

BANKI
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KENYA



CENTRAL
BANK OF
KENYA

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August 14, 2023

CENTRAL BANK OF KENYA CIRCULAR NO. 2 OF 2023

TO ALL CHIEF EXECUTIVE OFFICERS OR PRINCIPAL OFFICERS OF FOREIGN EXCHANGE BUREAUS, MONEY REMITTANCE PROVIDERS AND DIGITAL CREDIT PROVIDERS.

IMPLEMENTATION OF THE RECOMMENDED ACTIONS IN THE AML/CFT MUTUAL EVALUATION REPORT OF KENYA

Reference is made to Central Bank of Kenya Circular No. 1 of 2023 dated June 15, 2023, through which CBK disseminated the mutual evaluation report (MER) of Kenya to all foreign exchange bureaus and money remittance providers and digital credit providers. In the said Circular, the CBK advised institutions to review the report and consider the insights and recommendations relevant to their respective sectors.

As indicated in the referenced Circular, the MER was adopted by the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) at its plenary meeting in Livingstone, Zambia in September 2022 and was published on its website in November 2022. Post mutual evaluation, Kenya was referred to the Financial Action Taskforce's (FATF) International Cooperative Review Group (ICRG) process due to weaknesses highlighted in its mutual evaluation. The country is currently under a period of observation for one year from October 2022 to October 2023.

During the observation period, Kenya must address all the Recommended Actions outlined in the Mutual Evaluation Report. By October 2023, Kenyan authorities are expected to submit a progress report to the ICRG detailing the actions taken to remedy the deficiencies. Failure to make substantial progress may result in the country being placed on the FATF "grey list." Being grey listed will have serious adverse consequences for the country and its financial institutions, negatively impacting international trade, international financial transactions involving the European Union (EU) and other regions, correspondent banking relationships, among others.

To avoid these adverse effects, Kenyan authorities, supervisory bodies, financial institutions, and other stakeholders must take concrete and immediate measures to address the deficiencies noted in the MER. It is against this backdrop that the CBK issues this Circular.

The MER noted substantial deficiencies relating to the foreign exchange bureaus, money remittance providers and digital credit providers which need to be addressed. Towards this goal, the CBK hereby issues the following directives and requires all foreign exchange bureaus, money remittance providers and digital credit providers to:

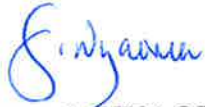
1. Critically read and understand the MER particularly Chapters 1, 2, 5 and 6 of the MER. These chapters cover ML/TF Risks and Context, National AML/CFT Policies and Coordination, Preventive Measures, and Supervision. Chapter 5 on Preventive Measures exclusively covers deficiencies noted in the financial sector and designated non-financial businesses and professions (DNFBPs).
2. Develop an Action Plan on how the deficiencies and Recommended Actions outlined in the MER will be addressed. The attached Matrix (**Annex I**) outlines the deficiencies under reference. A copy of the Action Plan should be shared with the CBK by August 31, 2023.
3. Prepare and submit to the CBK by August 18, 2023, a report on the current status of the institution with respect to the identified deficiencies and Recommended Actions. The Matrix will be used as the template for the report to CBK.
4. Allocate enough resources including time, human and financial resources to expeditiously implement the Action Plan to address the deficiencies and to implement the Recommended Actions in the MER.
5. Prioritise the implementation of the Action Plan as Kenya has a tight deadline to submit a progress report to the ICRG on the actions taken to address the deficiencies and to implement the Recommended Actions.
6. Document every action taken to address the deficiencies and the Recommended Actions. Supporting documentation should be attached to each action item for CBK's ease of reference.
7. Prepare and submit to the CBK by September 15, 2023, a report on the Status of the Implementation of the Action Plan to address the MER deficiencies and the Recommended Actions. The Matrix shall be used as the template for this Status Report. Please note that failure to submit the Status Report by the due date shall attract a penalty as the CBK will rely on these reports to prepare the Consolidated Banking Sector Report for submission to the ICRG by September 30, 2023. The Status Report shall be accompanied by supporting documentation on the actions taken to address the deficiencies and to implement the Recommended Actions. The supporting documentation should be attached to each action item.

Please critically analyse each deficiency outlined in the Matrix and determine if it applies to your institution or not. Please further note that the deficiencies outlined in the Matrix have been extracted from the MER *verbatim*. You may therefore refer to the full MER for your ease of reference.

The purpose of this Circular is to require all foreign exchange bureaus, money remittance providers and digital credit providers to:

- i) take measures to address the deficiencies and Recommended Actions noted in the MER.
- ii) furnish CBK with information on the actions taken to enable CBK prepare a progress report to be submitted to the ICRG.

Yours faithfully,



GERALD A. NYAOMA
DIRECTOR, BANK SUPERVISION

Attachments

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