Central Bank of Kenya

Demonetisation
The Kenyan Experience in 2019

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EXECUTIVE SUMMARY

On June 1, 2019, the Central Bank of Kenya (CBK) announced the demonetisation of the existing series of 1,000 Kenya Shillings notes, which was undertaken over a period ending September 30, 2019. The announcement was made publicly during the Madaraka Day national celebrations, and concurrently with the launch of new generation banknotes that was presided over by His Excellency President Uhuru Kenyatta. The objective of the demonetisation was to address concerns regarding illicit financial flows (IFFs) and emergence of counterfeit banknotes that threatened the integrity of the currency, amongst other reasons. These IFFs were mainly funds sourced from proceeds of commercial tax evasion, revenues from criminal activities, and public corruption. This paper documents the CBK's journey in the successful demonetisation of the old KES 1,000 banknotes in 2019.

The magnitude of previous demonetisations in Kenya was negligible in comparison to the phase-out of the old KES 1,000 banknotes in 2019, which accounted for 80.3 percent of the total value of currency in circulation. Therefore, experiences of India (2016), Pakistan (2016), United Kingdom (2018) and European Union (2002) amongst others, provided useful lessons in implementing the exercise. The success of the CBK strategy was underpinned by several pillars, including a gradual process, strong engagement with key stakeholders, an extensive public awareness campaign, and a robust AML/CFT framework.

The gradual process allocated adequate time for withdrawal of the banknotes. The four-month timeline ensured a smooth conversion and adjustment to the new currency across the country, and sufficient time for addressing logistics such as transportation, recalibration of cash machines to the new currency by banks and businesses, and for people to learn the features of the new notes. The timeline provided a balance between ensuring that the process is not disruptive to the activities of the ordinary Kenyan, while swiftly addressing the concerns about criminal activities with regard to IFF and counterfeits. In the end, there were no reported cases of panic and long queues in banking halls, as reported in other country experiences. Completion of the process within the set timelines eliminated uncertainties.

The continuous engagements with key stakeholders during the exercise ensured that cases of currency shortages across the country were limited. After the launch of the new banknotes and announcement to demonetise the notes, CBK held meetings with CEOs of commercial banks and other relevant institutions to ensure a smooth demonetisation process. The banks worked closely with the CBK to ensure that there was adequate supply of the new notes in all their branches across the country, and to facilitate exchange of the old banknotes with new ones in line with the indicated guidelines. The coordination of the process was extended to the East Africa region, to ensure that possible IFFs outside the borders do not return to Kenya's financial system through banks in the region.

An active and extensive public awareness campaign ensured that information was provided at every step to ensure that the public understands the process, its intentions, and the timelines. In this regard, press releases, regular media conferences, adverts in newspapers and on television, social media, the CBK website, both vernacular and regular radio stations, and use of posters and pamphlets were adopted as the main communication channels in the process.

Sensitisation campaigns through roadshows were conducted in different parts of the country. CBK issued circulars and held meetings with banks and other stakeholders to give clarity on the process. A feedback mechanism was also put in place to ensure prompt responses to any concerns that emerged.

A robust AML/CFT framework that was already in place outlined modalities for exchanging the old banknotes with new ones. The framework ensured that banks obtained confirmations from customers on the nature of their businesses that generate large cash transactions in order to safeguard the integrity of the financial sector. Close collaboration between CBK, banks, foreign exchange bureaus, payment service providers, money remittance providers, other financial institutions and investigative agencies supported this requirement. CBK also established a weekly reporting mechanism for suspicious transactions by these institutions to ensure that the AML/CFT framework was enforced while monitoring any suspicious activities of counterfeiters.

The success of the exercise can be measured in several ways. First, the exercise was completed within the set timeline of four months, with complete changeover to the new notes in that period. Second, the exercise was not disruptive to the economy as witnessed in other countries, as key macroeconomic indicators such as inflation and exchange rates remained stable throughout the period. Third, the exercise had an impact on IFFs, as indicated by the notes valued at KES 7.386 billion which were rendered worthless at the end of the exercise. This was due to noncompliance with the robust AML/CFT checks that were in place.

1. INTRODUCTION

On June 1, 2019, the Central Bank of Kenya (CBK) announced the demonetisation of the existing series of 1,000 Kenya Shillings notes over a period ending on September 30, 2019. The announcement was made publicly during the *Madaraka* Day national celebrations, simultaneously with the launch of new generation banknotes presided by His Excellency President Uhuru Kenyatta.

Demonetisation is an economic intervention that removes specified denominations of a country's currency notes and coins replacing it with a new denomination. Kenya's demonetisation objective was to address concerns regarding Illicit Financial Flows (IFFs) and emergence of counterfeit banknotes that presented a threat to the integrity of the currency, amongst other reasons. IFFs involve funds sourced from proceeds of commercial tax evasion, revenues from criminal activities, and public corruption.[1]

Prior to the demonetisation, IFFs and counterfeits presented a threat to the integrity of the currency. IFFs became pervasive[2] as highlighted by numerous incidences reported in the media and other publications. These incidences related to concerns over corruption particularly in the execution of the budget by some government agencies,[3] fraudulent activities[4,5,6] and allegations of large cash donations by prominent individuals from proceeds of corruption.[7] Additionally, there were several on-going cases to prosecute various public officials for alleged involvement in economic crimes. On tax evasion, the Kenya Revenue Authority (KRA) aggressively pursued several tax evasions cases and made several recoveries[8] to ensure tax compliance. Counterfeit incidences reported by the media included fake gold scams, and presence of counterfeit goods in the market.[9] Incidents of the old KES 1,000 counterfeit banknotes, accounting for 71 percent of the counterfeit notes received at CBK from banks, rose by more than tenfold between 2014 and 2015 and peaked in 2016 **(Figure 1.1)**.

Given the significance of the Kenyan economy in the region, the rapid rise in the old KES 1,000 counterfeit notes raised alarm that they were being used for illicit financial flows in the region. Kenya accounted for about 45 percent of the total GDP for the region, and 44 percent of the value of trade by the East African Community (EAC) countries in 2018 according to EAC's *2019 Facts and Figures* report. Rising rates of IFFs and counterfeits compromise the region's financial integrity.

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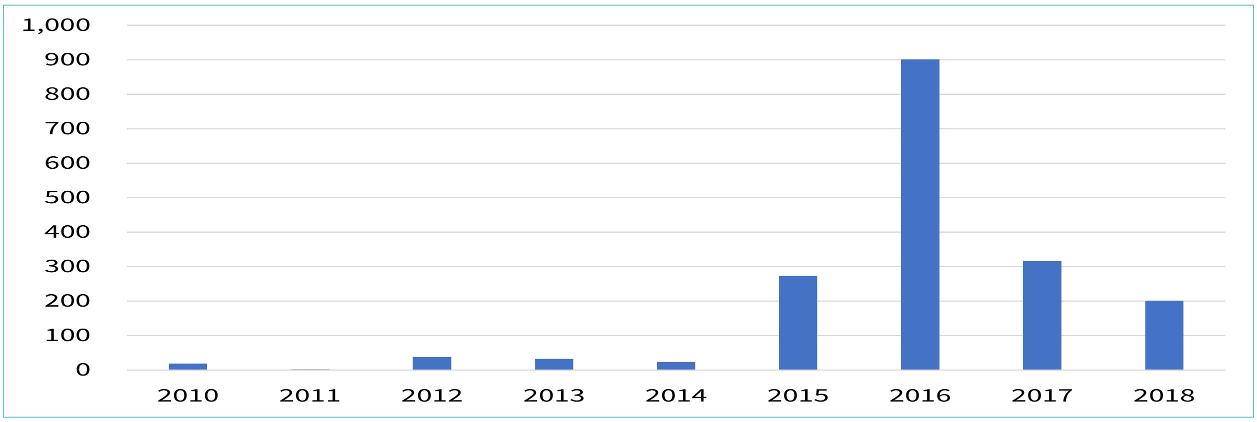
[1] United Nations, World Economic Situation and Prospects 2016, (UN 2016), footnote 19, pg. 103.
[2] State of the nation address at Parliament Buildings, Nairobi on Thursday, March, 26, 2015, by His Excellency, President Uhuru Kenyatta
[3] Remarks by Chairman of the Ethics and Anti-Corruption Commission during an interview with Reuters on March 8 2016
[4] https://www.nation.co.ke/kenya/news/nys-did-business-with-ghost-firms-in-sh9bn-tender-scam-44034
[5] https://www.nation.co.ke/kenya/news/witness-details-complex-national-youth-service-fraud-105160
[6] https://www.businessdailyafrica.com/news/CBK-flags-suspicious-wheat-purchases/539546-5286548-11n0tk5/index.html
[7] https://www.the-star.co.ke/news/2019-04-24-clergymen-at-crossroads-over-politicians-huge-tempting-cash/
[8] https://www.kra.go.ke/en/media-center/press-release/637-directors-charged-with-tax-evasion-amounting-to-kshs-273 illion#:~:text=Since%20the%20start%20of%20the,222%20tax%20evasion%20cases%20won.
[9] https://kippra.or.ke/index.php/resource-centre/blogs/28-institutions-combating-counterfeit-goods-not-doing-enough-to-protect-kenyans#:~:text=The%20Anti%2Dcounterfeit%20Agency%20(ACA)%20estimates%20that%201%20in,the%20economy%20of%20the%20country.

Figure 1.1: Number of KES 1,000 Counterfeits Notes received at CBK from Commercial Banks



Source: Central Bank of Kenya

The old Kenyan currency notes had been widely circulating in the regional economies and were accepted in trade transactions particularly with the existence of a significant informal cross-border trade among neighbouring regional countries. Kenyan banks have also expanded in the region, contributing to wider circulation of the Kenyan currency.

Cash dependent economies have been shown to facilitate some of the illicit transactions and flows, Hilaire and Mahabir (2020). In Kenya, various AML/CFT frameworks were already in place to address IFFs, including: The Proceeds of Crime and Anti-Money Laundering (POCAMLA) Act (2009) and its Regulations;[10] Prevention of Terrorism Act (2012) and its Regulations;[11] and CBK Prudential Guidelines on AML/CFT. Additionally, guidelines were already in place regarding large cash transactions in banks, requiring bank customers to provide information on, among others, beneficiaries, source, purpose and destination of funds, before depositing/withdrawing amounts of more than the equivalent of USD 10,000, and guidelines for cross-border trade between neighbouring regional countries. Kenyan banks have also expanded in the region, contributing to wider circulation of the Kenyan currency.

From the outset, Kenya's demonetisation received a positive reception both from the media and the public **(Annex 1)**. Various commentators and the media described the exercise as a *war on graft*, which was expected to make it difficult for those hiding cash outside the financial system to transact.[12] The exercise was also lauded as a step in the right direction by CBK in implementing international anti-money laundering laws. It was therefore seen as a step forward in the fight against corruption, and a new beginning for Kenya in building an economy devoid of this vice.[13]

[10] Proceeds of Crime and Anti-Money Laundering Regulations (2013)
[11] Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations (2013)
[12] Opinion article by Ambassadors and Representatives of Australia, Austria, Belgium, Canada, Czech Republic, Colombia, Denmark, European Union, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Poland, Portugal, Slovak Republic, UK, USA, Spain, Sweden, Switzerland and the United Nations, published in the Daily Nation, Page 18, Friday, June 7, 2019
[13] Opinion article by Dr. Patrick Njoroge, Governor, Central Bank of Kenya, on Demonetisation – A Step in the Fight against Corruption, published in the Star Newspaper on October 24, 2019

2. LESSONS FROM PREVIOUS DEMONETISATION EXPERIENCES

Kenya's 2019 demonetisation exercise was anchored on lessons from other countries' experiences. These provided insights that helped to avert potential challenges such as cash shortages, associated disruptions to economic activity, and an unstructured currency exchange process that may have inconvenienced the public.

Demonetisation experiences vary by purpose across the various countries. The main reasons for demonetisation include combatting illegal financial activities, adopting new national or regional currencies, and addressing hyper-inflation/economic maladies. Several countries in Asia, Africa and the Caribbean (India, Pakistan, Mauritius, Ghana, and, Trinidad and Tobago) undertook demonetisation to curb illegal financial activities, particularly, IFFs and counterfeit money, while Venezuela and Zimbabwe used demonetisation to address hyper-inflation. Contrastingly, the European Union demonetised as 12 of its members transitioned to a single currency under the monetary union. On the other hand, the United Kingdom (U.K.) and Australia demonetised to transition their currencies to a plastic form (polymer). Despite the varied reasons for demonetisation, ample planning, stakeholder involvement, timing and effective communication are the key factors that contributed to successful demonetisation outcomes.

This chapter focuses on the experiences of India, Ghana and Pakistan, whose demonetisation objectives mirror Kenya's, thus able to inform Kenya's demonetisation strategy. India's 2016 demonetisation experience stands out globally as its effects have been studied widely due to its magnitude. Although U.K. and Australia's demonetisation purpose differ from Kenya's, their seamless demonetisation process offered Kenya some lessons. The detailed country experiences which informed the CBK demonetisation strategy are documented below.

India (2016): During an unscheduled televised national address on November 8, 2016, at 8.15pm local time, the Prime Minister of India announced that the two largest denomination notes (500- and 1,000-rupees notes), would cease to be legal tender. The notes targeted for demonetisation accounted for 86 percent of the currency in circulation at the time. With no lead time, holders needed to exchange the old notes with new notes or deposit them at a bank. This was to be achieved by December 30, 2016 from November 9, 2016. The short notice resulted in panic and long queues in banking halls, due to the urgency to replace the affected notes with the new ones. Challenges by Reserve Bank of India (RBI) such as lack of ATM calibration to dispense new notes and availing only 25 percent of the value of the new notes, constrained availability of cash resulting in a 2 percent decline in economic growth. Weak AML/CFT filters permitted the transmission of demonetised money back to the economy. Consequently, 99.3 percent of the demonetised notes ended up at the RBI at the end of the demonetisation exercise.

Despite the reported challenges, a key positive outcome in the Indian demonetisation exercise was facilitating the rapid adoption of alternative payment technologies, and digital payments. At the beginning of the demonetisation, India was among the world's leading cash dependent economies, with about 68 percent value of transactions in cash, and the currency in circulation estimated at 12 percent of GDP (Chodorow-Reich et al. 2018 and Reserve Bank of India, 2017).

Pakistan (2016): Pakistan's gradual demonetisation ensured adequate time for the process. In December 2016, Pakistan's Senate passed a resolution seeking the withdrawal of high denomination Rupees 5,000 currency notes "in a phased manner". The objective of the demonetisation was to curb the circulation of black money, encourage the use of bank accounts and to reduce the undocumented economy (UNDP, 2019). The process which constituted the withdrawal of high value denomination of 5,000 Rupees and older design banknotes from circulation was to be undertaken within three to five years. At the time, the 5,000 Rupees accounted for 30 percent of the total currency in circulation. The initial concern that the withdrawal of the notes would cause a crisis in the market and hamper business activity did not occur.

