Action Task Force. (2020). Guidance on digital identity. <https://www.fatf-gafi.org>

oversight. Anonymity arises when users' identities are not properly verified. This can be reduced through strict Know Your Customer (KYC) procedures and digital identification tools. Elusiveness refers to the ability to disguise transaction details. Mitigation involves setting transaction limits and improving customer monitoring and reporting systems. Rapidity allows illicit transactions to move quickly across platforms. Automated alerts and controls on third-party providers help reduce this risk. Poor oversight occurs in weakly regulated environments. Strengthening regulation, licensing, and supervision of both bank and non-bank m-FS providers is crucial.¹¹⁶

- c) Mobile Money, Perception about Cash, and Financial Inclusion; International Monetary Fund (IMF). This working paper assesses the impact of mobile money usage on perceptions about cash and financial inclusion in Uganda, providing insights into the behavioural aspects influencing the shift towards a cashless economy.¹¹⁷ Mobile money usage in Uganda has significantly influenced perceptions of cash and enhanced financial inclusion, particularly among previously unbanked populations. The convenience, accessibility, and affordability of mobile money services have reduced reliance on physical cash and increased trust in digital transactions. This behavioural shift is driven by factors such as ease of use, security of funds, and the ability to conduct transactions remotely, which are especially important in rural areas with limited access to traditional banking infrastructure. As mobile money becomes embedded in daily financial habits, it reshapes attitudes toward formal financial systems and accelerates the transition toward a cashless economy.¹¹⁸

¹¹⁶ "Chatain, Pierre-Laurent; Hernández-Coss, Raúl; Borowik, Kamil; Zerzan, Andrew. 2008. Integrity in Mobile Phone Financial Services: Measures for Mitigating Risks from Money Laundering and Terrorist Financing. World Bank Working Paper; No. 146. © World Bank. <http://hdl.handle.net/10986/6530> License: [CC BY 3.0 IGO](https://creativecommons.org/licenses/by/3.0/)." <https://openknowledge.worldbank.org/browse/author?startsWith=Chatain,%20Pierre-Laurent>.

¹¹⁷ Félix F. Simione, Tara Muehlschlege. Mobile Money, Perception about Cash, and Financial Inclusion Learning from Uganda's Micro Level Data <file:///C:/Users/A%20S%20H%20A%20B%20A/Downloads/wpica2023238-print-pdf.pdf>.

¹¹⁸ Ledgerwood, J., Earne, J., & Nelson, C. (2013). The new microfinance handbook: A financial market system perspective. Washington, DC: World Bank Publications. Ledgerwood, Earne, and Nelson (2013), financial services for the poor. Arevalo Sanchez, Ines; Churchill, Craig; Collins, Daryl; Earne, Julie Fawn; El-Zoghbi, Mayada; Ferrand, David; Scola Gahwiler, Barbara Bernadette Maria; Gibson, Alan; Johnson, Susan O.; Lauer, Kate; Ledgerwood, Joanna [editor]; Lehman, Joyce Bontrager; Mas Ribo, Ignacio; Mcconaghy, Peter; Miller, Calvin Jay; Nelson, Candace; O'Keeffe, Geraldine; Rutherford, Stuart

- d) Uganda also recently launched the use of Momo pay which is another cashless payment method both used by banks and even in shopping centres which has facilitated the cashless economy.¹¹⁹

According to financial services for the poor, a strategy for promoting inclusive growth in behavioural change is critical in promoting financial inclusion, and mobile money platforms are instrumental in fostering this change by meeting users' needs in a familiar, trusted, and efficient manner¹²⁰

These resources above offer comprehensive legal and practical perspectives on the mechanisms through which a cashless economy can aid in preventing money laundering in Uganda. This too has prompted inclusion and people have welcomed it and are using it in their transactions.

2.10 Conclusion

Uganda's shift from a cash-based to a cashless economy mirrors global and African trends driven by digital innovation and financial inclusion. The rise of mobile money and digital payments has improved transaction traceability, offering a powerful tool against money laundering. By enhancing transparency and regulatory oversight, adopting a cashless economy can significantly strengthen Uganda's anti-money laundering efforts and support a more secure and accountable financial system.

Edward; Sherk, Lisa; Staschen, Stefan; Vincze, Joakim Bjorn. Washington DC ; World Bank Group. <http://documents.worldbank.org/curated/en/233251468182337007> .

¹¹⁹ Evolution of MTN mobile money into one-stop payment point by Frank Kisakye August 11, 2020 <https://observer.ug/business/evolution-of-mtn-mobile-money-into-one-stop-payment-point/>

¹²⁰ Ibid

CHAPTER THREE

3.0 Introduction

This chapter looks at the evaluation of anti-money laundering laws in Uganda in line with the cashless economy, looks at the different legislations used to ensure the use of cashless economy in different countries around Africa and even beyond. Shows the different cases that have come up to encourage the use of cashless economy. Thus it analyses the different regional, international and domestic perspectives governing the cashless economy.

3.1 Evaluating Uganda's Anti-Money Laundering Framework in Line with the Cashless Economy

Uganda is working hard to stop money laundering, which is the act of hiding money that comes from illegal activities following its removal from the grey list.¹²¹ To do this, Uganda passed the Anti-Money Laundering Act in 2013 which is now cap 118, which created rules for detecting and reporting suspicious money activities. The Financial Intelligence Authority (FIA) was also formed to oversee this process.¹²²

At the same time, Uganda is moving toward a cashless economy. This means more people are using digital payment methods like mobile money, internet banking, and debit cards instead of cash. The evolution towards a cashless economy where financial transactions are conducted digitally rather than with physical currency has transformed how individuals, businesses, and governments interact economically. This shift, while spurred by technological advancements, is significantly underpinned by legal and regulatory frameworks. In Uganda and many other countries, governments and financial institutions have implemented laws, policies, and regulatory authorities to ensure the smooth and secure functioning of a cashless economy. This essay outlines the primary legal authorities and legislative frameworks that govern the cashless economy in Uganda in comparison with other countries.

3.1.1 Legal Framework of cashless economy in Uganda.

Uganda has made notable progress in adopting a cashless economy through mobile money services, internet banking, and card-based transactions. The primary institution overseeing

¹²¹ Financial Action Task Force. (2024). Uganda Exits the Financial Action Task Force's Grey List, But More Needs to Be Done. Retrieved from <https://gfintegrity.org/wp-content/uploads/2024/10/FATF-GreyList-Factsheet-FINAL-1.pdf>

¹²² Government of Uganda. (2013). The Anti-Money Laundering Act, 2013. <https://ulii.org/ug/legislation/act/2013/2013/12>.

financial regulation in Uganda is the Bank of Uganda (BoU). The BoU plays a crucial role in maintaining monetary stability and supervising payment systems.

- a) The National Payment Systems Act, cap 59; this is the most pivotal legal framework supporting Uganda's digital financial ecosystem. It provides for the regulation of payment systems, issuance of electronic money, and oversight of operators and service providers. The Act gives the BoU the authority to license, regulate, and supervise all participants in the national payment system, including mobile money operators.¹²³
- b) The Financial Institutions Act, cap 57; This Act provides the legal basis for the licensing and regulation of financial institutions in Uganda. It empowers the BoU to set prudential standards and promotes financial inclusion through the regulation of electronic banking services.¹²⁴
- c) The Electronic Transactions Act, cap 99; This legislation establishes the legal recognition of electronic messages and digital signatures in Uganda. It plays a vital role in promoting e-commerce and digital transactions by ensuring their legal equivalence with paper-based processes.¹²⁵
- d) The Data Protection and Privacy Act, cap 97; Given the digitization of financial services, data privacy becomes critical. This Act provides for the protection of personal data and regulates the collection and processing of personal information, which is essential for building trust in cashless transactions.¹²⁶

Similar laws and authorities exist globally, tailored to each country's economic, technological, and legal context. To sustain the benefits of a cashless economy, continuous legislative review and regulatory vigilance are essential in ensuring security, accessibility, and trust in digital financial transactions.

