July, 2025

The GLOCEPS Special Focus

Research Focus: Development and Innovation Pillar

The Dollar Purge under the Global Corruption & Dollar Sanitization Act

Michael Owuor

Photo Credit: us.transparency.org

In April 2025, the United States enacted the Global Corruption Accountability & Dollar Sanitization Act, signaling a major shift in its strategy to combat illicit dollar holdings. The rationale behind this move is multifaceted. They include the need to curb tax evasion, money laundering, and financial crimes. The U.S. is collaborating with Interpol, FATF, and global whistleblower networks to identify and intercept unregistered cash flows in high-risk jurisdictions. Significantly, legislative action may be driven by the urgent need to counter the erosion of dollar hegemony under the SWIFT platform and surge toward financial digitization trends. The recent launch of non-dollar payment systems and currencies like China's digital renminbi (RMB) and the anticipated rollout of Russia's digital ruble, coupled with BRICS nations' push to de-dollarization has intensified the US's sense of urgency into action. Trump's tariffs have also witnessed countries and regions undertaking negotiations to diversify their trade options, thus reducing dependency and exposure from trading with the United States and the dollar. It is imperative to note that global trade is still dominated by the US dollar at 87%. However, the 2025 integration of the digital RMB in the cross-border settlement system of 10 ASEAN countries and 6 Middle East nations is anticipated to lead to the Yuan's surge in global trade. Currently, the ASEAN and Middle East regions account for 38% of world trade volume.

Moreover, the Act introduces a serial tracking system for all US dollar bills, which mandates all financial entities, including offshore banks to declare dollar holding within 90 days. Non-compliance is expected to lead to sanctions and asset freezes. According to anecdotal estimates, global illicit dollar holdings range from $2 trillion to $5 trillion. The IMF notes that illicit financial flow is approximately $1-1.6 trillion annually. In the African continent, West and East Africa have been cited for their underground financial systems and cross-border transactions. These are expected to be significantly impacted. Specifically, political figures with undisclosed foreign accounts, real estate investors with undeclared dollars for

Photo Credit: Hoover Institution

offshore purchases, and participants in alternative parallel exchange systems like Hawalas will have their cash-based assets at risk. Additionally, cross-border actions of intelligence agencies are likely to be impacted by reduced trust in the US currency.

The black dollar economy which has historically operated the parallel power system away from US control faces potential collapse or adaptation under these measures. Likely, this legislation may even accelerate the global de-dollarization trend. For East Africa, it could disrupt the illicit financial ecosystem, reduce capital flight, and enhance financial accountability. However, it may also trigger short-term economic instability and engender challenges in financial system adjustments especially in the region's conflict-affected countries like Somalia, South Sudan, and Sudan which rely on the dollar system.

Strategic Shifts

The enactment of the US's Global Corruption Accountability & Dollar Sanitization Act comes against the backdrop of the United States grappling with significant public debts estimated at over $36 trillion. This has been at the back of huge annual budgetary deficits of $1-2 trillion. Currently, the United States faces challenges in refinancing this debt at lower rates. The Trump Administration tariffs were initially aimed at protecting US industries and reducing trade deficits. However, these tariffs are contributing to increased costs for businesses and consumers and added to the existing inflationary pressure. Interest rates on US Treasures and Bond are also surging making refinancing exorbitantly expensive.

Photo Credit: The Shaker Bison

Meanwhile, China's resistance to the tariff wars, coupled with the US industrial dependence on China's manufacturing and supply chain capabilities, has led to the subsequent exposure of US Company stocks on Wall Streets, with an estimated loss of $11 trillion in stock value. There is increasing skepticism towards US bonds, thus demand for higher returns. These dynamics are expected to make refinancing more expensive and problematic.

In light of these undercurrents, the Act is not merely a move to clean up the global financial system of illicit or undocumented dollars. It represents a strategic effort by the US to maintain the dollar hegemony under the SWIFT system amid its debt refinancing challenges and the rise of de-dollarization efforts. China's aggressive push and establishment of a digital ruble system and Russia's expected launch of a digital ruble system are bypassing the dollar-denominated system in global trade. The anticipated reduced demand for US dollars will affect its value. While a weakening dollar may improve

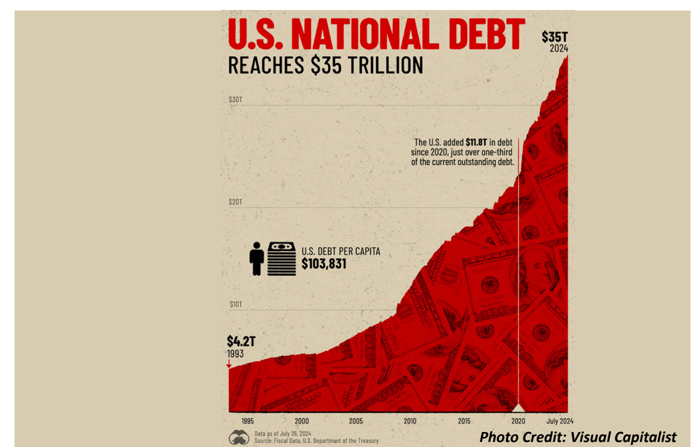

Photo Credit: Visual Capitalist

America's trade deficits by making its exports cheaper, it may make dollar debt refinancing costly as investors move their funds from Wall Street amidst a weakening dollar. Additionally, BRICS nations' entertaining de-dollarization discourses and the push for central bank digital currencies (CBDCs) reflect the global multi-currency realities that have intensified the geopolitical financial control contest. This may encourage countries to undertake trade using their local currencies rather than through the dollar. Sensing the erosion of its monetary hegemony, the US is adopting a new strategy of

total traceability, even at the risk of burning parts of its legacy systems of SWIFT and its position as the world's reserve currency. This motivation for dollar control will potentially prevent rivals from leveraging the dollar silently. However, this Act may further accelerate concerns and erode trust in the dollar.