Venezuela (2016): Venezuela's sudden demonetisation and poor distribution of the new currency appear to have been disruptive to the public and economy undermining the demonetisation efforts. On December 11, 2016, the President of Venezuela announced the demonetisation of its largest banknote (100 Bolivar bill) and declared it illegal tender within 72 hours, as part of the implementation of a digital economy (UNDP, 2019) and to promote economic and price stability. The notes made up about 77 percent of the country's currency in circulation. The sudden announcement was intended to stop the illicit hoarding of cash by "international mafia". The decision came as a major surprise to the citizens as the country was experiencing an economic crisis with an inflation rate of 475 percent. The demonetisation announcement also came with the issuance of new denominations (500, 1,000, 2,000, 5,000, 10,000 and 20,000 Bolivar bills) to replace the 100 Bolivar bill. However, a delay in the issue of the new banknotes triggered unrest with widespread protests since the higher denomination bills had not reached the banks and ATMs. The timing of the demonetisation further coincided with the beginning of the holiday season when cash was in high demand. After two days of unrest, including one death, the President postponed the process until January 2017. Despite the recall, many businesses refused to trade with the 100 Bolivar bills.

European Union (EU) (2002): In 2002, 12 EU member countries adopted the Euro currency thereby transitioning from their old national currencies under the EU monetary union. Adequate preparation and planning as well as public education were essential in the smooth adoption of the new single currency. The Euro was introduced in January 1999, but the notes and coins in the old national currencies continued to be used as legal tender until the new ones were introduced in January 2002. The design for the new notes and coins were announced in 1996, two years prior to the printing of new notes that started in 1998. The new notes and coins were frontloaded to banks three months in advance. As part of the public education strategy on the new currency, posters were issued showing the designs, which were used on items ranging from playing cards to T-shirts. All ATMs were preloaded with new cassettes and were activated at midnight of December 2001, which mostly worked as expected across the EU countries. As a result of proper planning and gradual nature of its implementation, the changeover was successfully concluded with little disruptions to the economies.

Australia (1996): The Australian government replaced its paper-based notes with polymer bank notes of the same denomination in 1996, to curb illicit money and improve the security features, (Reserve Bank of Australia, 2019). The first polymer-based note was introduced in Australia in 1992. The exercise did not have any side effects on the economy.

Ghana (1982): Ghana's demonetisation experience which resulted in a rise in informal financial challenges and eroded confidence in the financial sector was deemed unsuccessful due to lack of proper planning, a clear communications strategy and public involvement. Ghana demonetised the 50-Cedis currency notes in 1982 to crackdown on corruption, tax evasion and money laundering. The measures included the freezing of bank balances in excess of 50,000 Cedis, recalling of bank loans made out to finance trade inventories and the compulsion to use cheques for payments exceeding 1,000 Cedis. This led to an increase in the "use of informal financial intermediaries and the holding of savings in the form of physical assets, such as buildings and construction materials, or foreign assets" (Brownbridge and Gockel, 1996).

United Kingdom (2018): In October 2018, the Bank of England (BOE) announced the issue of a new polymer £50 note that was expected to enter circulation by the end of 2021. BOE was required to give one month's notice of its intention to withdraw a banknote. All the banknotes targeted for withdrawal would maintain their face value and could be presented at the BOE for exchange with the new banknotes and coins. In practice, commercial banks accept most banknotes from their customers and negotiate them with the BOE themselves (Bank of England, 2019).

Given the above country experiences, the magnitude of the cash targeted for withdrawal, implementation timelines and prior planning, would impact the outcome of demonetisation. Abrupt announcements and rushed implementation by India, Venezuela, and Ghana, resulted in disruptions to economic activity and compromised adoption of demonetised notes by the public. By contrast, Pakistan, EU, Australia and in part, U.K,'s gradual and phased implementations, afforded the public an adequate buffer between the announcement and implementation timelines. This increased public awareness, enabling them to seamlessly adopt the new denominations/currencies.

India, and Venezuela demonetised notes that accounted for a large share of currency in circulation and this required an appropriate strategy, with sufficient lead time for adoption to ensure notes are well distributed and accessible to the public. Pakistan on the other hand, demonetised notes that accounted for only 30 percent of currency in circulation and provided a buffer of 3 to 5 years. Pakistan, Venezuela, Australia, and Ghana's experiences highlighted the need for appropriate timing (avoiding periods or seasons when demand for cash is high),

clarity in the communication strategy, and public involvement in the exercise.
The key lessons from other countries' demonetisation experiences can be summarised as follows:

- A gradual demonetisation strategy rather than a "shock and awe" approach is minimally disruptive to the economy and administratively practical. This can inform the demonetisation announcement approach and determine the length of exercise.
- Effective communication throughout the exercise can affect economic and financial actions of the public.
- Adherence to a robust AML/CFT framework prevents illicit funds from re-entering the financial system. This ensures the security of cash transactions and safeguards the integrity of the financial sector.

Nevertheless, these country experiences do not offer a rule-of-thumb timeline.[14] CBK therefore used these lessons and allowed for a demonetisation window of four months, which was deemed to be sufficient. Unlike Trinidad and Tobago, where demonetisation timelines were adjusted mid-stream (Hilaire and Mahabir, 2020), CBK ruled out any flexibility that would hinder the demonetisation objective. For this reason, CBK did not preannounce the demonetisation.

[14] Trinidad and Tobago allowed 3 months perhaps due to its small area and population.

3. LAUNCH OF NEW GENERATION CURRENCY

The launch on June 1, 2019 not only leveraged on the widely celebrated national holiday to officially launch the new banknotes, but also spread awareness on the demonetisation of the old KES 1,000 note. This chapter focuses on the new currency design, launch, and changeover as managed by CBK.

3.1 Designing the New Currency

Besides the primary roles of formulating monetary policy and promoting price stability, the Constitution mandates CBK the sole responsibility of issuing currency. Hence, CBK has issued several currencies over time **(Annex 2)**. CBK embarked on the process of aligning the national currency with provisions of the new Constitution, immediately after its promulgation on August 27, 2010. Under the new Constitution in Article 231(4) "*notes and coins issued by CBK are required to bear images that depict or symbolise Kenya or an aspect of Kenya but shall not bear the portrait of any individual.*" However, the notes and coins issued before the promulgation of the new Constitution, remained valid. Therefore, the changeover would align all notes to meet this provision.

The design of the new generation currency was guided by the theme - *Kenya Re-born and Prosperity* – which inspired the philosophy and features to be used. The theme encapsulated the collective spirit of a hopeful nation, one full of promise at the prospect of a new dawn as envisioned in the *National Vision 2030*. To convey this theme, various aspects defining Kenya's economic, environmental, and socio-cultural milieu were proposed: *Agriculture, Technology, Culture, Education, Tourism, National Heritage, National Unity, Flora and Fauna, Sports, Entertainment, Environment, National Vision, and the Strength of Women in Kenya*.

CBK engaged the public to obtain proposals on the new currency design in conformity to the Constitution, via target advertisements in the local dailies on March 7, March 9 and March 13 2012, **(Sample in Annex 3)**. Responses were received from individuals and corporates alike, presenting an array of suggestions for consideration. Additionally, CBK contacted the National Museums of Kenya to obtain a list of over 250 gazetted sites and monuments to be considered on the designs.

After considering the views received from the public for currency notes and coins, CBK proposed concepts to symbolise the drivers of a prosperous Kenya for the design of the new generation currency. This was in consultation with the National Treasury,[15] in line with the CBK Act. Out of the proposed themes for the banknotes, CBK opted to symbolise green energy, agriculture, social services, tourism, and governance as the images on the back of the banknotes. Additionally, all the notes featured both the Kenyatta International Conference Centre (KICC) and a dove. KICC was selected as it is one of the most iconic and recognisable landmarks in the country, while the dove symbolises a peaceful Kenya. The designs also considered the special needs for visually impaired persons through size differentiation and incorporation of unique tactile marks **(Annex 4)**. CBK recommended the use of wildlife images for the coins, whose engraved images give physical expression to the guiding theme and embody the spirit of the Constitution.[16]

[15] Initially the Ministry of Finance until 2013

[16] The Constitution states '*we, the people of Kenya are…respectful of the environment, which is our heritage, and determined to sustain it for the benefit of future generations*'

The proposals were consolidated and submitted to the National Treasury for presentation to Cabinet. The designs were endorsed by the Cabinet in its fifth Cabinet meeting of 2013 held on August 13, 2013. They noted that the proposed design elements/features of the Kenya Currency banknotes and coins were in conformity to Article 231(4) of the Constitution. The approval was communicated to CBK by the Principal Secretary, National Treasury on September 4, 2013.

3.2 Gazetting of the New Currency

For public attention, gazette notices specifying the denominations, inscriptions, forms, material and characteristics of the new generation currencies were issued as required in Article 231 (2) of the Constitution and Section 22 (2) of the Central Bank of Kenya Act. Notification for the new generation currency coins was done through the Kenya Gazette Supplement Number 151 of December 10, 2018 **(Annex 5)** while that of the new generation banknotes was done through the Kenya Gazette Supplement Number 76 of May 31, 2019 **(Annex 6)**.

3.3 Launch of the New Generation Banknotes and Coins

The new generation currency notes and coins were launched at two high-level events, presided over by His Excellency President Uhuru Kenyatta. The new coin was launched at CBK Headquarters on December 11, 2018. Similarly, the new banknote launch took place on June 1, 2019 during a public event - the *Madaraka* Day celebrations held at Narok Stadium. Despite the launches being unexpected, they were live events, publicly broadcasted to ensure wide coverage and maintain the element of surprise.

The high-level presidential visit to launch the currency coins consisted of a typical sequence of events (presentation of a symbolic cheque for dividends and CBK's announcement of a Corporate Social Responsibility (CSR) commitment regarding the environment), which allowed for the element of surprise as the launch was unprecedented. The Governor's remarks on the issuance of the New Generation Currency officially marked the launch of the coins **(Annex 7)**, which emphasized the purpose of the event. The coins were unveiled **(Annex 8)**, and the President became the first Kenyan to be presented with the new generation coins.

The successful launch of the new coins provided CBK with vital lessons for the launch of the banknotes which was held on June 1, 2019 during the *Madaraka* Day celebrations at Narok Stadium. *Madaraka* Day, like other national holidays is hosted by the President, televised nationally, broadcast live on radio, and thus widely watched. Therefore, the choice of *Madaraka* Day as the launch day was opportune. Upon the President's unparalleled invitation to make remarks, the CBK Governor announced the demonetisation of the old and the issuance of the new banknotes: "*the Central Bank of Kenya has now completed the process of producing the New Generation banknotes, in accordance with the Constitution and all applicable laws. I confirm that the New Generation banknotes were issued yesterday, May 31, 2019, by a Gazette Notice. They are now legal tender*" **(Annex 9)**. The Governor's remarks also addressed concerns over IFFs and counterfeit banknotes that were driven by the old KES 1,000 banknotes within Kenya and regionally. He emphasized that the demonetisation, due on September 30, 2019, was therefore imperative to address these concerns, that would otherwise jeopardize proper transactions and the conduct of commerce in Kenya. After the Governor's remarks, the President unveiled the new generation banknotes. The President was then duly issued with the first complete set of the new banknotes, all bearing serial number AA0000001. Having been unveiled, the new generation banknotes were ready for immediate distribution countrywide.

4. THE DEMONETISATION STRATEGY

The demonetisation strategy was informed by lessons learned and localized. The main components of the strategy included: a timeline, changeover management, implementation that adheres to a robust AML/CFT framework, engagement with various partners, and an effective communication approach.

In contrast to the demonetisation timelines implemented by other countries, CBK deemed four months as adequate to ensure a smooth and gradual process. The existing AML/CFT measures were fully applied to ensure that IFFs were filtered out during the exercise. Moreover, CBK engaged closely with banks and other key partners to ensure a smooth rollout of the new currency countrywide and its availability. Since CBK launched the new generation notes concurrently with the demonetisation, a multi-channel public awareness campaign was implemented across the country to ensure that the public was informed on both the demonetisation and the features of the new currency.

4.1 Timelines and Planning

The demonetisation exercise was undertaken from June 1 to September 30, 2019. The four-month period provided adequate time for a seamless adoption of the new currency. This timeline considered logistics (transportation and distribution), calibration and awareness of the new currency. It was deemed sufficient for people in far-flung rural areas who lack immediate access to banking institutions where they can change their currency. Furthermore, it balanced between ensuring that the process was not disruptive to the activities of the ordinary Kenyan and addressed concerns about criminal activities with regards to IFFs and counterfeits. The timing therefore ensured that any legally held old KES 1,000 notes were returned to CBK.

To this effect, prior activities on managing the changeover had to be conducted. Adequate prior planning of the demonetisation exercise ensured that cases of currency shortages reported countrywide were limited.

4.2 Managing the Changeover to New Generation Currency

After the launch of the new generation notes, CBK deployed mechanisms for efficient issuance and distribution of the currency countrywide. CBK ensured its Branches and Centres were sufficiently stocked with the new currency immediately after the launch for ease of accessibility by commercial banks. To improve communication during the changeover, commercial banks had direct call-ins to CBK whenever they needed to quickly boost their cash holdings.

Extensive logistic operations were deployed to ensure expeditious delivery of the new currencies. Availing the newly launched currency was crucial in supporting the withdrawal of the demonetised banknotes, to ensure illicit money and counterfeits did not find their way back to the system. Priority was given to the continuous availability of the new KES 1,000 notes.

According to CBK's 2018 Bank Supervision Annual Report, 2,833 ATMs and 1,505 commercial bank branches were distributed across the country in 2018. These required calibration and continuous replenishment with the new notes. Immediately after the demonetisation announcement and launch of the new banknotes, the CBK Governor held regular meetings with commercial banks' CEOs to explain the measures CBK had put in place to ensure adequate supply of the new currency countrywide. Special emphasis was placed on far-flung areas in the northern and southern parts of the country, cognizant of the heavy use of cash in those regions. The banks worked closely with CBK to ensure this objective was met in all their branches nationwide facilitating the exchange of the old notes with new ones.

CBK identified major ATM suppliers and currency machine vendors in the market, directly engaging them for an effective calibration process. They were provided with the materials required to update their machines accordingly prior to the launch. This engagement helped to avert duplication of effort by commercial banks who did not need to individually contact CBK concerning the calibration process. As a result, some banks were able to dispense the new currency from their ATMs promptly.

4.3 AML/CFT

Kenya's AML/CFT oversight is underpinned by a robust AML/CFT legal framework comprising: the Proceeds of Crime and Anti-Money Laundering (POCAMLA) Act (2009) and its Regulations;[17] the Prevention of Terrorism Act (2012) and its Regulations;[18] and CBK Prudential Guideline on Anti-Money Laundering and Combating the Financing of Terrorism (CBK/PG/08). These laws and regulations are aligned to international standards as set by the Financial Action Task Force.