3.1.2 Regulatory Authorities in Uganda

Apart from legislative frameworks, several authorities regulate the cashless ecosystem. Bank of Uganda (BoU) Supervises financial institutions and payment systems. Uganda

¹²³ Parliament of Uganda. (2020). National Payment Systems Act, 2020. <https://www.parliament.go.ug>

¹²⁴ Bank of Uganda. (2016). Financial Institutions (Amendment) Act, 2016. <https://www.bou.or.ug>

¹²⁵ Uganda Law Reform Commission. (2011). The Electronic Transactions Act, 2011. <https://www.ulrc.go.ug>

¹²⁶ Uganda Ministry of ICT and National Guidance. (2019). Data Protection and Privacy Act, 2019.

<https://ict.go.ug>

Communications Commission (UCC), Regulates ICT infrastructure and service providers crucial for mobile money and digital communications. Financial Intelligence Authority (FIA), Monitors financial transactions to prevent money laundering and terrorist financing.

Certainly, here are some notable legal cases from Uganda that have addressed the regulation of the cashless economy.

In the case of Mathew Kiwunda v. Attorney General & Minister of Finance. ¹²⁷In this case, lawyer Mathew Kiwunda petitioned the High Court to compel the Ugandan government to enact legislation regulating mobile money services. He argued that the absence of a legal framework for mobile money operations exposed the financial sector and the public to risks. Kiwunda contended that the government's failure to legislate on this matter was unconstitutional and sought to prohibit the collection of taxes on mobile money transactions until appropriate laws were enacted.

In Abdu Katuntu v. Uganda Communications Commission & Others. ¹²⁸Member of Parliament Abdu Katuntu challenged the legality of mobile money operations conducted by telecommunications companies without appropriate licensing under the Financial Institutions Act. Justice Christopher Madrama ruled that mobile money services operated by telecom companies were illegal, as they were not licensed by the Bank of Uganda or any commercial bank, despite functioning as financial institutions.

3.2 Legal framework of the cashless economy in the other countries.

Nigeria

The Central Bank of Nigeria (CBN) initiated the "Cash-less Nigeria" policy in 2012 to reduce excessive cash handling and promote electronic transactions. The policy imposes cash handling charges on daily withdrawals exceeding ₦500,000 for individuals and ₦3,000,000 for corporate entities¹²⁹.

¹²⁷ Mathew Kiwunda V attorney General <https://allafrica.com/stories/201806040197.html> HCT-00-CVMC-0103-2018

¹²⁸ In the high court of Uganda at Kampala commercial division HCCS no 248 of 2012 <https://www.eacj.org/?cases=abdu-katuntu-vs-the-attorney-general-of-uganda-and-the-secretary-general-east-african-community>.

¹²⁹ Emefiele, G. (2012). Ensuring the success of the cashless policy in Nigeria. Daily Independent Nigeria.

Payments System Vision. The Central Bank of Nigeria's Payments System Vision 2025 aims to accelerate the country's transition to a cashless economy. It focuses on upgrading digital payment infrastructure, promoting contactless and QR payments, and supporting Open Banking to improve service integration. The plan encourages financial inclusion through agent banking and explores innovations like the eNaira and blockchain. It also strengthens security standards, fraud prevention using BVN, and consumer protection through better dispute resolution. PSV 2025 serves as a strategic framework to build a safer, more inclusive, and digitally driven payment system that reduces cash reliance and drives economic.¹³⁰

Introduction of the eNaira, Nigeria's Central Bank Digital Currency (CBDC). The Central Bank of Nigeria (CBN) has issued its Monetary, Credit, Foreign Trade, and Exchange Policy Guidelines for the 2024/2025 fiscal years. These Guidelines outline key objectives for stabilizing and advancing Nigeria's financial system, with significant emphasis on payment system reforms, foreign exchange operations, and digital innovation. A key component of the policy is the advancement of Nigeria's Central Bank Digital Currency (CBDC), known as the eNaira. At the heart of Nigeria's digital finance transformation is the eNaira, the digital version of the Nigerian Naira issued and regulated by the CBN. The eNaira was first launched in 2021 and continues to be a central focus of the CBN's strategy to modernize the financial system.

By integrating the eNaira into both domestic and international financial flows, Nigeria is positioning itself to benefit from reduced reliance on cash, lower cost of banking services, greater transparency in monetary transactions and improved monetary policy efficiency

The Central Bank of Nigeria's 2024/2025 Policy Guidelines reflect a strong commitment to modernizing the financial system through innovation and digitalization. The eNaira, as the centrepiece of Nigeria's CBDC initiative, is expected to transform how citizens, businesses, and governments transact.¹³¹

India

The Payment and Settlement Systems Act (PSS) of 2007, provides the legal basis for India's digital payment systems. The Act, provides the legal framework that supports India's shift

¹³⁰ Central Bank of Nigeria. (2022). Payments System Vision 2025. Retrieved from <https://www.cbn.gov.ng/PaymentsSystem/PSV2025.html>(Central Bank of Nigeria)

¹³¹ <https://www.mondaq.com/nigeria/fin-tech/1521184/central-bank-of-nigeria-monetary-credit-foreign-trade-and-exchange-policy-guidelines-20242025?utm>.

towards a cashless economy. It empowers the Reserve Bank of India (RBI) to regulate and authorize all digital payment systems, ensuring their safety, efficiency, and reliability. As digital transactions through platforms like UPI (Unified Payments Interface), and mobile wallets rise, the PSS Act ensures operators follow strict standards for security, transparency, and consumer protection. Provisions such as settlement finality and penalties for non-compliance build trust in digital payments. By promoting secure, fast, and regulated digital transactions, the PSS Act is central to reducing dependency on cash, expanding financial access, and supporting India's broader goals of financial inclusion and digital innovation.¹³²

The National Payments Corporation of India (NPCI), established in 2008, operates under this Act to manage retail payment systems. The National Payments Corporation of India (NPCI), set up by the RBI (Reserve Bank of India) and IBA (Indian Banks' Association) under the PSS Act, 2007, is the backbone of India's digital payment ecosystem. As a not-for-profit entity, NPCI develops and manages systems that promote cashless transactions nationwide.

Its key innovations include, RuPay, India's own card network. AePS, Aadhaar-based banking for rural inclusion and Bharat BillPay & NETC FASTag digital solutions for bills and tolls. Through these, NPCI powers secure, fast, and accessible digital payments, making it a key driver of India's cashless and inclusive economy.¹³³

Sweden

Sweden has advanced significantly toward a cashless society, with mobile payment systems like Swish and card payments dominating transactions. Sweden's legal framework allows merchants to refuse cash payments, a unique aspect that has facilitated the country's rapid move toward cashless transactions.¹³⁴ However, recent geopolitical tensions have prompted the government to reconsider the complete elimination of cash, emphasizing the need to maintain

¹³² Reserve Bank of India. (2007). The Payment and Settlement Systems Act, 2007. Retrieved from <https://www.indiacode.nic.in/handle/123456789/2082>(India Code)

¹³³ National Payments Corporation of India. (n.d.). About NPCI. Retrieved from <https://www.npci.org.in/>

¹³⁴ Wired. (2020, January 14). Sweden's cashless society dream isn't all it's cracked up to be. Retrieved from <https://www.wired.com/story/sweden-cashless-society/>

cash availability for emergencies. Legislation mandating banks to maintain access to ATMs and cash deposit services. Pilot testing of a digital currency, the e-krona, by the Riksbank.¹³⁵

Sri Lanka

The Central Bank of Sri Lanka (CBSL) introduced LankaQR in 2018 as a national QR code payment system to promote digital transactions and reduce reliance on physical cash. Establishment of a National Quick Response Code Standard for Local Payments (2018). Integration with international payment systems, including India's UPI and PhonePe.¹³⁶ In 2025, Sri Lanka plans to relaunch LankaQR to address adoption barriers and integrate it with digital identity and toll payment systems.

