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BANKING CIRCULAR NO. 2 of 2017

TO ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS

UNLICENSED DEPOSIT-TAKING ENTITIES AND PYRAMID SCHEMES

Your attention is drawn to the joint press release of April 6, 2017 by the Central Bank of Kenya (CBK) and the Sacco Societies Regulatory Authority (SASRA) informing members of the public on the re-emergence of unlicensed deposit-taking entities and Ponzi/pyramid schemes. Such entities entice members of the public to place money with them and promise quick and abnormally high returns on their money or acquisition of non-existent properties.

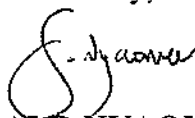
CBK reminds all institutions of the requirements of the Central Bank of Kenya Prudential Guideline on Anti-Money Laundering And Combating the Financing of Terrorism (CBK/PG/08), the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA) and the Proceeds of Crime and Anti-Money Laundering Regulations (2013), with regards to customer due diligence measures, monitoring of accounts and reporting of suspicious activities.

Institutions are required to:

- Identify the customer and the beneficial owner of any account opened;
- Understand and, as appropriate, obtain information on the purpose and intended nature of the business relationship;
- Conduct ongoing due diligence on the business relationship; and
- Scrutinize transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including where necessary the source of funds.

The purpose of this circular is to caution financial institutions against dealing with or offering any service to any unlicensed entity undertaking activities involving the mobilization of funds from the public. Institutions are further required to immediately report to CBK entities suspected to be engaged in such activities. Failure to observe this directive will lead to appropriate administrative action.

Yours faithfully,



GERALD NYOMA

DIRECTOR, BANK SUPERVISION DEPARTMENT

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