

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

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BANKING CIRCULAR NO 14 OF 2015

TO: ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANIES AND MICROFINANCE BANKS

VIRTUAL CURRENCIES – BITCOIN

The attention of the Central Bank of Kenya (CBK) has been drawn to articles carried in the print media in the recent past on the use, holding and trading of virtual currencies such as Bitcoin in Kenya. Bitcoin is a form of un-regulated digital currency that is not issued or guaranteed by any government or central bank.

CBK wishes to inform all financial institutions that virtual currencies such as Bitcoin are not legal tender in Kenya and therefore no protection exists in the event that the platform that exchanges or holds the virtual currency fails or goes out of business. Some of the risks associated with buying, holding or trading virtual currencies include the following:

- Transactions in virtual currencies such as Bitcoin are largely untraceable and anonymous making them susceptible to abuse by criminals in money laundering and financing of terrorism.
- Virtual currencies are traded in exchange platforms that tend to be unregulated all over the world. Consumers may therefore lose their money without having any legal redress in the event these exchanges collapse or close business.
- There is no underlying or backing of assets and the value of virtual currencies is speculative in nature. This may result into high volatility in value of virtual currencies thus exposing users to potential losses.

The purpose of this Circular therefore is to caution all financial institutions against dealing in virtual currencies or transacting with entities that are engaged in virtual currencies. Financial institutions are expressly advised not to open accounts for any person dealing in virtual currencies such as Bitcoin. Failure to comply with this directive will lead to appropriate remedial action from the Central Bank.

In the event of any query or clarification, please contact:

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