Internationally, there are also laws that govern the countries outside Africa with regards to how they deal with the cashless economy. The revised (PSD2) governs digital financial services across EU member states. It mandates strong customer authentication and promotes open banking, allowing third-party providers access to bank customers' data with consent (European Commission, 2018).¹³⁷

In the U.S., there is no single federal law regulating digital payments, but a mix of statutes such as the Electronic Fund Transfer Act (EFTA), Gramm-Leach-Bliley Act, and regulations by the Federal Reserve, Consumer Financial Protection Bureau (CFPB), and Office of the Comptroller of the Currency (OCC).¹³⁸

3.2.1 Regional Laws (East African Community and Africa)

Several regional frameworks support harmonization and regulation of cashless financial systems across African states:

- a) EAC Payment and Settlement Systems Integration Project (PSSIP); Initiated by the East African Community (EAC) with support from the African Development Bank. Aims to

¹³⁵ The Guardian. (2025, March 16). Back to cash: life without money in your pocket is not the utopia Sweden hoped. Retrieved from <https://www.theguardian.com/technology/2025/mar/16/sweden-cash-digital-payments-electronic-banking-security>

¹³⁶ Central Bank of Sri Lanka. (2018). Establishment of a National Quick Response Code Standard for Local Payments. Retrieved from https://www.cbsl.gov.lk/https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Payment_and_settlement_systems_circular_no_06_of_2018_e_0.pdf.

¹³⁷ European Commission. (2018). Payment Services (PSD2) - Directive (EU) 2015/2366. <https://ec.europa.eu>

¹³⁸ https://www.federalreserve.gov/boarddocs/caletters/2008/0807/08-07_attachment.pdf.

integrate real-time gross settlement (RTGS) systems across member states to facilitate seamless cross-border transactions¹³⁹.

- b) COMESA Model Law on Electronic Transactions; Promotes uniformity in regulating electronic commerce within COMESA (Common Market for Eastern and Southern Africa) member states. Encourages adoption of legal standards for e-signatures, authentication, and consumer protection in digital transactions.¹⁴⁰
- c) African Union’s Digital Transformation Strategy (2020–2030); Sets a continental agenda for enhancing digital payments, cybersecurity, and cross-border fintech operations. Supports regulatory harmonization across African countries.¹⁴¹

3.2.2 International Laws and Standards

International legal instruments and standards play a significant role in shaping the global governance of cashless economies.¹⁴²

- a) UNCITRAL Model Law on Electronic Commerce (1996); Developed by the United Nations Commission on International Trade Law. Provides legal principles for e-contracts, e-signatures, and digital documentation recognized globally.¹⁴³
- b) Financial Action Task Force (FATF) Recommendations; Offers global standards on combating money laundering and terrorism financing. Encourages risk-based regulation of digital payments and mobile money services.¹⁴⁴

¹³⁹ <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Burundi-Kenya-Rwanda-Tanzania-Uganda - Multinational-East African Community EAC - Payment and Settlement Systems Integration Project - Appraisal Report.pdf>.

¹⁴⁰ The Model Policy Framework on Digital Retail Payments for Micro, Small and Medium-Sized Enterprises in COMESA. https://comesabusinesscouncil.org/wp-content/uploads/2022/07/Model-Policy-Framework-On-Digital-Retail-Payments_2.pdf.

¹⁴¹ The digital transformation strategy for Africa (2020-2030) <https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf>.

¹⁴² Cashless Societies: Global Trends and Implications for International Trade <https://keyfx.co.uk/blog/cashless-societies-global-trends-and-implications-for-international-trade/>.

¹⁴³ UNCITRAL Model Law on Electronic Signatures with Guide to Enactment 2001 <https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/ml-elecsig-e.pdf>.

¹⁴⁴ <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>. prepaid cards, mobile payments and internet-based payment services. <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-RBA-NPPS.pdf>.

- c) Basel Committee on Banking Supervision; Guidelines on Digital Banking. Sets prudential standards for banks offering online and mobile services. Focuses on cybersecurity, operational resilience, and risk governance in digital banking.¹⁴⁵
- d) International Telecommunication Union (ITU) Regulations; Provides frameworks for digital identity, mobile network security, and interoperability in digital financial services.¹⁴⁶
- e) General Data Protection Regulation (GDPR)-European Union; While not directly applicable to Uganda, GDPR influences global data privacy standards and serves as a benchmark for developing similar laws like Uganda’s Data Protection and Privacy Act. The regulation of the cashless economy spans multiple legal levels.¹⁴⁷

Regionally, the EAC and COMESA support harmonization of digital finance regulations. Internationally, bodies like UNCITRAL, FATF, and ITU provide legal and regulatory standards that influence national policies and foster cross-border trust in digital payments. These layered legal frameworks aim to ensure that the transition to cashless economies is secure, inclusive, and compliant with global best practices.

Cases outside the jurisdiction of Uganda.

In *Chijoke Ifediora v. Central Bank of Nigeria*.¹⁴⁸ Chijoke Ifediora filed a suit challenging the constitutionality of the Central Bank of Nigeria's (CBN) cashless policy, which imposed charges on cash deposits and withdrawals above certain thresholds in select states and the Federal Capital Territory. The Federal High Court in Awka ruled that the CBN's policy was discriminatory and unconstitutional, as it imposed indirect taxation without legislative backing and targeted specific regions, violating the principle of equality.

¹⁴⁵ Basel III: international regulatory framework for banks. <https://www.bis.org/bcbs/basel3.htm>.

¹⁴⁶ Radio Regulations ITU-R Recommendations incorporated by reference Edition of 2020
<https://search.itu.int/history/HistoryDigitalCollectionDocLibrary/1.44.48.en.104.pdf>.

¹⁴⁷ <https://gdpr-info.eu/> <https://www.hrpo.pitt.edu/european-union-eu-general-data-protection-regulation-gdpr> from university of Pittsburgh.

¹⁴⁸ <https://loyalnigerianlawyer.com/unconstitutionality-of-cbn-cashless-policy-in-six-states-and-fct/>.

In *Victor Onyegbado v. Central Bank of Nigeria*¹⁴⁹ In contrast to the *Ifediora* case, Victor Onyegbado challenged the CBN's cashless policy on grounds of discrimination. However, the Federal High Court in Lagos upheld the constitutionality of the policy, stating that the plaintiff failed to demonstrate how the policy adversely affected him more than other citizens. The court found that the CBN acted within its statutory powers to formulate policies in the nation's interest.

In *Mobile Pay Limited v. Central Bank of Kenya*.¹⁵⁰ Mobile Pay Limited filed a petition against the Central Bank of Kenya (CBK) after the revocation of its authorization to operate payment services. The company argued that the CBK's actions violated its property rights and due process. The High Court considered whether the CBK followed fair administrative procedures and whether Mobile Pay Limited had exhausted internal dispute resolution mechanisms before approaching the court.