Since 2015, CBK has undertaken measures to ensure effective implementation of the AML/CFT legal framework, prevent abuse of financial institutions to launder proceeds of crime and bolster the government's efforts to tackle corruption and threat of terrorism. Consequently, CBK progressively implemented the following measures, that laid the background to effectively roll out AML/CFT measures during the demonetisation exercises:

- **Guidelines on Large Cash Transactions**: In January 2016, CBK issued additional guidelines on large cash customer transactions to include transaction information on details of beneficiaries, source, purpose, and destination for funds exceeding USD 10,000.

- **AML/CFT Targeted Inspections**: CBK undertook several targeted AML/CFT inspections of financial institutions as opposed to examining AML/CFT compliance as part of the prudential inspection. As part of its enforcement actions, CBK fined five banks a total of KES 392 million in June 2018 due to AML/CFT violations and referred them to law enforcement agencies to determine their criminal culpability. Additionally, CBK for the first time, published information on banks that violated AML/CFT legal provisions and fines levied[20] .

[17] Proceeds of Crime and Anti-Money Laundering Regulations (2013).
[18] Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations (2013).
[19] The fines charged were due to violations of: failure to undertake adequate customer due diligence and failure to report large cash transactions.
[20] Central Bank of Kenya Press Release on November 16, 2018, on Investigations of Banks Related to National Youth Service Transactions. Available on CBK website on the link: https://www.centralbank.go.ke/uploads/press_releases/812051739_Press%20Release%20-%20Investigations%20into%2 Banks%20Associated%20with%20NYS%20Transactions.pdf

- **Guidance Notes on Sectoral AML/ CFT Risk Assessments**: After undertaking a review of commercial banks' money laundering/ terrorism financing (ML/TF) risk assessment frameworks, CBK identified certain gaps. Consequently, a Guidance Note to assist financial institutions to conduct sectoral ML/TF risk assessments in compliance with CBK Prudential Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism and the Proceeds of Crime and Anti-Money Laundering (POCAML) Regulations was issued in 2013.

4.3.1 Currency Exchange Procedure

Demonetisation carries risks associated with the large fraction of currency in circulation to be demonetised, variety of customers included in the exercise, geographical risks, and large transaction amounts. The KES 1,000 denomination is the highest denomination and accounted for 80% of the total value of notes in circulation, therefore presenting an inherent risk. Various customers were involved in the demonetisation exercise, which involved every individual including high-risk customers - those without bank accounts and whose Know Your Customer (KYC) information may not exist. Border towns have an elevated risk of IFFs due to weak adherence to AML/CFT regulations in neighbouring countries. Large transaction amounts by a single individual pose a higher risk as they may be associated with IFFs given that their source is difficult to ascertain.

A risk-based approach was undertaken to mitigate these risks by subjecting high-risk transactions to existing AML/CFT regulations. In this regard, CBK issued guidance[21] to the public and commercial banks on currency exchange. These modalities were aimed at simplifying the process of the exchange of old notes for individuals with lesser amounts, safeguarding the integrity of the financial sector, minimising business disruptions and ensuring the security of cash transactions. Specifically,

- Persons exchanging the old KES 1,000 currency notes for amounts not exceeding KES 1 million were required to do the exchange at their commercial banks, CBK branches and currency centres, or the nearest commercial bank.
- Bank customers exchanging the old KES 1,000 currency notes for amounts KES 1 million to KES 5 million, were required to do so at their respective commercial banks, under the normal procedures and requirements.
- Persons without bank accounts exchanging currency notes for amounts exceeding KES 1 million required an endorsement from CBK.
- Persons exchanging currency notes for amounts exceeding KES 5 million (bulk exchange) required an endorsement from CBK.

4.3.2 Reporting and Feedback Mechanism

- CBK used several mechanisms to monitor the demonetisation process. These measures ensured that currency exchange transactions were processed in accordance with, AML/CFT Laws and Regulations, and thus provided information and reporting on the demonetisation process. This required the set-up of a call centre, roll-out of returns and off-target inspections.

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[21] Central Bank of Kenya Press Release dated June 6, 2019 on Circulation of the New Generation Banknotes and Withdrawal of the Older 1,000 Shillings Banknotes. Available on the CBK website on the link: https://www.centralbank.go.ke/uploads/press_releases/696932423_Press%20Release%20-%20New%20Generation%20Banknotes.pdf

- **The Call Centre**: CBK established a currency call centre to support the demonetisation process. The call centre composed of a team to advise/ recommend action to be taken on suspicious transactions. The centre's mandate included vetting of all currency exchange requests submitted to CBK for processing; handling of all queries on the demonetisation process; analysing returns from financial institutions; and undertaking target inspections.

- **Returns from Financial Institutions**: CBK developed and rolled out various returns to enhance monitoring of transactions and financial flows in the economy. These returns were:

  - Weekly currency exchange reporting template by banks for amounts exchanged
  - Weekly deposit reporting template by banks for deposit accounts with heightened activity
  - Money Remittance Providers (MRPs) Inflows and Outflows
  - Forex Bureaus Inflows and Outflows

The purpose of the returns was to provide insight on the value and frequency of currency exchange transactions conducted. To achieve this aim, surveillance activities included:

  - Identifying suspicious transactions
  - Tracking large transactions and associated regular customers
  - Monitoring movement of deposits by comparing average deposits prior to June 1, 2019 and during the denomination process
  - Mapping out trends and identifying rank institutions by currency exchange transactions
  - Identifying mobile money accounts with a spike in transactions.

- **Target Inspection Summary**: During the demonetisation exercise, data analysis guided CBK to 15 financial institutions that required enhanced surveillance. The onsite inspections conducted were due to a surge in transactions, intelligence information and suspicious transactions. The target inspections revealed weaknesses in several institutions and CBK placed these institutions under a supervisory program aimed at improving their AML/CFT frameworks. Measures recommended included: a review of policies and operational procedures, directives to undertake risk assessments and a suspension in dealing with certain high-risk customers until enhanced measures were put in place.

4.3.3 Outcomes of the AML/CFT Framework

CBK closely monitored the level of deposits held by financial institutions during demonetisation to establish the impact. The deposits reported did not fluctuate significantly, with a marginal movement of 2.65% over the four-month period, to KES 3,491 billion at the end of September 2019 from KES 3,401 billion at the end of May 2019. Institutions were required to ensure that customers provided adequate information to satisfy legitimacy of the source of funds. The Financial Reporting Centre (FRC) indicates that it received 2,532 suspicious transaction reports during the period June 1 to September 1, 2019, that were subjected to further investigation to determine whether they related to instances of money laundering and tax evasion.
The AML/CFT measures also aided in defining the AML/CFT objectives for regional central banks within EAC to ensure the demonetisation objectives were aligned both locally and regionally. These objectives and outcome are detailed in **Table 4.1** below.

Table 4.1: AML/CFT Objectives from Regional Central Bank Perspective

Action Taken	Implication	AML/CFT Objective
Suspension of currency conversion and repatriation of Kenyan shillings.	Regional financial institutions would no longer accept dealing in Kenya currency.	A preventive AML/CFT measure, to stop money launders from using regional financial institutions to exchange old Kenyan notes.
Require regional central banks to subject Kenyan financial inflows and outflows to enhanced due diligence.	Transactions from or to Kenya would be subjected to enhanced due diligence.	Enable detection of suspicious transactions.
Information exchange upon request	Any flows deemed unusual or suspicious would be reported to CBK.	Enable CBK to initiate investigations on suspicious accounts.

4.4 Engagement

Demonetisation necessitated collaboration among key stakeholders to ensure successful demonetisation. This included engagements with local financial institutions, central banks within the East African Community (EAC) and law enforcement agencies.

4.4.1 Engagements with Local Financial Institutions

Engagement with financial institutions was critical as financial institutions were the first contact point for Kenyans seeking to exchange the old KES 1,000 notes. CBK held several meetings with financial institutions who are custodians of Know Your Customer (KYC) documents, to inform them of the requirements and expectations during the demonetisation process. CBK further provided the financial institutions a forum to seek clarifications and give feedback on the demonetisation process. Following this, CBK issued Banking Circulars to communicate the modalities of currency exchange and roles of the various institutions. Additionally, CBK also held meetings with other players in the financial sector including payment service providers (Mobile Money Operators) and players in the cooperative industry.

4.4.2 Engagement with Central Banks

Kenya plays a significant role in EAC. Nairobi's status as a financial nexus and gateway to the EAC, as well as Kenya's trading relations with neighbouring countries, amplifies the role of the Kenyan Shilling in the region. Regional central banks also play a critical role in the circulation of the Kenyan Shilling as specified in the memorandum on currency convertibility and repatriation signed by EAC central banks. Regional central banks act as each other's agents for supply and collection of currency, hence, the demonetised Kenyan Shillings held by commercial banks within the EAC countries was repatriated through respective country central banks.

On June 4, 2019, CBK engaged the Bank of Uganda and Bank of Tanzania to notify them of the issuance of a new series of Kenyan Shilling notes, the withdrawal and repatriation of the old KES 1,000 banknotes, immediate suspension of currency conversion, and the need for intelligence and information-sharing. Regional central banks acted swiftly and issued correspondence to their respective financial institutions.

Internationally, upon request by a local bank for currency repatriation, CBK communicated with the Central Bank of Ireland to confirm AML/CFT compliance status of several institutions that sought to repatriate old KES 1,000 notes. CBK approved the repatriation after confirmation of the source and beneficiary details of the transaction that backed the amount repatriated.

4.4.3 Engagement with Law Enforcement Agencies

CBK conducted currency exchange for the Judiciary, National Police Service and Kenya Prison Service. The amounts held by law enforcement agencies related to court exhibits that required preservation of the monetary value. These currency exchange requests by law enforcement were supported by details that included beneficiary details, case number and location/ place of holding. Courts in the East African region were required to exchange the currency through their respective central banks. However, in the instance where the law did not allow release of such notes, CBK required a binding document listing cases where currency was held as evidence, the amount and serial number of the notes to facilitate currency exchange.

4.5 Public Education and Awareness

Public awareness on the features (design and security) of the new currency was issued in the form of posters, pamphlets, television and radio advertisements, website pages and social media posts. Commercial banks and retailers also had the publicity material distributed to them for display since they were the most probable first point of public contact for the new currency.

The success of the demonetisation exercise and launch of the new currency were underpinned by an active communications strategy, which was invoked at all stages of the process. CBK ensured that there was an immediate advertising blitz that began the instant the announcement was made, beginning with social media. This was in contrast to the case of India in 2016, where the announcement was made during an unscheduled televised address by the Prime Minister and a significant population may have missed the communication. The CBK public education and awareness strategy targeted the general public through a wide range of communication channels. This section outlines the CBK's communication strategy from the launch of the exercise on June 1 to the conclusion on September 30, 2019. It also highlights the various public awareness campaign activities undertaken by other entities including the CBK Branches and Centres, Government agencies particularly Office of the President, commercial banks, Mobile Financial Services (MFS) providers, schools, and churches.

4.6. Communications Principles

The launch of a new currency, and especially the withdrawal of a series of banknotes that was in active use, presented a unique set of communication challenges—a communications task that had never before been attempted in Kenya or in the region. Thus, a set of principles had to be quickly established and followed, to ensure the success of the communications strategy.

- **Ownership:** The process had to be owned by Kenyan citizens from the beginning. This was to ensure that they would voluntarily take part in the process of exchanging their banknotes, which represented value to them. Another reason was to ensure that any attempt to obfuscate the reason, process or deadline for the process would fail at the first hurdle. Finally, by bringing in the public early and powerfully, millions of Kenyans would be recruited to be the ambassadors for the process.

- **Partnerships:** The enormity of the task meant that CBK had to reach out to partners with experience in this kind of messaging. Working with Safaricom PLC meant that CBK could hit the ground running, and be effective in a short time.

- **Depth and Broadness:** The communications strategy had to be broad and deep. The message had to get to all parts of the country, and to all Kenyans regardless of demographic. It also had to be repeated enough times and in enough variation to ensure that it sunk deep.

- **Clarity of Messaging:** The messages had to be extremely clear, primarily because the ultimate aim was a call to action. Thus the public had to understand three primary messages: that the older KES 1,000 notes were being withdrawn; that the public could exchange them and how this would happen; and that there was a deadline to the process.

- **Invariability:** Many public communications efforts in Kenya, especially those that involve the public taking action, are almost always let down by shifting deadlines and messages, as well messengers who shift the tone of their message. Thus, the invariability of the message was crucial.

- **Flexibility:** As the public interacted more with the message and internalised it, they gave crucial feedback that enabled the message to be passed across in a way that reached the audiences in much more direct and effective ways. Flexibility also enabled CBK deploy non-standard ways of communication, including visiting locations that had never been visited before by a team from CBK.

- **Research:** Research was undertaken constantly to ensure that the messages were properly positioned and were reaching the intended audiences.

4.6.1 Ownership

The *Madaraka* Day celebrations for 2019 were held at Narok Stadium, as part of the Government's policy of geographically rotating the celebration of national days. Towards the conclusion of the event, His Excellency the President invited the Governor of the CBK, Dr. Patrick Njoroge, to the podium. The Governor proceeded to make an announcement that had been eagerly awaited, for almost a decade by Kenyans, the launch of the new generation currency notes. The President had launched the new generation coins on December 11, 2018.

The Governor also announced the withdrawal of the older generation KES 1,000 banknotes. In his speech, the Governor stated the reasons behind the withdrawal of the banknotes, including concerns that the banknotes were being used for IFF in Kenya and also other countries in the region,[22] and the emergence of counterfeits mainly targeting the denomination.[23] In a press release issued on June 6, more details were given on the withdrawal, including the modalities for exchanging of the old KES 1,000 notes for the new ones. These included rules for the exchange of the notes according to the amount to be exchanged, where and how this was to be done.

It was important that the launch of the currency and the announcement of demonetisation was done in the manner and place that it was done. Because national days are televised nationwide and are widely watched, the choice of *Madaraka* Day ensured that demonetisation kicked off with every Kenyan receiving the message. Even people who may not have been watching the live broadcast when the announcement was made could not have missed the import of the message as it was broadly distributed and discussed on traditional and social media. The communications team ensured that there was an immediate advertising blitz that began the instant the announcement was made, first on social media and then on heavy rotation from the evening of June 1.

There was an urgent need to reach the public as soon as the announcement on the launch of the new currency was made. Because of the anticipation that had built up among Kenyans on the issue of the currency and its design, the strategy was to publicise the design of the five currency notes (KES 50, KES 100, KES 200, KES 500 and KES 1,000) as widely as possible. Immediately after the President launched the new notes, a poster **(Annex 4)** with the design was posted on CBK's social media sites (Twitter and Facebook). It was also seeded on WhatsApp, which is the most widely used social media platform, and it quickly circulated. The poster was also provided to the main media houses, to enable them report on the story accurately. At the same time, the video advert, which had high-quality footage of the currency, was also distributed to the media houses, to aid in the accurate reporting of the news. The poster contained reproductions of the five currency notes, and provided the mnemonic to aid the public in identification of genuine currency notes.

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[22] Speech by the Central Bank of Kenya Governor, Dr. Patrick Njoroge, during the launch of the New Generation Banknotes on June 1, 2019 **(Annex 9)**.