This Act will have an unprecedented impact on regions such as the Middle East, West Africa, East Africa, and Central America which have been scrutinized for their underground finance systems and preference for large cash transactions. Equally, the traditions of banking secrecy and data protection in countries like Switzerland, the Caribbean, and UAE's Dubai, may force their financial institutions to enhance transparency or implement separate financial accounting systems for dollar-denominated transactions. Banks may increasingly opt to design and adopt different sets of banking rules or systems in handling dollar and non-dollar transactions. For instance, several Kenyan banks are expanding their international payment options to include China's global interbank payment system (CIPS). This will progressively alter the global financial landscape relating to the inherent control, restrictions, and exposure from dollar financial systems.

Importantly, lessons from countries with high public debt, such as Kenya which attempted to curb hoarded physical currency by issuing newly designed notes, while making old currency redundant, show that such measures do not entirely achieve the desired cleanup effect. Unlike Kenya's efforts, the US Act incorporates currency digitization and oversight of the SWIFT system, which may yield different outcomes. However, parallels can be drawn from Kenya's mop-up exercise where the old currencies were banked and exchanged for newly designed notes. Digital traceability systems suffer the limitation that they mostly target transactions within the formal financial systems. They will struggle to monitor out-of-system cash transactions of the newly serialized dollars.

In countries with underdeveloped financial infrastructure or where physical dollar cash usage is prevalent, hoarders will continue to store the newly serialized dollars in vaults, bunkers, and real estate safes thus avoiding detection by the traceability system.

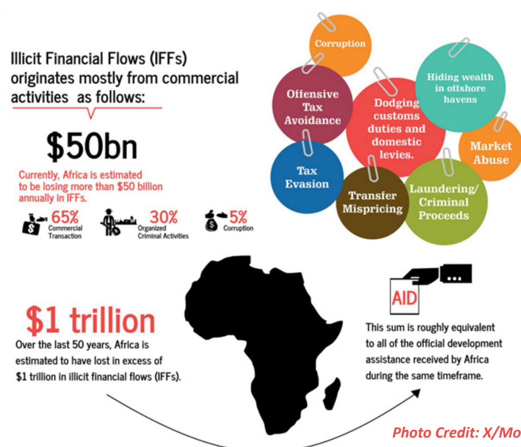

Photo Credit: X/Moina Spooner

For East Africa, this move could disrupt illicit financial flows but may equally bring short-term economic instability, especially in the region's conflict-affected countries that run dollarized economies. The ultimate impact of this legislation remains to be seen. It undoubtedly heralds a new era of global financial competition and transformation.

Expectations and Way Forward

The Act is faced with challenges in its global implementation, including East Africa. This may impede the realization of the legislated objectives. For instance, platforms that offer decentralized and anonymous alternatives to traditional currency systems may surge in usage. These include a surge in investing in cryptocurrencies. The appeal of cryptocurrencies lies in their potential to bypass the strict serial tracking and digital traceability measures imposed by the Act. Moreover, outside cryptocurrency trading platforms like Binance, mainstream cryptos like Bitcoin remain immune from sanctions and seizure.

Equally, this Act is not immune to implementation realities. The Act's introduction of newly serialized dollar bills could prompt individuals to switch old dollar notes for new ones and still perpetuate the practice of offline hoarding. This is applicable in

countries with underdeveloped banking systems or alternative financial systems. For instance, In East Africa where Hawalas are prevalent, the informal nature of these systems may allow participants to exchange old notes for new ones without scrutiny, as long as they fall within the 90-day restrictions. This could undermine the Act's goals.

Photo Credit: Financial Crime Academy

Moreover, financial systems, especially in conflict-affected countries may struggle with the transition due to limited human and technical capacity. This will impede both legal and illegal transactions. Banks and financial institutions in these significantly dollarized economies like Somalia, Sudan, South Sudan, and the DRC might face difficulties in accurately tracking and reporting the newly serialized dollars because of limitations of necessary infrastructure and trained personnel.

Likewise, in regions where regulatory capacities are weaker, enforcement could be particularly challenging. The US may encounter resistance from countries that prioritize financial secrecy or have different regulatory priorities.

The Act faces the added dynamic that compliances across countries vary, with some prioritizing bilateral negotiations with the US to meet these new requirements while safeguarding their banking traditions. For instance, Switzerland negotiated an intergovernmental agreement to the implementation of the Foreign Account Tax Compliance Act (FATCA) in sharing information about American citizens in Switzerland directly with the US tax authority. Other countries may follow a similar path and adapt the law to fit their domestic legal and financial frameworks.

Lastly, the US national interest interests and political considerations have often taken precedence over legislative aspirations. For instance, during the 2008 financial crisis, the US prioritized the stabilization of its financial system over addressing the root cause of the crisis. Similarly, in the case of FATCA, the US pursued its tax enforcement goals even as it faced criticism for potentially destabilizing international financial relations. Additional concerns raised under FATCA included compliance burden, privacy concerns, sovereignty issues, and the US refusing to provide reciprocal information exchange with other countries to some extent. Such historical precedents indicate that the US may face difficulties in achieving uniform global compliance with the new Act as other countries may resist what will be perceived as an overreach of the US financial authority.

THE GLOBAL CENTRE FOR POLICY AND STRATEGY
(GLOCEPS)
Research | Knowledge | Influence
Runda Drive 100, Nairobi, Kenya
P. O. Box 27023 - 00100, Nairobi.
Telephone: 0112401331
Email: info@gloceps.org
Web: www.gloceps.org