The cases above illustrate the evolving legal landscape surrounding cashless economies in various jurisdictions. They highlight the importance of clear regulatory frameworks and the role of the judiciary in addressing disputes arising from the implementation of digital financial services.

A cashless economy can help reduce crime, improve record-keeping, and make financial services easier to access. However, it also creates new risks for money laundering if not properly managed. The move towards digital transactions while promoting financial inclusion, can be exploited for illicit activities due to issues like anonymity and rapid transaction speeds. Cybercrime is a growing concern. Ugandan police records indicate that cyber-related crimes have cost citizens over 20 billion shillings since 2022.

To address the challenges, Uganda is strengthening its AML framework. The FIA is working closely with the judiciary to improve the prosecution of money laundering cases and ensure

¹⁴⁹ FHC/L/CS/1730/2019 <https://www.premiumtimesng.com/business/business-news/521288-court-throws-out-suit-challenging-cbns-cashless-policy.html?tztc=1>.

¹⁵⁰ (Constitutional. Petition E028 of 2023) [2025] KEHC 4713 (KLR) (9 April 2025) (Ruling). <https://new.kenyalaw.org/akn/ke/judgment/kehc/2025/4713/eng@2025-04-09>

that judicial officers are equipped to handle complex financial crimes. Additionally, there's an emphasis on updating laws to address digital financial services and virtual assets.¹⁵¹

However, several challenges remain. First, regulatory enforcement lags behind innovation. While mobile money services such as MTN MoMo and Airtel Money are covered under the framework, the capacity of the FIA and other supervisory bodies to monitor and audit these entities effectively is limited. Moreover, transaction monitoring systems often lack the sophistication to detect complex layering and integration schemes facilitated by digital platforms.¹⁵² The good news is that Uganda's AML system already includes some helpful rules. For example, it requires financial institutions to follow Know Your Customer (KYC) procedures. These help banks and mobile money providers confirm the identity of their users. Also, digital payments leave a record of each transaction, making it easier to track where the money comes from.¹⁵³

The cashless economy expands the financial ecosystem beyond traditional banks to include mobile money and digital payment service providers. Uganda's AML framework, notably through the Anti-Money Laundering (Amendment) Act, has expanded the scope of reporting entities to include non-bank financial institutions and virtual asset service providers. This inclusion is a positive step, recognizing the evolving nature of financial transactions in a digital era.¹⁵⁴

However, there are some challenges. Many parts of Uganda still use cash through mobile money agents. This means that even though the system looks cashless, some cash is still moving around in ways that are hard to trace.¹⁵⁵ Also, the technology used by regulators is not always strong enough to detect complex digital crimes quickly. Another issue is that different

¹⁵¹ Financial Intelligence Authority. (2024). Judiciary, FIA to Collaborate in Promoting Effectiveness of the Anti-Money Laundering Laws. Retrieved from <https://www.fia.go.ug/sites/default/files/downloads/Article%20for%20the%20website%20on%20FIA-Judiciary%20meeting.pdf>

¹⁵² Strengthening AM Jimmy Ebong Research Specialist, FSD Uganda frameworks in East Africa: The role of fintech and regulatory collaboration. *Journal of Financial Compliance in Africa*, 4(1), 34–48. <https://fsduganda.or.ug/the-case-of-mobile-money-innovation-in-uganda/>.

¹⁵³ Financial Intelligence Authority. (2021). Annual report 2020/2021. <https://www.fia.go.ug>

¹⁵⁴ Bank of Uganda. (2022). Annual supervision report 2021/2022. <https://www.bou.or.ug>

¹⁵⁵ *ibid*

organizations like banks, telecom companies, and government agencies do not always share data smoothly. This makes it hard to track illegal activity across platforms.

To make Uganda's anti-money laundering system stronger in a cashless environment, several steps should be taken. First, the government should invest in better technology that can monitor digital transactions in real time. To strengthen its AML framework in the cashless context, Uganda must invest in regtech solutions which help detect money laundering easily, enhance real-time monitoring capacities, and adopt risk-based supervisory approaches. A coordinated effort involving the FIA, Bank of Uganda, Uganda Communications Commission, and mobile network operators is essential to bridge regulatory gaps and enhance data sharing.

Second, different institutions should work together better and share data to stop criminals from moving money between systems unnoticed. Lastly, educating the public about how to use digital payments safely can help prevent fraud and support AML efforts.

In conclusion, Uganda has made strong progress in building an anti-money laundering system. But as the country becomes more cashless, it needs to update its systems and build better partnerships between financial players. By doing this, Uganda can continue to fight financial crime while also making digital payments safer and more accessible for everyone.

Kenya, through M-Pesa, has demonstrated that digital finance reduces cash-based transactions, thereby increasing traceability. This has aided in identifying and preventing illicit flows through effective data tracking and instant reporting mechanisms.¹⁵⁶ Nigeria, through the Cashless Policy Initiative, imposed withdrawal limits to discourage large cash transactions, thus pushing individuals towards traceable channels.¹⁵⁷ Rwanda's digitized tax collection system has also curbed public sector corruption by minimizing cash handling.

Uganda can replicate these initiatives by; Imposing reasonable transaction caps on cash while adopting these digital payments, introducing mobile tax filing and payment systems, encouraging use of national digital IDs for onboarding in financial systems to improve KYC compliance, Encouraging public adoption of cashless systems. One of the reasons why people may be discouraged from the cashless economy is due to the taxes that the government may impose and this can make the public fail to adopt it. Public scepticism towards digital finance

¹⁵⁶ GSMA. (2022). Mobile Money Metrics in Sub-Saharan Africa. <https://www.gsma.com>

¹⁵⁷ Central Bank of Nigeria. (2021). Cashless Policy Framework. <https://www.cbn.gov.ng>

in Uganda stems mainly from tax burdens, digital illiteracy, and cybersecurity fears. The mobile money tax introduced in 2018, although revised, reduced the morale for mobile transactions.

To address this, the government should, review and rationalize digital transaction taxes to encourage usage rather than penalize it, for example Rwanda offers a great example of how to encourage cashless adoption rather than discourage it through excessive taxation. Tax incentives for digital payments, The Rwanda Revenue Authority (RRA) provided Value Added Tax (VAT) refunds for small businesses that accepted mobile money or digital payments. Reduced fees for mobile transactions, During the COVID-19 pandemic, the government partnered with telecom companies to waive fees on mobile money transactions to encourage cashless payments.¹⁵⁸ Digitization of government services, Through the Irembo e-government platform, Rwandans can pay for over 100 services digitally, increasing adoption and making transactions more transparent. This has impacted positively by increasing mobile money usage across urban and rural populations, higher compliance in tax payments due to improved traceability and reduced reliance on cash, improving anti-money laundering enforcement.

Uganda can adopt similar strategies by eliminating or reducing mobile money and digital tax transaction fees for low-income users or small businesses, Offer tax breaks or VAT incentives to merchants who accept digital payments and Invest in linking digital payment systems with IFMIS and URA (Uganda Revenue Authority) for improved tracking and transparency.¹⁵⁹ In addition to the above, Uganda should launch nationwide digital literacy campaigns, particularly in rural areas, to build trust and competence in using mobile and online platforms, invest in cybersecurity infrastructure and establish a Digital Finance Protection Authority(DFPA) to address fraud complaints swiftly and transparently.

To strengthen Uganda's AML framework in the cashless context, the following recommendations are key, amend the AML Act to integrate obligations for fintech firms, cryptocurrency exchanges, and payment aggregators, Adopt risk-based supervision supported by advanced data analytics to monitor suspicious activity in digital platforms, Create partnerships with telecom operators and fintech's to develop AML-compliant services,

¹⁵⁸ Rwanda Revenue Authority. (2021). Digital Tax and Payment Strategy. <https://www.rra.gov.rw>

¹⁵⁹ Government of Uganda. (2022). IFMIS Implementation Status Report. Ministry of Finance. <https://archive.finance.go.ug/mofped/integrated-financial-management-system>.