[23] Press Release by CBK on Circulation of the New Generation Banknotes and Withdrawal of the Older 1,000 Shilling Banknotes,- June 6, 2019 **(Annex 14)**.

The distribution of the posters, especially as electronic files, had to be done carefully, to preclude any security problems with attempted reproductions. Thus, the posters shared through online methods were of a lower resolution. While the currency notes were a faithful reproduction and were adequate to the naked eye, when one zoomed in, the image would not be as sharp, and the fuzziness was important in keeping the integrity of the currency. The posters that were used as newspaper advertising, on the other hand, were in high resolution, with the attendant cautions to the advertising contacts.

The mnemonic, *Gusa* ('Feel'), *Tazama* ('Look') and *Pindua* ('Tilt") was aimed at introducing the most accessible security features of the banknotes, and encouraging a tactile relationship with them. This was especially important as this was the first generation of Kenyan banknotes that was designed specifically with the needs of visually-impaired citizens in mind.

Starting on the evening of June 1, advertising was aired on the radio and television stations with the widest reach in the country, on heavy rotation **(Table 4.2)**. At the same time, full page advertisements were placed in the two Sunday Newspapers (Sunday Nation and Sunday Standard).

Table 4.2: Advertisements on the New Currency in the Media

MEDIA HOUSE	OUTLET
NATION MEDIA GROUP	Daily Nation (Sunday June 2 and Monday June 3, 2019) Business Daily (Friday June 7, 2019) East African (Week of June 8-14, 2019) NTV (Saturday June 1 – Friday June 7, 2019)
STANDARD GROUP	The Standard (June 2 and 3, 2019) KTN (June 1-7, 2019)
MEDIAMAX NETWORK	Pople Daily (June 3, 2019) K24 (June 1-7, 2019)
ROYAL MEDIA GROUP	Citizen (June 1-7, 2019)
RADIO AFRICA GROUP	The Star (June 4 and weekend of 8-9, 2019)
KENYA BROADCASTING CORPORATION	KBC (June 1-7, 2019)

Source: Central Bank of Kenya

Touch and See

After the banknotes were launched on Saturday the 1st of June, curiosity with regard to the new notes was very high among Kenyans. CBK, commercial banks, foreign exchange bureaus and other institutions immediately commenced publicising the new notes. The Governor hosted a press conference on June 3, with both local and international media. The press conference was the first time the banknotes were being seen by the public, and this was therefore an eagerly-awaited photo opportunity. The press conference yielded the now-famous image of the Governor holding a fan of the banknotes in each denomination, the image became the defining picture for the new generation currency.

With June 4 being a designated public holiday (*Idd ul-Fitr*), CBK's communications team decided to create a buzz around the currency, though its distribution and first use were still pending. A full set of banknotes (KES 1,000, KES 500, KES 200, KES 100 and KES 50, totalling KES 1,850), was given to NTV, KTN, K24 and Citizen Television stations. The reporters were free to do stories of their choice, with a caveat not to assign any stories that were unjustifiably negative. This yielded a bonanza of stories, which created multiple talking points.

- On NTV, a story by Lillian Kiarie, in which she 'shopped' at an open-air market in Nairobi was the first major story on the new currency as used by ordinary Kenyans. It was widely discussed and distributed on social media. The story included market women, matatu conductors and other ordinary Kenyans.

- There were major stories on Citizen TV and K24, in which visually impaired people interacted with the currency. The message of accessibility of the currency to all Kenyans was key, and these features and stories helped with driving the messaging.

- There were several features on KTN, including one on 'Demystifying the Currency.'

- At each of these stations, the news anchors appeared at both the 7:00 p.m. and 9:00 p.m. news bulletins with the new banknotes, and spoke about them at length.

4.6.2 Partnerships

CBK recognised that partnerships were key to the success of the communications effort, and from very early on engaged with different institutions and entities. Direct messaging was crucial in reaching the whole population, particularly for those beyond the media outreach. For decades, one of the surest ways to reach the population was through posters. As early as Monday, June 3, 2019, CBK begun dispatching the public education materials to all its branches and Centres for onward distribution to key constituencies within their respective regions.

CBK appreciated the need for speedy rollout of public education programs to enable public acquaintance with the general features of the new currency, and also to forestall the risk of fraudsters riding on public ignorance of the new currency features to introduce counterfeits. On receipt of the publicity material, CBK staff across its networks mapped out region-specific publicity strategies largely prioritizing distribution to commercial banks and mobile money outlets, followed days later by deliveries to supermarkets, grocery shops, kiosks, churches and public transport venues.

Retail Outlets and Retail Traders' Association of Kenya: CBK realised that some of the most efficient distribution networks are those run by beverage companies. CBK reached out to East African Breweries Ltd (EABL) and the Coca-Cola Company, who accepted to distribute the posters to the wholesalers and retailers in their networks. This enabled CBK to reach tens of thousands more 'touch points'. However, it also necessitated the design and use of a different poster, particularly A3-sized, self-adhesive posters. The nature of these posters meant that they could be put up in any establishment, even the most informal (where they could even be stuck on a tree). In total, the Bank distributed 50,000 posters to EABL, at least 25,000 to Almasi Beverages the distributor for the Coca-Cola Company. These were distributed countrywide, including in the counties. These posters were also distributed to retailers, through the industry body, the Retail Trade Association of Kenya (RETRAK). This body was able to distribute posters, brochures and other materials to retailers large and small, from big supermarket chains to kiosks.

National Government Administration Machinery: Posters put up through the government agencies such as chiefs' camps, post offices and other institutions, have been a pretty successful way of reaching the population, especially rural and far-flung citizens. Thus, one of the game changers was the roping in of the National Government administrative infrastructure to broadcast the introduction of the new banknotes as well as educating the mwananchi on the implication and deadlines of the demonetisation exercise down to the village level. CBK sought the support of the Regional Commissioners because of latter's administrative infrastructure that cascades downwards to the lowest unit of Government, so as to bolster public appreciation of the demonetisation exercise and the penetration of the posters and other education campaigns to the countrywide. Given the networks and influence that the national administration officials have in the country, their role as policy communicators and implementers was considered vital. In this role, the National government effectively used the Chiefs and the National Government Administrative Officers (NGAOs) to reach the people in the villages and to advise them to exchange the KES 1,000 note before the September 30, deadline.

Ministry of Education: CBK also engaged the Ministry of Education officials through the office of the County Director of Education (CDE). The CDEs in turn forwarded the educational materials to the Sub-county levels for onward transmission to the schools' principals and head teachers. It was reliably established that the schools did an excellent job of communicating new currency and demonetisation core messages to their immediate publics— students and pupils —who then passed on the information to their parents and care givers. Almost all the educational institutions within the country were reached over a period of three months, thanks to the effective information cascading arrangements within the public education system in the country. It is a well-known fact that children make great 'evangelists' and can spread a social message very quickly. The roping in of schools would therefore lend good support to the demonetisation agenda, and it worked.

Mobile Money Agents: CBK gave the posters to all mobile money agents with instruction to display them prominently in the most visible place within their premises. Aside from giving out the posters, the CBK instructed the mobile money agents on the key features of the new currency so that the latter could communicate the same to their clients. The campaign saw the CBK team traverse the surrounding regions engaging with mobile money agents and having them appreciate the tactile currency features and demonetisation deadlines. This aspect of the campaign was quite effective in view of the numerous mobile money agents scattered around the country. The strategy employed by CBK entailed establishing a number of teams to visit the major towns and commercial centers within their environs in a phased manner. In each visit, the team not only distributed the posters to mobile agents, but also carried out a sensitisation exercise along the lines communicated by the CBK Governor. The core message in the sensitisation exercises was the tactile features of the new currency, the demonetisation deadline and the consequences of missing the deadlines. In the course of the campaign, curious onlookers engaged the CBK team seeking clarification on the implications of demonisation of the old generation KES1,000 note. It was not lost to the CBK team that a number of people expected the September 30 deadline to be extended, possibly taking a cue from past government directives. It was imperative therefore to disabuse the public of this notion whenever the opportunity arose during the course of the exercise. In many instances, whenever posters or pamphlets were distributed, the staff remained in the area to carry out face to face discussions with the public, both during the week as well as the weekends.

Commercial Banks: CBK's primary agents for the roll-out of the new generation currency was commercial banks. In view of their intermediation role, the bulk of the agency mandate fell on them including being effective bulwarks against money laundering and counterfeits. CBK engaged the banks via the Kenya Bankers Association (KBA) both at head office and at the branch and currency centre levels, availing trained officers to cascade the training to the commercial banks staff on the features of the new currency who in turn disseminated the new information to their teams. Additionally, CBK staff were at hand to interpret the guidelines disseminated in the various banking circulars, in the context of implementing the AML guidelines with respect to the exchange of the demonetised KES1,000 notes. CBK branches and centres, met with regional managers of commercial banks to appraise them on compliance with AML/CFT regulations and ensure that mechanisms were in place for the circulation of the new generation currency. The banks did a commendable job in managing the crowds in the banking halls and calibrating their ATM machines in line with the CBK guidance.

Embassies: CBK set up two special training workshops for a number of Diplomatic Missions and International organisations in the country. The workshops organised in collaboration with the Ministry of Foreign Affairs, assisted the organisations to quickly identify the genuine currencies for onward acceptance. Additionally, technical assistance was given to some embassies in ensuring that their machines were capable of verifying the new generation currencies.

The Department for Correction and Prison Services: CBK and the National Government's Ministry of Interior and Coordination appreciated the challenges that prisoners faced in exchanging the old KES 1,000 notes while they remained in confinement. Arrangements were therefore made between CBK, the State Department for Correction Services, and the Kenya Prison Service to facilitate the exchange of the notes at the nearest CBK branch or currency centre. The prison commanders would collect the old notes from the prisoners and deliver them to CBK to be exchanged with the new notes. Arrangements were made with local commercial banks to facilitate the exchange accordingly.

4.6.3 Depth and Broadness

In the choice of media to use, it was important to keep in mind the different methods and channels used to reach the population. First, and most important, was the Presidential launch on June 1. The three national days – *Madaraka Day* (June 1), *Mashujaa Day* (October 20) and *Jamhuri Day* (December 12) – attract the greatest audiences, and the Presidential Address is the highlight of these days. Thus, the strategy of having the currency launch and the announcement of demonetisation during *Madaraka Day*, at the end of the Presidential Address, ensured that the audience was at its highest.

Demonetisation, which touched upon every person in the country, needed to be received by all these people, in a way that was understandable and would cause them to act in the appropriate manner, by exchanging their older KES 1,000 notes before the deadline. Officially, Kenya is a bilingual country, though on the ground dozens other languages are spoken by millions in the country. The messaging therefore had to reach the Kenyans in the language that they were most comfortable with and in the medium that had the broadest reach. The initial outreach was through spot advertisements on radio, in these initial stations **(Table 4.3)**.

Table 4.3: Spot Advertisements on the New Currency in the Media

MEDIA HOUSE	OUTLET	LANGUAGE[24]
STANDARD GROUP	Radio Maisha	Kiswahili
MEDIAMAX NETWORK	Milele FM	Kiswahili
	Kameme FM	Kikuyu
	Mayian FM	Maasai
	Meru FM	Meru
	Emoo FM	Kalenjin
	Msenangu FM	Mijikenda
ROYAL MEDIA GROUP	Citizen FM	Kiswahili
	Inooro FM	Kikuyu
	Ramogi FM	Luo
	Muuga FM	Meru
	Egesa FM	Kisii
	Chamgei FM	Kalenjin
	Musyi FM	Kamba
	Bahari FM	Kiswahili
	Wimwaro FM	Embu/ Mbeere
	Sulwe FM	Bukusu
	Mulembe FM	Luhya

[24] Throughout, we have referred to languages by their commonly-referred to titles. This may not be ethnolinguistically accurate, but it makes for ease of reading. Thus, we will refer to the Kikuyu, Luo and Kisii languages, for example, and not Gikuyu, Dholuo or Ekegusii.

MEDIA HOUSE	OUTLET	LANGUAGE[24]
RADIO AFRICA GROUP	Radio Jambo FM	Kiswahili
	Gukena FM	Kikuyu
KBC	Radio Taifa	Kiswahili
	Pwani FM	Kiswahili
	Mwatu FM	Kamba
	Mayienga FM	Luo
	Coro FM	Kikuyu
	Iftin	Somali
	Minto FM	Kisii
	Nosim FM	Maasai

Source: Central Bank of Kenya

One of the key elements of the ramped-up intensity was the decision to enhance the role of the Governor the campaign. The Governor of the Central Bank of Kenya, going back to its 53-year history, had never used his voice in this manner. Typically, the Governor would be the invisible presence behind the economy, only being seen when there were announcements to be made regarding monetary policy. Were he to appear on an interview, it would typically be a highbrow programme, full of besuited interviewers asking questions to plumb the depths of economics. This was an entirely different person. The Governor went out to the radio stations, targeting morning show listeners. The first interview was held on July 22 on Ramogi FM, Royal Media's Luo radio station. The interview was accompanied by a social media build up.
The messaging in the interviews was simple and was sustained through the subsequent months of media appearances. It began with the *gusa*, *tazama*, *pindua* messaging, which segued into the demonetisation deadline, reasoning and expected citizen action. A simple one-page guide was prepared by the communications team and shared with each of the presenters.

At the same time, the currency brochures and posters were shared with the presenters. They were also given banknotes to handle throughout the interview, as the radio format demanded constant interaction with the notes. Crucially, as this phase rolled off, was the choice of language. In order that the listeners would hear directly from the Governor, he would be interviewed and speak in Kiswahili, with the presenters continuing to engage in the language of the station. The Governor was joined in these interviews by Wallace Kantai, the CBK Head of Communications.

Eventually, the Governor would appear in person on 23 stations[25] , being interviewed on the currency and the deadline and the implication for Kenyans. These stations ranged in language from Luo, to Kikuyu, Kisii, Somali, Kamba, Maasai, Kalenjin, Luhya and Mijikenda. In most of these interviews, the Governor took live questions from the audience. These questions ranged in subject from the design of the currency, to issues around demonetisation, how it would be carried out and its effect on the citizens.

[25] Radio Citizen, Muuga FM, Egesa FM, Musyi FM, Ramogi FM, Inooro FM, Chamgei FM, Mulembe FM, Radio Jambo, Gukena FM, Milele FM, Emoo FM, Kameme FM, Kass FM, Pwani FM, Baraka FM, Radio Rahma, Radio Kaya, Lulu FM, Radio Maisha, Radio Midnimo, Star FM.

Commercial Radio Campaigns

Even as the Governor was appearing at the radio stations, there was a parallel, commercial radio campaign ongoing. This was one of the most extensive, as well as most intensive, ever carried out on Kenyan media. There was an elaborate, week-to-week campaign ongoing, eventually involving 78 stations countrywide **(Annex 10)**. The commercial messaging outreach was preceded by a meeting in which the station managers, presenters and producers were hosted to a workshop, in which they physically engaged with the currency, the marketing material such as brochures and posters, as well as going through the marketing messaging. This was to ensure that the native content they would come up with was accurate and well-informed. The stations were also requested to submit the scripts of their content to the communications team prior to airing. This (as well as off-air recordings) was counter-checked as often as possible with native speakers to ensure accuracy of messaging.

