



## **PRESS RELEASE**

### **INVESTIGATIONS OF BANKS RELATED TO NATIONAL YOUTH SERVICE TRANSACTIONS**

The Central Bank of Kenya (CBK) has, with other investigative agencies, been investigating banks that were used by persons suspected of transacting illegally with the National Youth Service (NYS). This followed the serious concerns that came to light in May 2018, related to the channelling of NYS funds.

CBK announces the conclusion of the first phase of the investigation of the banks that were used by these persons in transacting the NYS funds. The investigations prioritised banks that handled the largest flows, namely; Standard Chartered Bank Kenya Ltd, Equity Bank Kenya Ltd, KCB Bank Kenya Ltd, Co-operative Bank of Kenya Ltd, and Diamond Trust Bank Kenya Ltd.

The main objective of the investigations was to examine the operations of the NYS-related bank accounts and transactions, and in each instance assess the bank's compliance with the requirements of Kenya's Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) laws and regulations. Violations were identified, principally related to the following:

- failure to report large cash transactions,
- failure to undertake adequate customer due diligence,
- lack of supporting documentation for large transactions, and
- lapses in the reporting of Suspicious Transaction Reports (STRs) to the Financial Reporting Centre (FRC).

CBK has assessed monetary penalties for each of the five banks in accordance with the extent of the violations that were identified and pursuant to CBK's powers under the Banking Act and the Central Bank of Kenya Act. These penalties are detailed below.

<b>Commercial Bank</b>	<b>Amount received from NYS (Ksh. million)</b>	<b>Assessed monetary penalty (Ksh. million)</b>
Standard Chartered Bank Kenya Ltd.	1,628	77.5
Equity Bank Kenya Ltd.	886	89.5
KCB Bank Kenya Ltd.	639	149.5
Co-operative Bank Kenya Ltd.	263	20.0
Diamond Trust Bank Kenya Ltd.	162	56.0

CBK has discussed the detailed findings with Boards of Directors and Senior Management of each of the banks. Each has expressed their strong commitment to be fully compliant on all aspects of the law, and addressing the identified lapses through time-bound Action Plans. These Actions Plans will be submitted to the CBK within fourteen (14) days and CBK will closely monitor their implementation. More generally, CBK will work with all other banks to ensure that these findings are also applied to strengthen all AML/CFT frameworks.

The second phase of the investigations will involve use of these findings by other investigators, *inter alia*, assessment of criminal culpability by the Directorate of Criminal Investigations (DCI) and the Office of the Director of Public Prosecution (ODPP). CBK has shared the findings with the relevant investigative agencies for their appropriate action. Further, an additional set of banks will also be identified and investigated.

The actions taken by CBK and subsequently by other agencies are aimed at safeguarding stakeholders' interests and maintaining a healthy financial sector. CBK will continue to ensure that the banking sector's legal and regulatory framework, including for AML/CFT, is aligned to best practices. We will also continue to enforce strict adherence to the applicable laws and regulations, as the interests of the public, investors, and other stakeholders will be protected only in any environment that is governed by the rule of law.

**CENTRAL BANK OF KENYA**

September 12, 2018