Leverage international support from institutions like the FATF, World Bank, and IMF for technical assistance and funding to build regulatory capacity.

As the global financial ecosystem becomes increasingly digitized, the move towards a cashless economy has emerged as a strategic tool to combat money laundering. Uganda's journey towards this transformation is promising but requires significant legal, technological, and social adjustments. Aligning Uganda's legal framework with global cashless trends, while drawing lessons from African counterparts such as Kenya, Nigeria, and Rwanda, could significantly strengthen the country's anti-money laundering (AML) capabilities.

Uganda's AMLA and subsequent amendments have laid a foundation for regulating digital financial services. However, the framework must evolve to address the complexities of modern financial technologies. For instance, laws should be updated to explicitly regulate cryptocurrencies, fintech platforms, and digital wallets sectors increasingly used for both legitimate and illicit financial flows.

Uganda should adopt regulatory sandboxes to allow fintech innovation under the oversight of regulators like the Bank of Uganda and the Financial Intelligence Authority (FIA), as seen in Kenya's Capital Markets Authority, which has enabled safer fintech growth while monitoring AML risks.¹⁶⁰

Furthermore, the FIA should be empowered with enhanced real-time transaction monitoring tools, AI-based analytics, and cross-border data-sharing agreements, especially with other Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) members.

In a cashless economy, governments can track the flow of public funds using integrated digital financial management systems (IFMIS) and real-time payment monitoring tools. These systems enhance transparency and accountability by recording every digital transaction made by government entities. Integrated Financial Management Information System (IFMIS) is used by many African countries, including Kenya, Uganda, and Tanzania, IFMIS allows governments to track budget allocations, procurement, expenditures, and disbursements in real-time.

¹⁶⁰ World Bank. (2021). Regulatory Sandboxes in Africa: Catalysing Innovation and Financial Inclusion.

<https://www.worldbank.org>

The other way is using the Government Electronic Payment Gateways (GePG) just like in Tanzania, this system centralizes all government payments and receipts, reducing leakages and improving audit trails. The next is mobile money integration, some governments integrate mobile money platforms (like MTN MoMo or Airtel Money) into public services (e.g., tax payments, license renewals), ensuring digital trails are created and monitored. In Uganda, for example, the Ministry of Finance uses IFMIS to track government expenditures, although gaps remain in linking it with real-time mobile money transactions. Expanding integration between IFMIS and mobile/digital payments would be the best option and could significantly enhance tracking and reduce corruption which is the most common way of money laundering in the country.

3.3 Conclusion

The development of a cashless economy in Uganda is guided by a growing legal and institutional framework both domestically and internationally. Domestically, institutions such as the Bank of Uganda, guided by the National Payment Systems Act (2020), play a central role in regulating and promoting digital financial services. Internationally, Uganda benefits from aligning with global standards and practices set by organizations like the IMF, World Bank, and the Financial Action Task Force (FATF), which enhance financial integrity and inclusion. Together, these frameworks and authorities provide the regulatory stability, security, and innovation incentives necessary to foster a robust, inclusive, and sustainable cashless economy in Uganda.

CHAPTER FOUR

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

4.0 Introduction

Globally, the prospects for cashless economy are promising. Most people see this as the more flexible way of transactions. In Uganda people find it easier to pay using Momo pay, using mobile money ATM cards because it's flexible to carry other than money in cash and also labour with having change and all such issues unlike in digital where it's not required. Thus, this chapter shall address the summary of findings, and recommendations to enhance the development of cashless economy.

4.1 Summary of findings

Persistent threat, money laundering is a significant and still an ongoing issue in Uganda, exacerbated by a largely cash-based economy. Uganda in response has enacted laws and established institutions (e.g., FIA) to combat money laundering and terrorism financing. It has ratified key international conventions (UNTOC, UNCAC) and participates in regional AML bodies (ESAAMLG, COMESA, EAC). Despite all this it was placed on the grey list. Uganda's placement on the FATF grey list (2020–2024) negatively affected its economic stability and international reputation. A major obstacle remains the predominance of cash transactions, which impedes traceability and facilitates illicit financial flows. The study explores how a shift toward a cashless economy can reinforce Uganda's legal framework and enhance its capacity to combat money laundering.

Progress Made: Uganda has made substantial progress in its AML/CFT regime since 2013, culminating in its exit from the FATF grey list in 2024. Establishment of the FIA and national AML strategies based on NRA and MER findings reflects Uganda's commitment to aligning with global standards. The AMLA criminalizes money laundering, but enforcement is hampered by broader issues of corruption and a cash-based economy. Corruption is also another driver of money laundering. Corruption, driven by political and economic ambitions, thrives in a cash-based system, making illicit flows difficult to detect and regulate. Uganda's Anti-Corruption Act lacks stringent penalties there is a need for enhanced enforcement mechanisms and punitive measures. Cash Smuggling, the prevalence of cash smuggling, facilitated by porous borders and weak oversight, connects Uganda to transnational criminal networks. Therefore, transitioning to a cashless economy can reduce money laundering by ensuring transaction traceability and improving enforcement capacity.

Uganda has been listed twice (2013–2017 and 2020–2024), indicating persistent challenges in implementing effective anti-money laundering measures. The widespread use of cash undermines the effectiveness of AML efforts by enabling untraceable transactions and complicating law enforcement investigations, despite legal reforms, Uganda lacks comprehensive infrastructure to monitor and control money flows due to low digital payment adoption. Countries like Kenya, Sweden, India, and China demonstrate that a shift to digital financial systems can significantly reduce money laundering by enabling transaction traceability and accountability. Mobile payment apps, digital wallets, and online banking have accelerated the global transition to cashless economies and offer scalable solutions for Uganda, to succeed in this transition, there must be a coordinated effort between regulators and fintech companies to create enabling environments for innovation while ensuring security and consumer protection. A nationwide adoption of cashless systems would promote transparency, reduce corruption, and ensure effective monitoring of public and private financial flows.

While Uganda's Anti-Money Laundering Act (AMLA) aligns with international standards, the enforcement of anti-money laundering (AML) measures remains inconsistent due to institutional weaknesses such as resource constraints, lack of expertise, and political interference. Effective enforcement is hindered by poor coordination among agencies, limited resources, and insufficient technical infrastructure.

Despite comprehensive laws and several enforcement bodies, the legal framework's enforcement capacity is often limited. The Financial Intelligence Authority (FIA) and other regulatory agencies face difficulties in monitoring complex money laundering schemes due to understaffing, insufficient funding, and lack of advanced investigative tools. These gaps impede the detection and prosecution of money laundering cases.

Political interference and institutional fragmentation weaken the effectiveness of AML frameworks. In particular, Uganda's legal framework struggles with the uniform application of compliance measures, often burdening low-risk entities like non-profit organizations (NPOs) without addressing high-risk sectors such as real estate and emerging digital assets.

The rise of virtual assets, cryptocurrencies, and decentralized financial systems poses new challenges for AML enforcement. These technologies offer anonymity and speed, making it harder for authorities to trace illicit transactions. Uganda's limited regulatory coverage and technical capacity to monitor virtual assets exacerbate these challenges.

The transition to a cashless economy is presented as a strategic solution to enhance Uganda's AML framework. Cashless transactions create digital footprints that are easier to track, improving transparency and accountability in financial flows. This shift would allow for better detection of suspicious activities and more effective use of resources.