The messaging was a mix of straightforward spot advertisements, presenter mentions (where the studio presenters conversationally educated their audiences on the new currency and demonetisation) and radio skits, which dramatized elements of the message. One of the key advantages of the radio campaign, beside its ability to reach the greatest number of people in the population, was its ability to create conversations among the population. These were generated from the programmes themselves, but also increasingly from social media and call-ins that accompanied the programming. These generated a significant amount of buzz.

4.6.4 Clarity of Messaging

The call to action was a multi-part message. First, that a new generation of banknotes had been launched. Second, that the older KES 1,000 notes would be withdrawn. Third, that Kenyans could exchange them, in a prescribed manner. Fourth, that there was a deadline for this process. The messages through all platforms had to be very clear and immutable. Repeating these messages ad nauseum would ensure that no one would feel left out, or that they did not understand and take the necessary action.

In the demonetisation announcement and communication, the October 1, 2019 date had been emphasised. However, it was clear that this was going to be confusing to Kenyans in terms of taking action by changing their banknotes. The communication thus shifted to emphasize September 30, 2019 as the legal deadline for changing of the notes, and that was the message that was carried forward from that moment. It is important to emphasize this – clarity of the deadline day had to be repeated in every single element of messaging that was rolled out. Each advertisement, media appearance by the Governor, and on-ground messaging had to repeat this. This was to ensure that there was no confusion as the deadline approached, or anyone who could claim that they did not know when the day was. Because of this clarity, the observation was that there was no last-minute rush. A close eye was kept on banks in the last week, and especially on Monday September 30, to ensure there were no pockets that needed any attention. Not a single bank branch, anywhere, reported any crowds waiting to exchange their notes.

Nothing was as revolutionary as the simple Kiswahili question that was crafted. In mid-August, as the media messaging was in place and continuing, the most visible, most memorable element of the campaign began. It came about almost by chance. A conversation between the Governor and the communications team referenced some of the most successful global behaviour change campaigns, including the “Got Milk?” campaign in the United States. A mnemonic device needed to be found in the remaining eight weeks of the demonetisation campaign. Soon, a suitable one was found – “Uko Tayari?” a Kiswahili message which means ‘Are you ready?’. This was accompanied by another message – ‘Badilisha Noti za Elfu Moja Sasa! Usingoje Mwisho 30 Sep. 2019’, which means ‘Exchange your One Thousand [Shilling] Notes Now! Do Not Wait Until the End 30 Sep. 2019’. This message was printed on t-shirts, with the ‘Uko Tayari’ message at the front, and the rest of the message at the back.

The intention was to distribute a few hundred of the t-shirts, primarily via the radio stations in which the Governor was making an appearance. Additionally, the t-shirts would be the prizes for listeners calling into the shows. Two things drastically changed that dynamic and made ‘Uko Tayari?’ the buzz-phrase of 2019 in Kenya. First, the Governor was interviewed on Citizen Television, where he presented the anchor, Yvonne Okwara, with a t-shirt live on air. Secondly, the communications team decided to distribute the t-shirts to CBK staff, with the stipulation that they would be distributed while the staffer engaged members of the public on the message of changing banknotes by the deadline. The members of staff took the t-shirts to every corner of the country, distributing the t-shirts in churches, during traditional marriage celebrations, and at birthday parties. The t-shirts were handed out to camel herders and policemen. They were distributed at sea level and many thousands of feet up in the highlands. The t-shirts eventually went to all the counties in the country. Clergymen made reference to the ‘Uko Tayari?’ message from pulpits, and county chiefs held public barazas on the issue. There was not a single part of the country untouched by the Uko Tayari message, and there was almost no Kenyan citizen who did not express a desire to own the item of clothing, or at the very least to have some engagement with the buzz phrase. Kenya’s embassies and high commissions asked for the t-shirts and were provided with them for distribution to staff and Kenyans seeking consular assistance.

The explosion in demand for the t-shirts meant that, from an initial print run of 5,000 pieces (which was thought to be overly ambitious), the team eventually had to go back for another three print runs, with a total of 26,000 t-shirts produced and distributed. Had the full demand been met, there could easily have been 100,000 t-shirts circulating all over Kenya. The message was so internalised and owned by the citizens that it soon started showing up in the most unusual of places.

Part of the advantage that the CBK members of staff taking the t-shirts all over the country gave the campaign, was lots of invaluable feedback. It was quickly apparent, and fed back to the team, which messages were more successful and which ones less. Concerns in the most rural or remote of locations was quickly fed back, and these were incorporated in the planning and execution of the messaging and distribution fairly quickly and efficiently.

4.6.5 Flexibility

In an exercise such as this, being able to turn and reposition quickly, and incorporate new tools, was important. Two of them came into play during the period.

The generic message reminding Kenyans to beat the deadline by exchanging their currency notes was going well, and there was an extremely positive response experienced, especially as the Uko Tayari messaging sank deeper, and the demonetisation issue started showing up positively in popular culture. However, the communications team realised that there were messages specific to Kenya, and specific to the month, that would help to drive the message home in a very particular, very direct and very Kenyan way.

The first of these was targeted at schoolchildren, especially those in boarding school. It is a tradition in Kenya for these students to be dispatched back to school with pocket money. Additionally, many take public transport to and from distant schools. The communications team thus began to emphasise that these students should not be sent back to school with the old notes, as these would have become invalid by the time they went back home for half term or at the end of the school term. It was soon an ubiquitous message, and it became a common, unprompted talking point among the public.

The second was in terms of wages paid to household and farm workers. While much of this has migrated to mobile money platforms, the message was still quite resonant. The communications team reminded people to ensure that they paid their workers with the new banknotes before the deadline, to spare them the inconvenience of having notes they would struggle to exchange.

These two spawned all sorts of other culturally-specific messages. Kenyans are savers in merry-go-rounds. A curious feature of some of these merry-go-rounds, especially those with a high membership of women, is that they collect money for one of the members, who then saves it and uses it on special occasions. The message passed here was to members to make their contributions with the new notes. Additionally, members were reminded to open their special safes (at the coast, these are known as 'mikebe,' or tin cans) and ensure that they changed their banknotes that they may have been saving there.

Another, extremely successful message was that to emphasise that people should make a deliberate effort to reach rural relatives, and the elderly, to remind them to exchange their banknotes. This particular one generated the most successful tweet ever by a central bank to that time.

The Power of the Image

The social media campaign had been going on since the launch of the currency. In mid-August, the campaign was cranked up significantly. The communications team designed and sent out on social media, a set of cartoons depicting different reminders of the demonetisation messaging **(Annex 11)**. In Kenya, the two most utilised social media channels are Twitter and the messaging platform WhatsApp. Due to the nature of the groups formed on WhatsApp and the penchant for Kenyans to share messages quickly, the cartoons quickly went viral.

These social media messages and others went viral. In particular, one message made history. One of the key narratives that the team had been driving was the need for people to remind their parents and older relatives to exchange their notes. This was a particularly important one, as this was an extremely vulnerable population susceptible to forgetfulness, remoteness and fraud. The message to 'call your parents' was ubiquitous. In one instance, a message was sent to the Head of Communications, who then crafted it into a tweet that was sent out on the CBK Twitter account **(Annex 11)**. This became one of the most successful tweets ever sent out by a central bank to that time with more than 200,000 impressions.

From the beginning, the communications team had been mulling the idea of taking the message to the ground through a series of engagements with the public. As the Governor was the best communication asset, the team needed to design a programme that fitted into his schedule, while at the same time being the most effective ground campaign possible.

From this, the first location was deemed to be at the Coast. Kilifi County at the South Coast is close to Mombasa City and is rural. A programme was designed to combine on-ground activity with a radio and television campaign **(Annex 12)**. On August 16, the campaign began in a rainstorm at Ukunda, next to the beach resort of Diani. It then proceeded to the depths of the county, all the way to Lunga Lunga, which is the most south easterly point in Kenya, and a border town with Tanzania. There, the Governor interacted with market traders and customers and spoke to travellers crossing the border between the two countries. Along with the other on-ground activities, the Governor paid a courtesy call on the County Governor starting with Kwale's Salim Mvurya.

The response to the first on-ground activation was electric. As with the radio interviews, this was the first time the Governor had been seen in such a setting, and the opportunity to engage with the public directly was one that was strongly appreciated. This experience informed the other on-ground activities, including the need to be less ambitious with the number of proposed stops, given the demand of time for each stop. The caravan proceeded to Shimoni, Ramisi, Milalani and Msambweni, all in Kwale County.

The most ambitious on-ground activity was a fortnight later. The Governor flew to the northeast of the country on 29 August, to the counties of Garissa and Wajir. This was unprecedented, with crowds turning out to see for the first time, a Central Bank of Kenya Governor. The tour took in a bustling livestock market in Garissa, where the Governor dived right into a herd of cattle, spoke at length to lorry drivers waiting to transport the cattle 'down-country' to a market in Wajir where he bought and ate an abundance of watermelon, and engaged in intense discussions with market women **(Annex 13)**.The Garissa Market is the largest Livestock market in the East Africa region. The climax of this activity was a major meeting in Wajir town for the county's businesspeople and community leaders. These leaders pledged to carry the message of demonetisation to the furthest reaches of the county and beyond. This particular on-ground tour was critically important, as it took in a location with nomadic pastoralists as the primary population. The unique nature of this population, the assurance from the people's representatives as well as commercial banks in the two counties that the demonetisation exercise was going well and that the response had been overwhelmingly possible, helped to reassure the team that the messages were properly positioned. Only the rapidly approaching deadline for the flight to leave Wajir, and an intense rainstorm that almost made Wilson Airport in Nairobi unusable rushed the Governor out of the northeast, otherwise he would have embarked on a weeklong tour, such was the demand.

In mid-September, the team was approached by representatives from the United Nations High Commission for Refugees (UNHCR), identifying the refugee population as a particularly vulnerable group. The UNHCR thus requested a visit to the refugee population at the Kakuma Refugee settlements in Turkana County. On 18 September, the Communications team embarked on a tour of Kakuma town as well as the refugee settlements, and spoke about the currency and also explained demonetisation. The message was well received in the region and the team being on hand was also a useful addition to the information being passed on to the population.

On all the stops of the tour, the team met with community and political leaders, business leaders and managers of the commercial banks in the region as they were the principal contacts for the exchanging of the banknotes.

The Governor's tours ended where they had begun, with the Governor heading back to Narok County for a taping of the Churchill Show on 14 September. The programme, which is one of the most popular on Kenyan television gave the Governor an opportunity to drive home all the messages that had been on for the four months of the campaign.

Television Interviews

The Governor was hosted on two television interviews, one on August 29 by Yvonne Okwara of Citizen Television, and the other on September 25 by Dann Mwangi of NTV. This optimised the Governor's time, and ensured that the key messages were passed on to the population. They also served to augment the commercial and other messages that were ubiquitous by this time.

In the final weeks leading up to the September 30 deadline, the messaging intensified, and the teams were on a multimedia blitz. The messages were stark – reminding Kenyans to not get stuck with the old notes, and that the deadline would not be extended. It was also important to emphasise that the earlier they changed their notes, the better it would be, so that they would not encounter crowded banking halls.

At this stage, the team deployed a new tool. This had to be used in moderation to avoid user exhaustion, and thus was used only once, but to great effect. This was the blasting out of text messages to all mobile subscribers in Kenya. For this, permission had to be sought from Communications Authority of Kenya, the industry regulator. The team then worked with all the mobile phone companies to ensure that the text messages to all the 34 million subscribers were sent out **(Figure 5.9)**. This ensured that the messages were reaching each Kenyan personally, and was an enhancement of the messages they had been receiving on mass media and other channels.
In the meantime, different merchants all over the country were putting out messages of their own, reminding customers of the impending deadline and their policies to not accept the older banknotes after particular dates, especially from Friday 27 September. This also assisted greatly in showing Kenyans the immutability of the deadline.

The National Government Administration Officers were also drafted into the messaging. Earlier, they had been instrumental in distributing the posters of the new currency. At this stage, they were called in to use their public barazas (meetings) to pass the message on at the grassroots. Public meetings were held all over the country and were particularly useful in reaching rural and older members of the population.

The final media blitz involved a daily front-page newspaper advertising campaign with a countdown, an ongoing barrage of radio advertising and some new television advertisements placed against the beginning of news programmes that had the highest ratings.

Monday, September 30, the last day of the demonetisation, was curiously uneventful. Whereas the team had been braced for a media onslaught, with journalists chasing stories of 'last minute Kenyans,' these stories did not materialise. The team had been prepared to engage in a rapid response effort to handle any queries that would arise, but the day progressed and ended quietly and finally the Governor declared the end of the demonetisation effort in a quiet tweet just after midnight **(Annex 11)**.

4.6.6 Research

From the beginning and throughout the exercise, research was crucial. The CBK undertook surveys, with the assistance of Safaricom to measure the effectiveness of the messaging with regard to the demonetisation and new currency **(Box 1)**.Dipstick research and more comprehensive studies were constantly undertaken to ensure that the messaging, targeting and efficiency were optimised. The research was conducted at least every fortnight and informed the strategy for the coming period. The research showed the regional differences in the awareness of the demonetisation deadline, which helped to direct resources to the regions that needed emphasis of the messaging. The research that was commissioned and undertaken countrywide, helped to inform the campaign in near-real time and was priceless in ensuring that the campaign was a success.

The Governor hosted a press conference on October 2, where he spoke on the outcome of the exercise. His briefing, which attracted a significant level of media interest was accompanied by a press release, that quantified the success of the exercise. The Governor also answered questions on the destruction of the demonetised currency, which generated a much-published photograph of him holding briquettes - the end product of the note destruction process.

