

CENTRAL BANK OF KENYA



Remarks by

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At the

ANTI-MONEY LAUNDERING (AML) ROUNDTABLE

*Intercontinental Hotel
Tuesday, October 28, 2014*

*Mr. David Drinkard, Deputy Economic Counselor, US Embassy
Nairobi;*

Our Development Partners;

Private Sector Representatives;

Representatives of Government Agencies here present;

Distinguished Ladies and Gentlemen:

I feel honoured and privileged to be with you at this important interactive forum that brings together our development partners, private sector players and Government agencies to deliberate on the important subject of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

Ladies and Gentlemen, as you are aware, Kenya's AML/CFT regime since June 2009 had been under review by the International Cooperation Review Group (ICRG). Kenya was initially referred to the ICRG for being a high risk jurisdiction that had significant deficiencies in the AML/CFT regime but had also significant exposure due to its porous borders. Kenya's engagement with the ICRG was facilitated through regular meetings with the Middle East/Africa Regional Review Group (RRG).

Ladies and Gentlemen; as you may also recall, Kenya underwent an on-site visit in May 2014 by the ICRG Regional Review Group. The visit which entailed meetings with various key policy makers and practitioners involved in AML/CFT both in the public and private sector formed the basis on which Kenya was removed from the Financial Action Task Force (FATF) monitoring process during the FATF plenary meeting of June 2014. I want to extend my personal appreciation to all of you for the joint efforts that went a long way in addressing the deficiencies that led Kenya to being put under the review process.

Ladies and Gentlemen; being put under the FATF process might have appeared punitive. However, it is in Kenya's global interest to put in place appropriate measures to detect and deter money laundering and terrorism financing risks. To be upgraded from the dark grey list, required Kenya to have an AML/CFT legal and regulatory framework that is aligned to the FATF standards. We now have the framework and the question that one may ask is whether we have arrived at the ultimate destination. My emphatic answer to the question is that we have not arrived at our destination but have only begun the journey. We must now focus on the effectiveness of Kenya's

AML/CFT framework – This is institutional capacity for effective AML/CFT Regime.

Ladies and Gentlemen; The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) will be conducting the second round of Mutual Evaluations on AML/CFT from 2015 based on new a methodology. The scope of the evaluations will be based on two inter-related components for technical compliance and effectiveness. Technical compliance will center on assessing whether necessary laws, regulations or other required measures are in force and effective, and whether the supporting AML/CFT institutional framework is in place. The effectiveness component seeks to assess the adequacy of the implementation of the FATF recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system.

Therefore the task ahead of us now is the implementation of the AML/CFT legal and regulatory framework. This roundtable is thus important to devise methods and allocate resources so that by the time the second round of Mutual Evaluations is being conducted on Kenya, the AML/CFT regime will be found to be effective.

Ladies and Gentlemen, The revised FATF recommendations issued in February 2012, recommend that jurisdictions adopt the risk based approach to implementing AML/CFT measures. These require countries to identify, assess and understand money laundering and terrorism financing risks facing them and appropriately allocate available resources to mitigate money laundering and terrorism financing vulnerabilities. As a preliminary step, jurisdictions have to conduct a National Risk Assessment (NRA) on AML/CFT. It is now time to fast track Kenya's AML/CFT NRA.

The NRA will involve sensitization of players, data collection, analysis of the data collected and reporting of the findings to the stakeholders and Kenya as a whole. The process requires both financial and human resources. We have already commenced this process and I therefore call upon our development partners to continue providing the required technical support to ensure that this noble exercise is completed within a reasonable period.

Ladies and Gentlemen, the fight against money laundering and terrorism financing requires concerted efforts of the Government, private sector and our development partners. I therefore note with pleasure your commitment to this

worthwhile cause. It is my hope that deliberations on this subject will contribute to the realization of an effective AML/CFT regime.

Finally, in spite of the fact that we have come out of the ICRG process, we need to appreciate that various players are at different stages of implementation of the AML/CFT framework. I therefore want to emphasise the need for continuous capacity building initiatives targeted at law enforcement agencies, the judiciary, the financial sector fraternity and the financial sector regulators coordinated by FRC.

Ladies and Gentlemen; with these thoughts, let me wish you fruitful deliberations and I look forward to the agreed action plans and outcomes.

Thank you