Digital financial systems, including mobile payments and blockchain technologies, enhance the traceability of transactions. They allow for real-time monitoring and automatic compliance, improving the efficiency and accuracy of AML detection. These technologies offer a secure, immutable record of transactions, reducing opportunities for fraud and money laundering.

A cashless economy facilitates better cross-border data sharing and strengthens international cooperation in the fight against money laundering. Countries with strong digital financial systems can more effectively track illicit fund movements across borders and collaborate on AML efforts.

While a cashless economy offers significant AML advantages, there are risks, including cybersecurity threats, exclusion of populations without access to digital infrastructure, and the need for regulatory frameworks to keep pace with fintech innovations. Additionally, the shift to digital finance can be challenging in economies with limited technological literacy or internet access.

The review suggests several reforms to enhance Uganda's AML framework, including strengthening institutional capacity, adopting a risk-based approach to compliance, improving inter-agency coordination, and integrating emerging technologies like artificial intelligence (AI) and machine learning (ML) to streamline enforcement efforts.

The transition to a cashless economy in Africa is being driven by mobile technology, digital payments, and government policies. Legal frameworks like the GDPR (EU) and regulations in Nigeria (CBN Act, Money Laundering Act) ensure digital transactions are secure and protect consumers. However, this system is associated with challenges and concerns like Limited access to technology in rural areas, increased risk of surveillance and data breaches, vulnerable populations, such as the elderly and low-income earners, could be marginalized.

The future of this is seen in its adoption by the countries surrounding Uganda and Africa. The rise of Central Bank Digital Currencies (CBDCs) and cryptocurrencies promises innovation, but must be regulated to ensure privacy, stability, and trust. Kenya Pioneered with mobile money which is M-Pesa, with over 90% of adults using mobile money. In Nigeria, The Central

Bank's policy encourages electronic payments, supported by fintech startups like Flutterwave. South Africa, the strong banking infrastructure supports digital payments, though mobile money is less common. Ghana also promotes a hybrid system combining mobile money, QR code payments, and electronic banking. Rwanda & Tanzania equally focus on digital literacy and interoperability for wider adoption in rural areas

All this is still associated with some Challenges that include; Infrastructural gaps, low smartphone penetration, and cybersecurity risks hinder full cashless integration, but investments are increasing. However, it has also been inclusive for example, Digital payments have increased financial inclusion, especially for women and low-income populations in Sub-Saharan Africa.

In regards to chapter three. We find out the legal framework supporting a cashless economy is foundational to its safe, inclusive, and effective implementation. Uganda, like many other countries, has developed a multi-layered legal and institutional architecture to support digital financial transactions, with the Bank of Uganda (BoU) playing a central regulatory role. Key legislation includes the National Payment Systems Act (2020), which provides for the licensing and regulation of payment systems and e-money issuance, and the Financial Institutions Act, which governs financial services and banking operations. Other critical laws include the Electronic Transactions Act and the Data Protection and Privacy Act, which ensure the legality of digital exchanges and the protection of user data, respectively.

Uganda has made progress in strengthening its AML Framework. Uganda has demonstrated commitment to combating money laundering, especially after being removed from the FATF grey list. Uganda is steadily moving towards a cashless economy, with widespread use of mobile money, internet banking, and digital payment platforms. However, rural populations and cash-dependent informal sectors still heavily rely on physical cash and mobile money agents, creating gaps in traceability.

The growth of digital financial services promotes financial inclusion and reduces reliance on cash, aiding in AML enforcement by leaving digital transaction trails. However, it also introduces new risks like cybercrime, anonymity in transactions, and limited regulatory oversight for fintech innovations and virtual assets. Although Uganda has expanded the scope of AML obligations to include non-bank financial institutions and virtual asset service providers, the current capacity of regulators (such as the FIA) to oversee these areas effectively remains limited. Public Scepticism Towards Cashless Systems Hinders Adoption Ugandans

remain cautious about adopting digital financial systems due to high mobile money taxes (e.g., the 2018 Mobile Money Tax) and limited digital literacy, especially in rural areas.

Uganda uses the Integrated Financial Management Information System (IFMIS) to monitor public funds. However, there is a disconnect between IFMIS and mobile money platforms. Full integration would enable real-time tracking of government transactions and reduce corruption, a common avenue for money laundering.

Uganda stands at a crucial juncture in its AML and digital finance evolution. The developments in other African countries provide actionable models for Uganda to adopt. A proactive approach through policy reforms, tax rationalization, technological upgrades, and regional cooperation—will not only strengthen the country's AML framework but also make Uganda a safer, more competitive, and investor-friendly economy in the region.

Despite commendable efforts through legal reforms and institutional frameworks, Uganda has faced recurring challenges, as evidenced by its placement on the Financial Action Task Force (FATF) grey list from 2013–2017 and again from 2020–2024. This chapter examines the current legal framework governing anti-money laundering (AML) in Uganda, assesses its effectiveness, identifies the key implementation challenges, and explores the potential of transitioning to a cashless economy as a strategic response to combat money laundering.

Uganda's anti-money laundering regime is anchored in a comprehensive legal and institutional structure designed to align with international standards. The central piece of legislation is the Anti-Money Laundering Act (AMLA) of 2013, which criminalizes money laundering, mandates customer due diligence, record keeping, and obliges accountable institutions to report suspicious transactions.¹⁶¹ The AMLA also established the (FIA), which serves as the central agency responsible for receiving and analysing financial intelligence related to suspected money laundering and terrorist financing.

Complementing the AMLA are other regulatory instruments, including the National Payment Systems Act (2020), which governs digital payments and e-money issuance, and the Financial Institutions Act, which regulates banking operations. Uganda has also enacted the Electronic

¹⁶¹ Republic of Uganda. (2013). Anti-Money Laundering Act. Kampala: Government of Uganda.

Transactions Act and the Data Protection and Privacy Act, which ensure the legality and security of digital exchanges and user data protection, respectively (Bank of Uganda, 2020).¹⁶²

Internationally, Uganda is a signatory to key conventions such as the United Nations Convention Against Corruption (UNCAC) and the United Nations Convention Against Transnational Organized Crime (UNTOC). Regionally, it participates in bodies like the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), COMESA, and the East African Community (EAC).

Uganda's AML framework reflects a strong legal alignment with global standards and demonstrates the country's commitment to curbing money laundering. The FIA, supported by National Risk Assessments (NRA) and Mutual Evaluation Reports (MER), has spearheaded initiatives that led to Uganda's removal from the FATF grey list in 2024 (FATF, 2024).

¹⁶³Moreover, the integration of mobile money, digital wallets, and electronic banking systems under a regulated environment has enhanced financial monitoring and traceability.

However, the effectiveness of these legal tools remains constrained. Despite the presence of strong laws, enforcement is often inconsistent, primarily due to institutional weaknesses, political interference, and corruption. The Anti-Corruption Act, for instance, does not impose stringent penalties, reducing its deterrent effect (Transparency International, 2023).¹⁶⁴ Additionally, the widespread use of cash and informal financial systems continues to undermine formal regulatory mechanisms.

Several key challenges impede the effective implementation of Uganda's AML framework; Institutional Capacity and Coordination, the FIA and other enforcement agencies face significant resource constraints, including limited staffing, funding, and investigative tools. Coordination among institutions is weak, resulting in duplication of efforts or regulatory gaps.¹⁶⁵ Cash-Based Economy, Uganda's economy remains heavily reliant on physical cash, particularly in rural and informal sectors. This limits transaction traceability, making it difficult

¹⁶² Bank of Uganda. (2020). National Payment Systems Act. Kampala, Uganda: Government Printer.