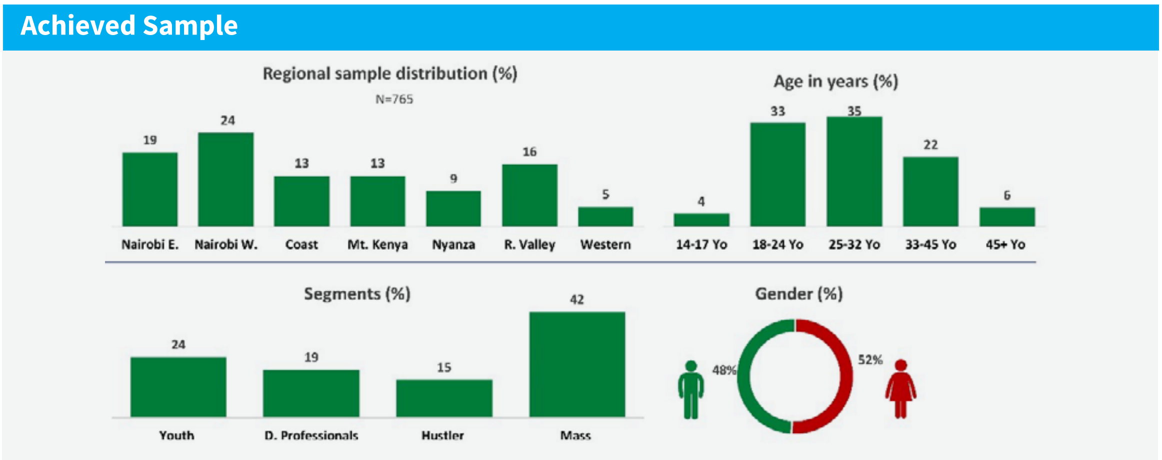
At the conclusion of the demonetisation exercise on September 30, 2019, CBK through the staff at the Headquarters, branches and currency centres, had undertaken a monumental public sensitisation exercise over four months, a period that witnessed the distribution of tens of thousands of posters, pamphlets, T-shirts, countless face to face meetings with the public in formal and informal settings. The resources and logistical arrangements deployed to mount such a campaign was not only substantial from a cost perspective but also physically and emotionally demanding on the part of the staff.

The main lessons from the communications strategy adopted by the CBK in the exercise are worth mentioning. First, know your audience intimately, and thus tailor messages and media to be appropriate for them. In Kenya, radio is the primary medium for reaching the masses, but social media is becoming increasingly important. Second, collaboration is vital. The beverage distributors are traditionally not known to be involved in public campaigns, but in this case, they were crucial in showing a route to market. Third, the communications campaign needs to be iterative, with each sequence of messaging emphasising previously communicated messages. Lastly, flexibility is vital, as is trying ideas and absorbing them (or discarding them) as necessary. The cartoons and t-shirts deployed in August were never part of the original plan, but they became some of the most successful collateral of the campaign.

Box 1: Talking to Kenyans: How Surveys Aided in Communications Strategy

The communications strategy deployed was heavily dependent on surveys conducted with the population. Twelve surveys were carried out between July 15 and September 30, 2019, and were aimed at measuring the effectiveness of the messaging of the new currency and demonetisation. In particular, the surveys would consider the strategy as executed in the previous week, measure the reach in that week, and help to inform the strategy for the coming week.

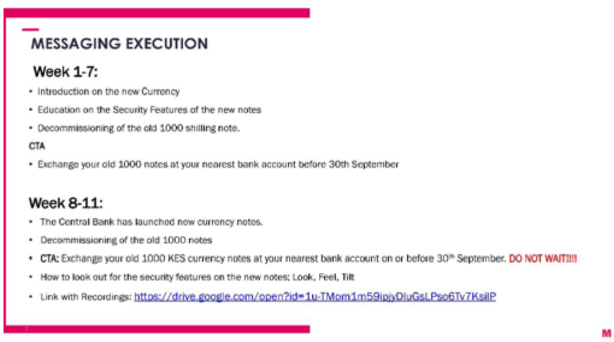
The surveys sampled hundreds of respondents (at least 750 respondents every week), with a mix of urban and rural, randomised face-to-face household interviews. The interviews were carried out in Nairobi, Machakos, Kitui, Kiambu, Thika, Mombasa, Malindi, Taita Taveta, Kisumu, Kisii, Kakamega, Bungoma, Kitale, Nyeri, Meru, Laikipia, Eldoret, Nakuru and Kericho.



These surveys were especially useful as the media strategy increased in intensity and reach. The surveys helped to inform which were the useful target media stations in which to communicate the message; the frequency of these appearances, and the tweaking of the messaging. Even more usefully, the surveys informed where to best deploy geographically for highest effectiveness. Using the information gleaned from these surveys, the decision to make physical visits to Lunga Lunga at the Coast, as well as Wajir and Garissa, was validated.

The surveys also helped to validate other elements of the communications strategy, including the need to make an appearance at a hit television show, which in the home stretch of the campaign, was one of the more memorable and effective parts of the campaign.

The evolution of the communications strategy from the beginning to the end was informed by the results of the surveys.



4.7 Closure of Exercise

To avoid a crisis on the last day driven by the last-minute rush to meet the deadline, CBK issued banking circulars to commercial banks elaborating the procedures that would apply on September 30, 2019. These procedures covered operating hours, fast-tracked requests for change of operating hours and outlined procedures on the exchange of currency notes. Notably, there was no crisis on September 30, 2019, as banks did not report encountering crowded banking halls.

CBK required commercial banks to forward to them a Letter of Intent (LOI). This was in preparation for CBK to receive commercial banks' collection of old banknotes on the last day of demonetisation. The LOI specified the value of old generation KES 1,000 notes that would be in the commercial banks' possession as of September 30, and the requirement for commercial banks to surrender these within 2 weeks from the deadline. The letter confirmed that the amounts declared would be duly certified and received in compliance with banking regulations and guidelines.[26] Provisions for delivery further stipulated that banks had until end of day on October 2, 2019 to avail a schedule of cash delivery timelines to the nearest CBK branches and currency centres. This delivery approach was necessary to minimize movement costs and operational hitches in the receipt of demonetised banknotes. To avoid combining the new generation currency with the old banknotes, commercial banks were required to deliver the demonetised cash separately.

On the night of September 30, 2019, a CBK team received the Certificate of Balances and Declarations and prepared the necessary credits to commercial banks accounts. A separate team ensured all the required systems were up and running during the transaction period, including ascertaining that the core banking system, Kenya Electronic Payments and Settlement System (KEPSS), and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system were operating effectively to facilitate completion of transactions. All CBK branches and currency centres were also required to complete and close their business within operating hours with fully reconciled positions for the day.

No commercial bank brought any amount over and above what had been declared. As part of procedure, all the demonetised cash deliveries made by commercial banks were processed and accuracy was ensured to the last banknote. Physical examination confirmed the authenticity of the cash, and congruence between the physical cash and amounts that was declared. The surrendered banknotes were then destroyed by CBK using it's state-of-the-art equipment used for secure destruction of currency. As a control measure, multiple independent teams witnessed the destruction process.

[26] The provisions of the Proceeds of Crime and Money Laundering Act, 2009 (POCAMLA), POCAML Regulations, Banking Act, Central Bank of Kenya Prudential Guidelines and the Banking Circular Number 7 of 2019 on exchange of Currency Notes

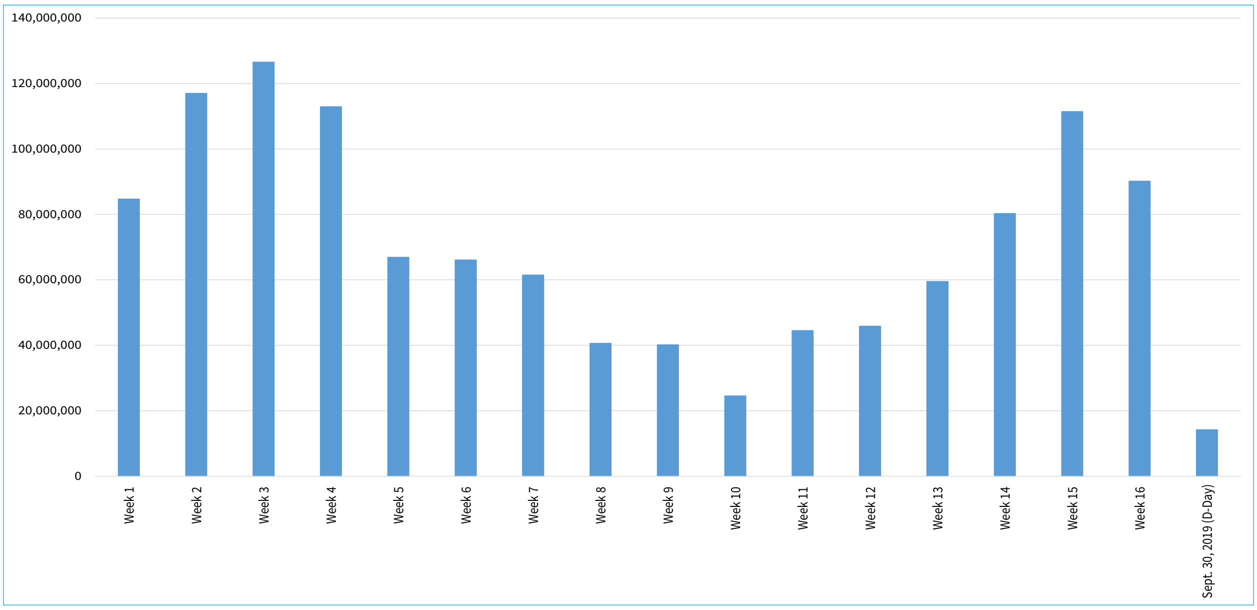
5. OUTCOMES OF THE EXERCISE

CBK achieved its objective in undertaking an effective demonetisation process with minimal economic impact. The exercise had an impact on IFFs, as a proportion of the demonetised notes were not exchanged due to noncompliance to AML/CFT measures at the end of the provided period. The outcome of the demonetisation process reflected the successful execution of various strategies from the launch, communication and monitoring, to other mitigative measures that were implemented to facilitate seamless integration. The four-month timeline for the process allowed for sufficient planning, curbing derailment of the exercise.

At the end of the process on September 30, 2019, CBK received 209,661,000 old KES 1,000 notes (equivalent to 96.6 percent)[27] from a total of 217,047,000 old KES 1,000 notes in circulation on June 1. Therefore, 7,386,000 old KES 1,000 notes, worth KES 7.386 billion, equivalent to 0.2 percent of broad money supply (M3), and 3.4 percent of the total currency in circulation, were rendered worthless at the end of the exercise. On March 20, 2020, CBK transferred the KES 7.386 billion to the Government in accordance with the CBK Act. The amount was booked as realized income, being exceptional and unbudgeted windfall related to demonetisation.

During the demonetisation period, commercial banks processed 12,343 currency exchange transactions amounting to KES 1,188.2 million. This was in addition to the normal cash transactions that took place in the banks. The currency exchange transactions averaged KES 96,262 per week. The highest number of transactions was reported in the third week of the demonetisation period **(Figure 5.1)**. Heightened activity was noted in the first three weeks and the last two weeks of the demonetisation process. These spikes were attributed to interest in the new currency during the initial days and the need to change currency before the deadline.

Figure 5.1: KES 1,000 Currency Exchanges by Commercial Banks (KES Million)



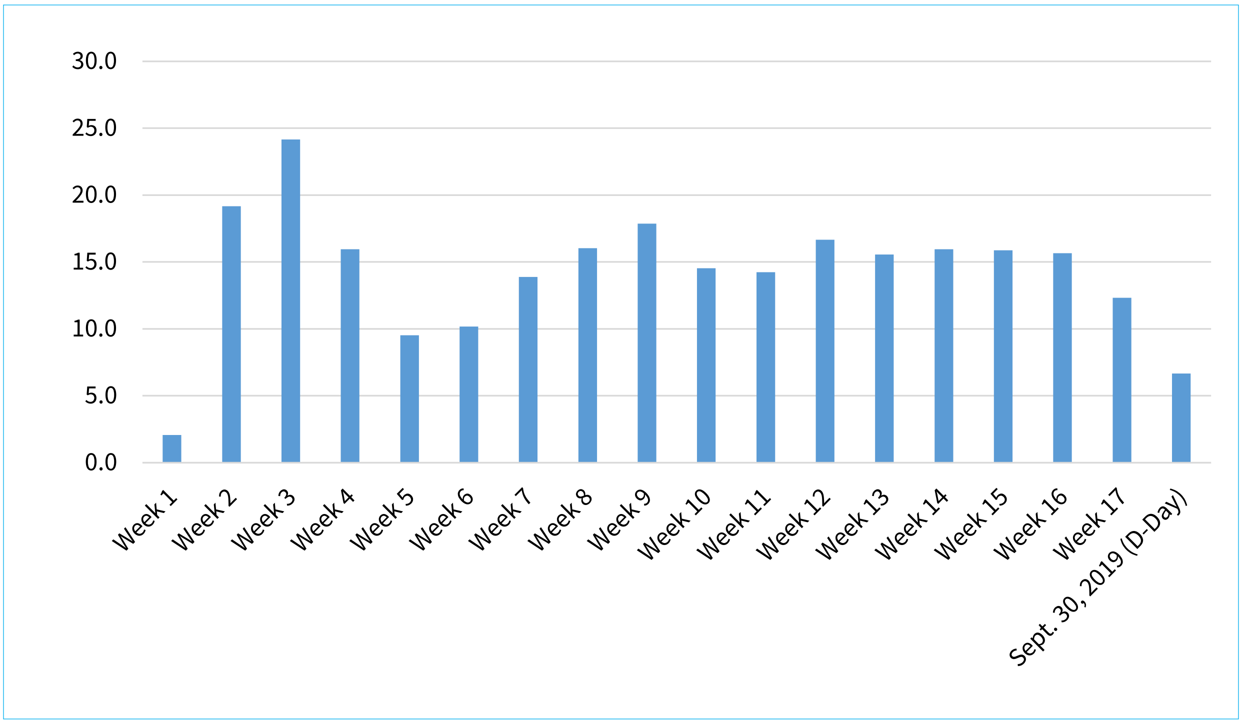
Source: Central Bank of Kenya

[27] Press release by the Central Bank of Kenya on Conclusion of the Demonetisation Exercise dated October 2, 2019 **(Annex 18)**

A substantial number of currency exchanges were undertaken in smaller amounts. In terms of value: 62 percent of transactions were under KES 500,000; 79 percent were under KES 1,000,000; and 92 percent were under KES 2,000,000. In terms of the number of transactions, 96 percent of transactions were under KES 500,000, while 99 percent were under KES 1,000,000.

CBK received 209,661,000 old KES 1,000 from 40 commercial banks over the 16-week period. The highest number of banknotes received was in the first month, indicating the effectiveness of the communication initiatives at the start of the exercise domestically and regionally **(Figure 5.2)**. Additionally, September 30, 2019 recorded low currency receipts as there was no last-minute rush.

Figure 5.2: KES 1,000 Currency Receipts at CBK (KES Billion)



Source: Central Bank of Kenya

6. ECONOMIC IMPLICATIONS OF THE DEMONETISATION

The demonetisation exercise had limited impact on the economy, given that key macroeconomic indicators such as inflation and exchange rates remained stable throughout the period. The demonetisation strategy adopted by CBK was also not disruptive to economic activity, as growth remained robust over this period. Markedly, the impact on monetary aggregates was muted, but portfolio shifts in the components of broad money supply (M3), occurred with an increase in deposits and decline in currency in circulation. The currency in circulation started to normalize immediately after the conclusion of the demonetisation exercise.