¹⁶³ FATF. (2024). FATF Removes Uganda from Grey List. Retrieved from <https://www.fatf-gafi.org>

¹⁶⁴ Transparency International. (2023). Corruption Perceptions Index 2023. Retrieved from <https://www.transparency.org>

¹⁶⁵ Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). (2022). Mutual Evaluation Report: Uganda. Retrieved from <https://www.esaamlg.org>

to monitor financial flows and identify illicit activities.¹⁶⁶ Corruption and Political Interference, corruption, often driven by political and economic interests, continues to undermine AML efforts. The enforcement of laws is uneven, with low-risk entities like non-profit organizations subjected to stringent compliance measures, while high-risk sectors such as real estate and virtual assets face minimal oversight.¹⁶⁷ Technological Gaps and Public Distrust, the lack of advanced digital infrastructure and public scepticism toward digital finance hinder broader adoption. The 2018 Mobile Money Tax, for instance, generated backlash and reduced trust in digital financial systems, especially in rural areas with limited digital literacy.¹⁶⁸

Transitioning to a cashless economy offers a strategic and transformative opportunity for Uganda to strengthen its AML framework. Digital financial systems leave transaction footprints, which enhance traceability, transparency, and real-time monitoring of financial flows. This reduces the anonymity that cash transactions offer and increases accountability in both public and private financial transactions.¹⁶⁹

Countries like Kenya, with the success of M-Pesa, demonstrate that mobile money can significantly reduce reliance on cash while promoting financial inclusion. Similarly, Nigeria, Ghana, and South Africa provide models for integrating digital payments with AML compliance mechanisms through central bank regulations, fintech innovation, and digital literacy programs.¹⁷⁰

Moreover, a cashless system facilitates international cooperation in tracking illicit funds and enhances cross-border data sharing for AML enforcement. Emerging technologies such as blockchain, artificial intelligence (AI), and machine learning (ML) can be leveraged to improve transaction monitoring and reduce fraud.¹⁷¹

¹⁶⁶ Bank of Uganda. (2021). Annual Supervision Report. Retrieved from <https://www.bou.or.ug>

¹⁶⁷ FIA Uganda. (2022). Annual Report 2022. Financial Intelligence Authority. Retrieved from <https://www.fia.go.ug>

¹⁶⁸ World Bank. (2022). Financial Inclusion Overview. Retrieved from <https://www.worldbank.org>

¹⁶⁹ IMF. (2023). Digitalization and AML/CFT Compliance in Developing Countries. Washington, DC: International Monetary Fund.

¹⁷⁰ GSMA. (2022). State of the Industry Report on Mobile Money 2022. Retrieved from <https://www.gsma.com>

¹⁷¹ OECD. (2023). Blockchain Technologies and AML Risks. Paris: Organisation for Economic Co-operation and Development

Uganda stands at a pivotal moment in its anti-money laundering journey. While significant legal and institutional progress has been made, including alignment with international standards and the development of digital payment frameworks, persistent challenges continue to undermine enforcement. A shift toward a cashless economy presents a viable and necessary strategy for improving transparency, reducing corruption, and enhancing the capacity to combat money laundering. However, this transformation requires not only legal reforms but also coordinated efforts involving technological investment, public education, regulatory modernization, and regional cooperation. With the right mix of policy, technology, and political will, Uganda can position itself as a leader in digital finance and anti-money laundering in Africa.

4.2 Recommendations

i. Strengthen Legal Frameworks and Regulations.

Governments should develop and enforce robust legal frameworks to regulate digital financial transactions. The General Data Protection Regulation (GDPR) in the European Union offers a model that could be adapted for use in African nations to ensure that data protection and privacy are maintained, especially in the context of mobile and digital payment systems. This will prevent misuse of financial data and protect users from identity theft and financial fraud.¹⁷² Nigeria's Central Bank Act (CBN Act of 2007) provides a legal foundation for the cashless policy. Other countries could adapt such legislation to provide clear guidelines for digital transactions, ensuring better transparency and control over financial activities.¹⁷³

ii. Encourage Cross-Border Collaboration.

In the context of money laundering, international collaboration among financial institutions is crucial. African countries should look to global examples such as the Financial Action Task Force (FATF) guidelines, which emphasize cross-border collaboration in the fight against illicit financial activities. Sharing data across borders and enhancing global coordination can better detect suspicious transactions.¹⁷⁴

iii. Promote Digital Literacy and Inclusivity.

¹⁷² European Union. (2016). General Data Protection Regulation (GDPR). Retrieved from <https://www.eugdpr.org>

¹⁷³ Central Bank of Nigeria (CBN). (2007). CBN Act of 2007. Retrieved from <https://www.cbn.gov.ng>

¹⁷⁴ Supra (note 72).

Digital literacy programs should be implemented across Africa to ensure that all populations, including those in rural and underserved areas, can safely and effectively use digital financial tools. As highlighted by the Global Findex Database (2021), financial literacy, particularly in low-income and marginalized communities, is a key determinant in successfully adopting digital finance.¹⁷⁵ Efforts should also focus on providing affordable access to smartphones and internet services to bridge the digital divide, especially for rural populations, the elderly, and low-income individuals who may be at risk of being excluded from digital economies¹⁷⁶

iv. Implement and Enforce Anti-Money Laundering (AML) Policies.

Cashless economies can be leveraged to implement stricter anti-money laundering (AML) policies. Financial institutions should adopt Know Your Customer (KYC) guidelines, which verify the identity of customers to prevent money laundering activities. Systems such as Telebirr in Ethiopia and M-Pesa in Kenya can set an example for Uganda by ensuring all users are properly identified and transactions are recorded.¹⁷⁷

v. Increase Investment in Cybersecurity.

Cybersecurity is essential to prevent fraud and money laundering in digital systems. African governments and private stakeholders must invest in securing digital platforms against hacking, fraud, and financial crime. Using blockchain technology and other secure technologies can ensure that financial transactions are transparent and difficult to manipulate, thus reducing opportunities for money laundering.¹⁷⁸

vi. Enhance Consumer Protection

With the rise of digital transactions, consumer rights must be strengthened. Laws should be enacted to protect users from digital fraud, especially as financial institutions shift toward more

¹⁷⁵ World Bank. (2021). Global Findex Database 2021: Financial Inclusion. Retrieved from <https://www.worldbank.org/en/publication/globalfindex>

¹⁷⁶ *ibid*

¹⁷⁷ Nigham Shahid, Eugenie Humeau, Kalvin Bahia, Gizaw, M. (2021). Digital finance in Ethiopia: An analysis of Telebirr's launch. *Journal of Digital Economics*, 12(3), 45-60. https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/wp-content/uploads/2023/06/GSMA_Mobile-money-in-Ethiopia-Advancing-financial-inclusion-and-driving-growth-report.pdf.

¹⁷⁸ Christian Catalini and Joshua S. Gans Blockchain technology and the cashless economy. *International Journal of Financial Innovation*, 7(2), 102115 https://www.nber.org/system/files/working_papers/w22952/w22952.pdf.

contactless and mobile payments. Strengthening these protections will help reduce the risk of money laundering and fraud by ensuring consumers can safely engage in the digital economy.¹⁷⁹

vii. Monitor and Regulate Cryptocurrencies and Digital Currencies

While cryptocurrencies and Central Bank Digital Currencies (CBDCs) offer innovation in the cashless economy, there is a need for clear regulatory frameworks to prevent them from being used for illicit financial activities. Regulations should aim to monitor transactions involving cryptocurrencies to ensure they are not used for money laundering.¹⁸⁰

viii. Enhance Enforcement Capacity Through Institutional Strengthening

Uganda should increase funding and staffing for the Financial Intelligence Authority (FIA) and other AML enforcement agencies. These institutions currently suffer from resource constraints, understaffing, and lack of technical tools, which undermine the detection and prosecution of money laundering cases.¹⁸¹

ix. Adopt a Risk-Based Approach to Supervision and Compliance

Uganda should shift from a “one-size-fits-all” compliance model to a risk-based approach. This means focusing regulatory attention on high-risk sectors such as real estate, virtual assets, and politically exposed persons (PEPs), rather than overburdening low-risk entities like non-profit organizations.¹⁸²

x. Promote Digital Financial Inclusion in Rural and Informal Sectors

To ensure the success of a cashless economy, Uganda must expand digital infrastructure and financial literacy programs, especially in rural areas where cash remains dominant. This includes subsidizing smartphones, promoting affordable internet, and training citizens in digital finance.¹⁸³

xi. Integrate Digital Platforms with Government Financial Systems

¹⁷⁹ Cranston, R. (2016). Principles of Banking Law (3rd ed.). Oxford University Press.

<https://www.amazon.com/Principles-Banking-Law-Ross-Cranston/dp/0199276080>.

¹⁸⁰ Supra (note 72)

¹⁸¹ ESAAMLG. (2022). Mutual Evaluation Report: Uganda. Retrieved from <https://www.esaamlg.org>

¹⁸² FATF. (2020). Guidance on Risk-Based Approach to AML/CFT. Retrieved from <https://www.fatf-gafi.org>

¹⁸³ World Bank. (2022). Financial Inclusion Overview. Retrieved from <https://www.worldbank.org>

Uganda's Integrated Financial Management Information System (IFMIS) should be integrated with mobile money platforms to allow real-time tracking of government transactions. This can reduce corruption and enhance transparency in public spending.¹⁸⁴

xii. Rationalize Mobile Money Taxation Policies

High taxes on mobile money transactions such as the 2018 Mobile Money Tax have deterred the adoption of digital payments. Uganda should implement tax reforms that promote digital financial usage without discouraging participation from low-income populations.¹⁸⁵

xiii. Foster Public-Private Partnerships for Fintech Innovation

Collaboration between regulators, banks, and fintech companies is essential to foster innovation in secure digital payment systems. The government should provide regulatory sandboxes and incentives to encourage fintech growth while safeguarding consumer protection¹⁸⁶.

xiv. Leverage Emerging Technologies for AML Enforcement

Uganda should integrate artificial intelligence (AI) and machine learning (ML) into financial surveillance systems. These technologies can automatically detect suspicious patterns, reduce human error, and increase the efficiency of AML investigations.¹⁸⁷

xv. Strengthen Legal Sanctions Against Corruption and Money Laundering

The Anti-Corruption Act should be amended to introduce more stringent penalties for offenders. Stronger deterrents, including asset confiscation and longer sentences, would reduce impunity and reinforce the seriousness of money laundering offenses.¹⁸⁸

xvi. Improve Regional and International Cooperation

¹⁸⁴ Bank of Uganda. (2021). Annual Supervision Report. Retrieved from <https://www.bou.or.ug>

¹⁸⁵ Transparency International. (2023). Corruption Perceptions Index 2023. Retrieved from <https://www.transparency.org>

¹⁸⁶ IMF. (2023). Digitalization and AML/CFT Compliance in Developing Countries. Washington, DC: International Monetary Fund.

¹⁸⁷ FATF. (2021). Opportunities and Challenges of New Technologies for AML/CFT. Retrieved from <https://www.fatf-gafi.org>

¹⁸⁸ Republic of Uganda. (2013). Anti-Corruption Act. Kampala: Government Printer

Uganda should enhance collaboration with neighbouring countries and international partners for cross-border data sharing and joint investigations. Effective cooperation improves the ability to track illicit financial flows and enforce AML measures globally.¹⁸⁹

Uganda has made significant strides in reforming its anti-money laundering framework, but persistent challenges require targeted, practical reforms. By investing in institutional capacity, embracing digital financial systems, improving regulatory oversight, and fostering public trust, Uganda can reinforce its financial integrity and successfully transition toward a transparent, cashless economy.

4.3 Conclusion.

In conclusion, while Uganda's current AML framework has made some progress, significant challenges remain, particularly due to institutional weaknesses, resource constraints, and the evolving nature of money laundering techniques. Transitioning to a cashless economy presents a promising solution to these challenges, improving the efficiency of AML efforts and enhancing the traceability of financial transactions. Africa is progressing towards a cashless economy, with countries like Kenya and Nigeria leading the way. However, challenges like digital access and data protection remain. Collaborative efforts will be key to ensuring inclusivity and sustainable growth in digital financial systems.

This chapter finds that while Uganda has made commendable progress in establishing a regulatory base for cashless operations, it must continue to strengthen enforcement, ensure institutional coordination, and align with regional and international standards to combat risks such as money laundering and financial exclusion. Adopting lessons from countries like Nigeria, India, and Sweden, Uganda should enhance interoperability, promote financial literacy, and expand legal protections to foster a resilient and trustworthy digital economy.

The transition to a cashless economy presents both significant opportunities and challenges, particularly in the context of curbing money laundering. As Uganda embarks on this journey, it must embrace robust legal frameworks, technological innovations, and effective regulatory oversight to ensure the success and security of digital financial transactions.

Uganda's transition to a cashless economy offers immense benefits for financial inclusion and economic efficiency. However, it also introduces complexities in dispute resolution and tax

¹⁸⁹ FATF. (2022). International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation. Retrieved from <https://www.fatf-gafi.org>

compliance. Establishing robust mechanisms such as specialized financial tribunals, ADR frameworks, and digital complaint systems can ensure swift and fair conflict resolution. Similarly, deploying digital tax tools, real-time monitoring, and cross-sector collaboration can help the Uganda Revenue Authority plug revenue leakages and broaden the tax base. As the cashless economy evolves, Uganda must continue refining its legal, technological, and institutional frameworks to ensure transparency, equity, and resilience in the digital financial landscape

Drawing from global best practices, such as the General Data Protection Regulation (GDPR) in the European Union and Nigeria's cashless policies under the CBN Act of 2007, Uganda can develop a comprehensive legal infrastructure that promotes secure, inclusive, and transparent digital payments. However, the transition must also address key issues such as digital literacy, consumer protection, and cybersecurity, ensuring that all segments of the population, including the underserved and rural populations, are not left behind. The implementation of strong Anti-Money Laundering (AML) policies, alongside the use of emerging technologies like blockchain, will be crucial in safeguarding Uganda's financial system from illicit activities.

Furthermore, collaboration with international bodies such as the Financial Action Task Force (FATF) and neighbouring countries in East Africa will enhance Uganda's ability to effectively combat cross-border money laundering. The future of Uganda's cashless economy is promising, but it requires a balanced approach that ensures financial inclusion, technological advancement, and regulatory rigor. With the right policies, infrastructure, and regulatory oversight in place, Uganda can harness the power of digital finance to drive economic growth while effectively curbing the risks associated with money laundering. As the country progresses in its cashless transition, it must continuously evaluate and adapt its strategies to remain aligned with global trends, ensuring that the benefits of a cashless society are realized in a secure and equitable manner.

Uganda's transition to a cashless economy offers immense benefits for financial inclusion and economic efficiency. However, it also introduces complexities in dispute resolution and tax compliance. As the cashless economy evolves, Uganda must continue refining its legal, technological, and institutional frameworks to ensure transparency, equity, and resilience in the digital financial landscape.

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