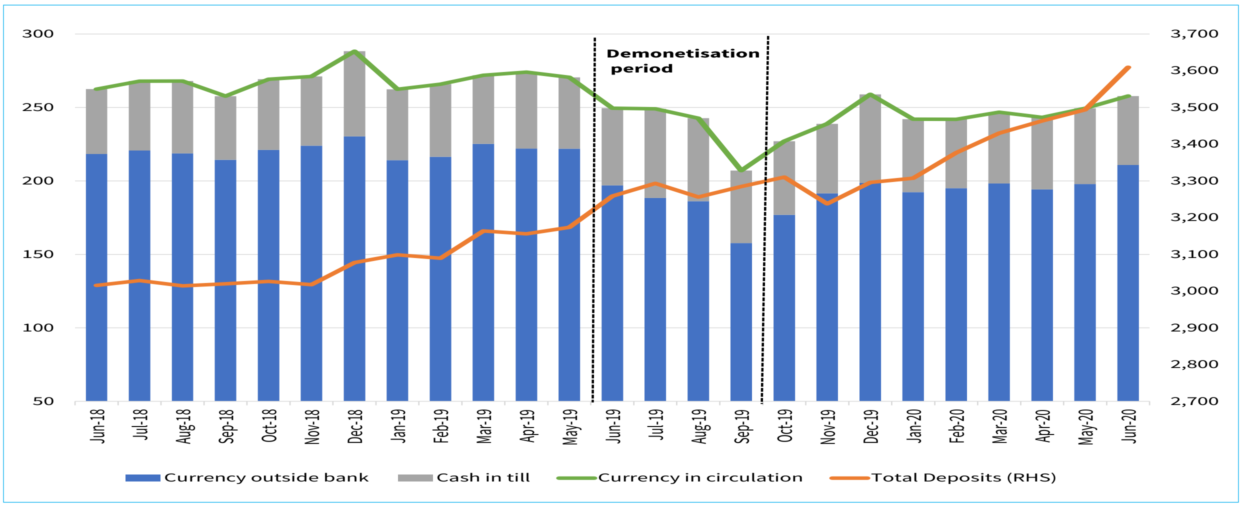
6.1 Economic Conditions before the Demonetisation

In the immediate period before demonetisation, macroeconomic conditions in Kenya were stable and economic activity was strong. Real GDP growth averaged 5.4 percent in the first half of 2019, supported by a resilient services sector. Overall inflation was within the target range, averaging 5.2 percent in the first half of 2019, reflecting muted demand pressures and prudent monetary policy measures. The foreign exchange market was stable, supported by a narrowing current account deficit and balanced foreign investment inflows, coupled with adequate foreign exchange reserves covering about 6 months of imports. Growth in private sector credit was trending upwards and stood at 5.2 percent in June compared to 3.0 percent in January, while lending to key sectors of the economy such as trade and manufacturing was relatively strong.

6.2 Implications for Broad Money Supply (M3), Currency in Circulation and Deposits

The demonetisation of the old KES 1,000 notes (equivalent to 80.3 percent of total currency in circulation) from June to September 2019 had a minimal impact on broad money supply (M3). At the end of the exercise KES 7.4 billion (equivalent to 0.2 percent of M3 and 3.4 percent of total currency in circulation) was not exchanged due to the robust AML/CFT checks in place. However, the demonetisation shifted the portfolio composition of broad money supply towards deposits over this period **(Figure 6.1)**.

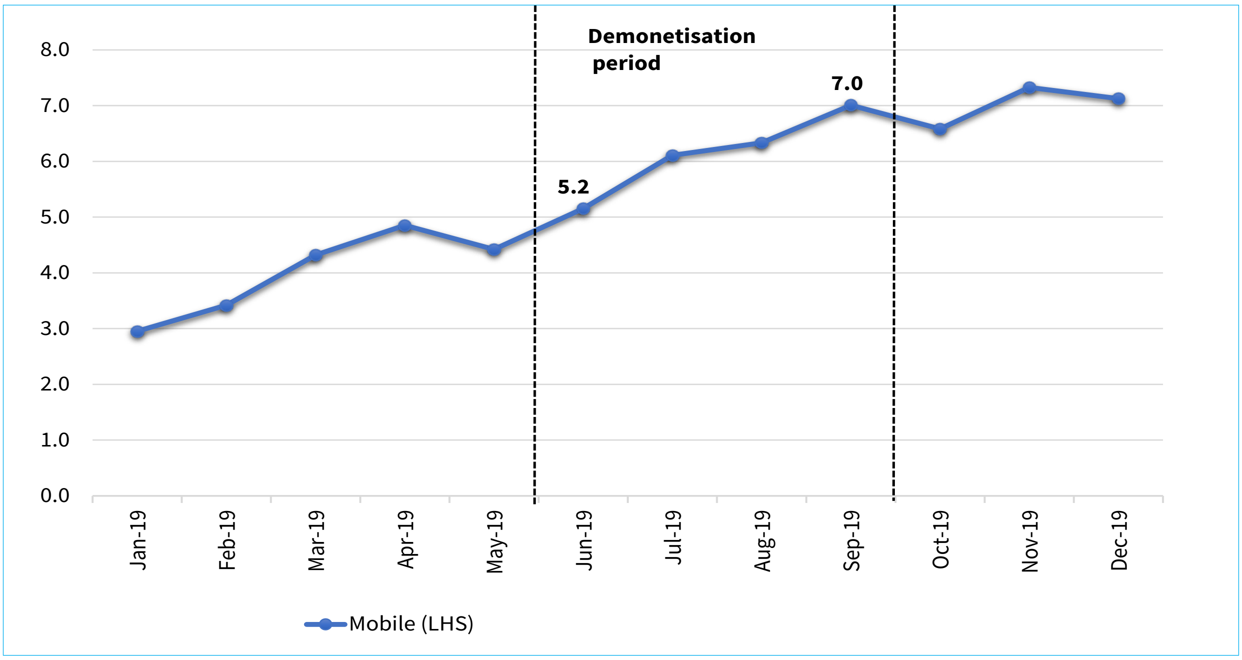
Figure 6.1: Currency outside Banks and Deposits (KES Billion)



Source: Central Bank of Kenya

The exercise resulted in a contraction in currency in circulation, beyond the normal seasonal fluctuations observed during the end year festivities. Currency in circulation declined by 23.4 percent, to KES 207 billion at the end of September 2019 from KES 270 billion at the end of May 2019, mainly reflected in cash outside banks. This was attributed to reduced demand for physical cash by businesses and individuals who exchanged the old KES 1,000 notes with new ones. The reduced demand for cash was partly mirrored in increased commercial banks deposits, which rose by 3.5 percent to KES 3,285 billion from KES 3,174 billion over the same period as companies and businesses deposited some of the old KES 1,000 notes at banks, instead of simply exchanging them with new ones. This outcome was consistent with the findings of Trinidad and Tobago, India, and the euro area on cash changeover (Hilaire and Mahabir, 2020; RBI, 2017; Chodorow-Reich et al, 2019; ECB, 2003). The increase in deposits supported continued financial intermediation with growth in private sector credit remaining on an upward trajectory in the period after demonetisation, rising to 7.1 percent by December from 5.2 percent in June **(Figure 6.2)**, driven by strong lending to key sectors of the economy (such as trade and manufacturing).

Figure 6.2: 12-Month Growth in Credit to the Private Sector in 2019 (%)



Source: Central Bank of Kenya

Relative to selected countries that undertook demonetisation, Kenya's currency ratio before the demonetisation exercise in 2019, was comparably lower at 3.2 percent of GDP, reflecting increased usage of mobile money payments and other forms of cashless payments such as credit and debit cards, and electronic funds transfer **(Table 6.1)**. Monthly data indicated that the number of mobile money payments rose by more than fivefold over nine years to 153.2 million from 29.1 million, while the value of mobile money payments quadrupled to KES 364.3 billion in May 2019 from KES 75.9 billion in December 2010. Similarly, the number of payment cards more than doubled in the period, rising to 12.0 million from 6.3 million.

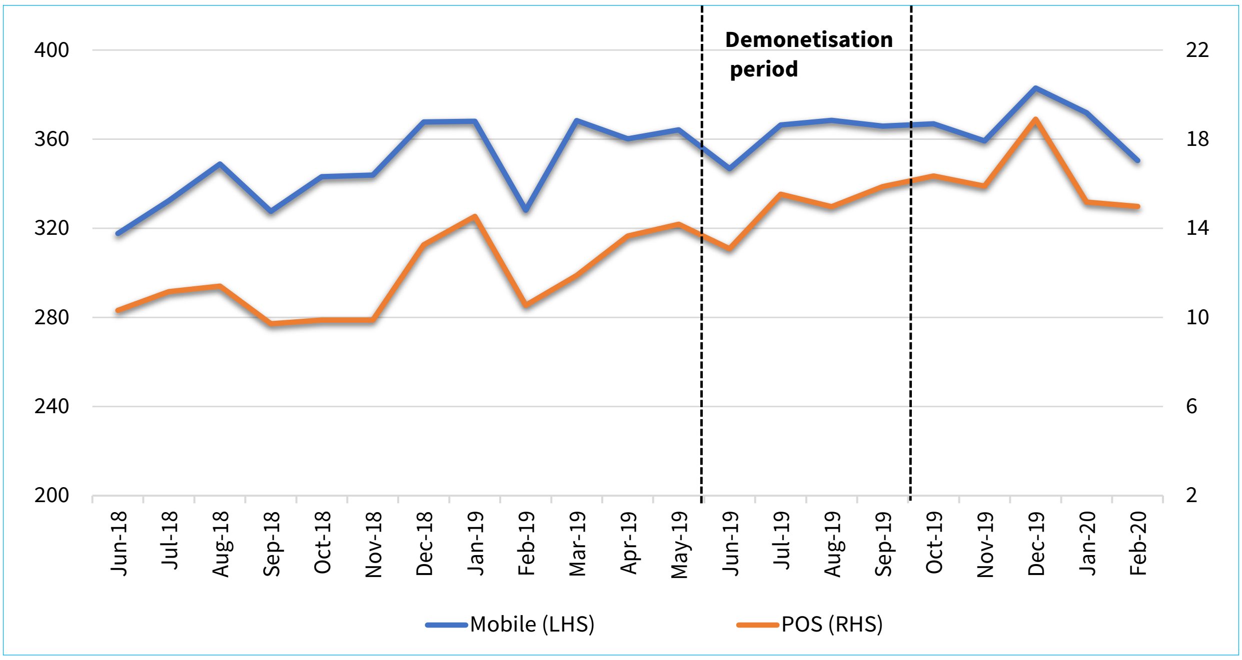
Table 6.1: Currency in Circulation as a Percent of GDP for Selected Countries and Regions

Country	2010	2015	2016	2017	2018	2019
Pakistan	10.7	11.1	12.3	12.9	13.7	14.6
Euro Area	11.7	11.5	6.2	10.1	10.7	11.4
India	9.0	10.5	10.7	10.7	10.9	11.1
Mauritius	7.3	8.1	8.3	8.5	8.2	8.6
Trinidad and Tobago	3.7	5.9	6.2	6.1	5.8	5.4
Ghana	5.3	5.3	5.3	4.7	4.5	4.7
Australia	3.9	4.4	4.5	4.3	4.3	4.2
United Kingdom	3.7	4.0	4.1	4.0	3.9	3.8
South Africa	3.0	3.4	3.4	3.4	3.4	3.3
Kenya	4.6	3.8	3.7	3.4	3.2	2.7

Source: IMF IFS database, National Statistics Offices and Central Bank Websites

Transactions using cashless payment platforms, such as mobile payments and point of sale (POS) machines remained high during the demonetisation period, partly contributing to reduced demand for cash **(Figure 6.3)**. In Trinidad and Tobago, and India, some studies showed a transitory increase in electronic transactions, including credit and debit cards and POS (Hilaire and Mahabir, 2020; Chodorow-Reich, 2019). Similarly, after the conclusion of demonetisation in Kenya, the transient decline in currency in circulation started to normalise, as increased holdings of currency outside banks led to currency in circulation rising to KES 259 billion in December from KES 207 billion in September. The transitory movements continued post-demonetisation as currency outside banks increased further from April 2020. This partly reflected increased precautionary savings by the public during the COVID-19 pandemic, while deposit growth augmented due to increased government spending, including payments of pending bills and COVID-19 pandemic related expenditures.

Figure 6.3: Mobile and POS Transactions, Monthly Value in KES billion



Source: Central Bank of Kenya

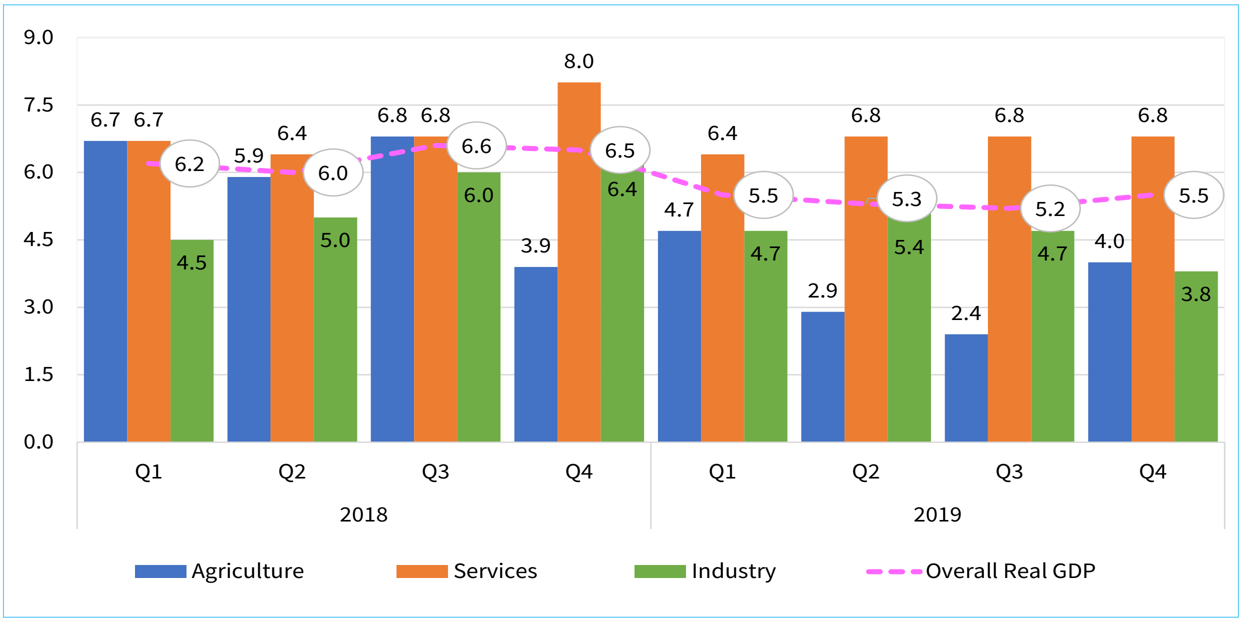
6.3 Implications for Other Macroeconomic Indicators

Inflation remained anchored within the target range, indicating that there were no demand and supply-related disruptions to consumer prices, and that the supply of cash in the economy remained adequate. Overall inflation averaged 5.2 percent from June to September 2019, reflecting moderating food prices and muted demand pressures as non-food-non-fuel inflation remained below 5 percent. Similarly, inflation remained within the target range in the immediate period after the conclusion of the demonetisation, indicating that there were no lagged or spillover effects of the process on prices.

The foreign exchange market remained stable during the demonetisation exercise, supported by a stable current account deficit and balanced capital flows. The current account deficit remained stable at 5.8 percent of GDP in 2018 and 2019, reflecting resilient export receipts, strong diaspora remittances, and lower food and SGR-related imports. Net financial inflows foreign direct investment (FDI) and portfolio inflows improved to USD 7.3 billion over the period June-September 2019. Official foreign exchange reserves also remained adequate, averaging USD 9.6 billion (6 months of imports cover) in June-September 2019.

There were limited disruptions to economic activity, with real GDP growth remaining strong at 5.4 percent in 2019, supported by the services sector particularly trade **(Figure 6.4)**. Data on domestic tax collections remained strong during the period, providing further evidence of no disruptions in trade and consumer spending as well as the movement of goods and people across the country. Value added tax (VAT) on domestic goods and services, collected by the Government increased to KES 81 billion in the third quarter of 2019 from KES 72 billion in the third quarter of 2018. Corporation tax also increased by KES 29 billion, while income taxes from individuals rose by KES 8 billion. This was unlike the outcome in India, which showed that economic growth slowed down due to constrained availability of cash as well as dampened consumer and business sentiment (IMF, 2017; Reserve Bank of India, 2018 and Chodorow-Reich et al, 2019).

Figure 6.4: Real GDP Growth (Quarter on Quarter, Percent)



Source: Kenya National Bureau of Statistics

7. CONCLUSION AND LESSONS

This paper documents CBK's journey in the successful demonetisation of the old KES 1,000 notes, which was aimed at addressing the grave concern of IFFs, and emerging risks of counterfeits targeting the denomination. The success of the exercise can be measured in several ways. First, the exercise was completed within the set timeline of four months, with complete changeover to the new notes in that period. Second, the exercise was not disruptive to the economy as witnessed in other countries, as key macroeconomic indicators such as inflation and exchange rates remained stable throughout the period. Third, the exercise had an impact on IFFs, as indicated by the KES 7.386 billion value of notes which were rendered worthless at the end of the exercise. This was due to noncompliance with the robust AML/CFT checks in place.

The success of the strategy adopted by CBK was underpinned by several pillars, including a gradual process, strong engagement with key stakeholders, an extensive public awareness campaign and a robust AML/CFT framework.

The gradual process allocated adequate time for withdrawal of the banknotes, facilitated a smooth conversion, and adoption of the new currency by the public countrywide. The four-month period accommodated the activities of the ordinary citizen minimising disruption, while swiftly addressing the concerns on IFF and counterfeits. Consequently, there were no reported cases of panic and long queues in banking halls, as reported in other country experiences. Completion of the process within the set timelines was critical in eliminating any uncertainties.

Continuous engagement with key stakeholders minimized currency shortages countrywide. After the launch of the new banknotes and announcement to demonetise the notes, CBK held meetings with commercial banks' CEOs and other relevant institutions to facilitate a smooth demonetisation process. Banks worked closely with CBK to ensure that there was adequate supply of the new notes in all their branches countrywide, and to facilitate exchange of the old notes with new ones in line with the indicated guidelines. The coordinated process was extended to the regional level to limit potential cross-border IFFs from crossing into Kenya's financial system through banks in the region.

An active and extensive public awareness campaign provided information at every step –to spread awareness and enhance general public understanding of the process, its intentions and the timelines. The main communication channels used in the process included, press releases, regular media conferences, adverts in newspapers and on television, social media, CBK's website, both vernacular and regular radio stations, and the use of posters and pamphlets. Sensitisation campaigns through roadshows were conducted in various parts of the country. CBK further issued circulars and held meetings with banks and other stakeholders to provide clarity on the process. A feedback mechanism was also put in place to provide prompt responses to any concerns that emerged.

The robust AML/CFT framework that was already in place outlined modalities for exchanging the old banknotes with new ones. The framework guaranteed that banks obtained confirmations from customers on the nature of their businesses that generate large cash transactions to safeguard the integrity of the financial sector. Close collaboration between CBK, banks, foreign exchange bureaus, payment service providers, money remittance providers, other financial institutions and investigative agencies supported adherence to this AML/CFT requirement. CBK established a daily and weekly reporting mechanism for these institutions to support the enforcement of the AML/CFT framework while monitoring any suspicious activities of counterfeiters.

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ANNEXES

Annex 1: Newspapers coverage of the Demonetisation

2 June 2019, Sunday Nation Pg 1

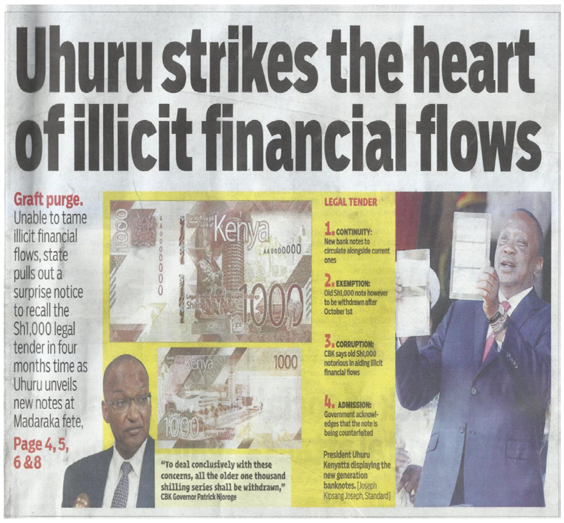

Bombshell> Corrupt individuals and money launderers to feel full force of shift

Uhuru cash shocker targets hidden loot

New notes: Billions of shillings stashed away by influential graft lords could be reduced to worthless pieces of paper in months after surprise ban on Sh1,000 bank note whose effect will be felt on economy P.12

FULL MADARAKA COVERAGE ON PAGES 4,5,6 AND 12

2 June 2019, The Standard Pg 1


Uhuru strikes the heart of illicit financial flows

Graft purge. Unable to tame illicit financial flows, state pulls out a surprise notice to recall the Sh1,000 legal tender in four months time as Uhuru unveils new notes at Madaraka fete, Page 4, 5, 6 & 8

"To deal conclusively with these concerns, all the older one thousand shilling series shall be withdrawn," CBK Governor Patrick Njoroge

4 June 2019, Daily Nation Pg 1


DAILY NATION

Economy > Kenya Association of Manufacturers lauds currency mop-up initiative

Njoroge takes the war to cash felons

Trapped Amid a legal hue and cry over Kenyatta portrait, the noose on the collective neck of graft lords tightens as CBK announces it has reached out to central banks in the region to alert Nairobi of any suspicious transactions Page 4

Ifmis is safe, Thugge says after hacking

Six teenagers arrested after boy's killing

4 June 2019, Business Daily Pg 1


BUSINESS DAILY

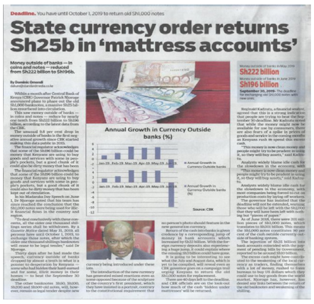
83pc of bank notes to be withdrawn by October 1

City Hall to vet titles for public utility land

25 July 2019, The Standard Pg 4


CBK tells why huge deposits will be probed

22 August 2019, The Standard Pg 4


State currency order returns Sh25b in 'mattress accounts'

10 September 2019, Business Daily Pg 19


Sh1,000 note recall pressure a risk for shilling – analysts

24 September 2019, People Daily Pg 10


Demonetisation plan will boost economy

Annex 2: Chronology of Notes and Coins Issued by CBK

1966: Kenya issued its first currencies under Legal Notice number 252 of 1966 dated July 1, 1966. Banknotes were issued in the denominations of 5 shillings, 10 shillings, 20 shillings and 100 shillings. Similarly, coins were subsequently issued in the denominations of 5 cents, 10 cents, 25 cents, 50 cents and 1 shilling.

1969: The 25 cents and 2-shilling coins were introduced with a slight modification on the obverse side stating, "The First President of Kenya Mzee Jomo Kenyatta".

1973: To commemorate ten years of independence, a nonagonal (nine-sided) 5-shilling circulation coin and commemorative coin with the words "Ten Years of Freedom" were introduced.

1974: The Central Bank introduced smaller banknotes, with additional security features to deter counterfeiting.

1978: A new design 1-shilling coin was introduced.

1981: Following the passing on of Kenya's first president, Mzee Jomo Kenyatta on August 22, 1978, new notes and coins were issued to commemorate and usher in the leadership under H.E. Daniel Toroitich arap Moi. They included a 1-shilling coin, 5-shilling, 10-shilling, 20-shilling, 50 shilling and 100-shilling notes.

1985: In October 1985, a new seven-sided KES 5 coin was introduced to gradually replace the KES 5 note, whose circulation was becoming gradually shorter owing to usage.

1986: In October 1986, a KES 200 note was issued. It became the highest denomination note then.

1988: In December 1988, the KES 500 note was introduced and became the highest denomination. This also marked the change of banknote designs to feature diamond shapes on the denomination boxes.

1990: A new 5 cent coin was introduced.

1995: Kenya's highest denomination banknote, KES 1,000 was introduced, marking a shift in design themes for circulating currencies with enhanced security features. New designs of 10 cents and 50 cents were also introduced.

1997: New design bi-coloured 5 shilling and 10-shilling coins were introduced.

1998: New design bi-coloured 20-shilling coins were introduced.

2003: Kenya marked her 40th independence anniversary on December 12, 2003. A new commemorative cum circulating 40-shilling coin was introduced to mark the country's 40th anniversary.

2005: Circulating currency banknotes were changed to feature the portrait of the first President of Kenya, Mzee Jomo Kenyatta.

Annex 3: Designs for New Kenyan Currency

CENTRAL BANK OF KENYA

DESIGNS FOR NEW KENYAN CURRENCY

The Central Bank of Kenya wishes to draw the attention of the public to Article 231 (4) of the New Constitution on the production and issuance of Kenyan currency notes and coins. The Article provides as follows:

> ***"Notes and Coins issued by the Central Bank of Kenya may bear images that depict or symbolize an aspect of Kenya but shall not bear the portrait of an individual"***

Section 22 (1) of the Central Bank of Kenya Act also provides as follows on the issuance of currency notes and coins:

> ***"The Bank shall have the sole right to issue notes and coins in Kenya and, subject to subsection (3), only those notes and coins shall be legal tender in Kenya".***

In exercise of powers conferred by the law as stated above, the Central Bank of Kenya has embarked on the process of designing a new generation of Kenyan currency bank notes and coins that comply with the Constitution.

Accordingly, the Central Bank hereby invites individuals, institutions, organizations, and professional bodies to present, in writing, proposals on elements they would like to see featured on the banknotes, to be considered for incorporation in the design of the proposed new Kenyan currency banknotes and coins.

For general information, the current family of currency banknotes and coins in circulation bear portraits of individuals at the front while the back of the banknotes bear different features for each denomination. The back of the coins bear the Kenyan Coat of Arms.

In the design process of the new currency, the Central bank of Kenya considers the following as guiding themes:

- **' Kenya Reborn'** - to reflect the spirit of the new constitution
- **' Kenya Prosperity'** - to reflect Kenya development goals as outlined in Vision 2030

The design concepts should also take into account the following broad factors while remaining faithful to the general guidance provided in the stated themes:

- Dominant physical features that reflect any aspect of Kenya but consistent with requirements of the Constitution;
- Key aspects in Agriculture, Technology, Sports, Manufacturing, Infrastructure, Tourism, and Environment;
- The nation's natural treasures, culture and heritage;
- Common dominant features/wildlife;
- Flora and fauna unique to Kenya;
- Preferred colour schemes for each banknote
- Preferred sizes for both banknotes and coins

The design elements submitted must be unique to Kenya, attractive, socially acceptable and culturally relevant while creating harmony among Kenyans.

The Central Bank considers citizens' views and input in the design process to be a fundamental constitutional right and therefore highly encourages public participation in this important exercise.

The public is also reminded that the current family of currency shall continue to concurrently circulate along with the new design currency, once commissioned and released into circulation, as provided for under the Sixth Schedule (Article 262), Section 34 of the Constitution.

The deadline for the submission of design proposals is 13th April, 2012. The proposals, or any clarifications should be addressed to:

Director,
Currency Operations & Branch Administration Department
Central Bank of Kenya
P.O Box 60000 -00200
Email: comms@centralbank.go.ke
NAIROBI

Annex 4: Poster of Kenya's New Notes Launched on June 1, 2019

NEW NOTES OF KENYA
NOTI MPYA ZA KENYA

The Central Bank of Kenya has issued new generation banknotes following promulgation of a new Constitution which ushered hope for a Newly Reborn and Prosperous Kenya. After taking into account views received from the public, CBK adopted concepts to symbolise the drivers of a prosperous Kenya. The front of the banknotes bear the image of Kenyatta International Conference Centre, one of the most iconic and recognisable landmarks in our country. A dove is also shown to symbolise a peaceful Kenya. The images on the back of the banknotes symbolise green energy, agriculture, social services, tourism, and governance. The designs are also more accessible to visually impaired persons. These banknotes will circulate alongside those previously issued and not withdrawn.

FEEL/GUSA | LOOK/TAZAMA | TILT/PINDUA

FEEL/GUSA

Run your fingers over the note:

1. Feel **KENYA**

2. Feel **VALUE**

3. Feel **THE EDGE**

50 = 1 bar
100 = 2 bars
200 = 3 bars
500 = 4 bars
1000 = 5 bars

LOOK/TAZAMA

Hold up to the light and from both sides you will see:

4. The **watermark** of a perfect lion's head, the text CBK and the value of the banknote

5. The **security thread** appears as a continuous line

TILT/PINDUA

If you tilt at an angle you will see:

6. The security thread changes colour from **red** to **green** on all banknotes. The 200, 500 and 1000 banknotes have additional **rainbow colours** on the thread

7. The **golden band** on the back of the note shows the value

50 - GREEN ENERGY

100 - AGRICULTURE

200 - SOCIAL SERVICES

500 - TOURISM

1000 - GOVERNANCE

Central Bank of Kenya | Banki Kuu ya Kenya

www.centralbank.go.ke

Annex 5: Gazette Notice on New Generation Coins

SPECIAL ISSUE 3161

Kenya Gazette Supplement No. 151 *10th December, 2018*

(Legislative Supplement No. 72)

LEGAL NOTICE NO. 235

THE CENTRAL BANK OF KENYA ACT

(Cap. 491)

DESCRIPTION OF NEW ISSUE OF ONE SHILLING, FIVE SHILLINGS, TEN SHILLINGS AND TWENTY SHILLINGS COINS

IN EXERCISE of its powers under section 22 (2) of the Central Bank of Kenya Act, the Central Bank of Kenya, in consultation with the Cabinet Secretary for the National Treasury and Planning, determines and notifies that the denominations, inscriptions, forms, material and characteristics of the new one shilling, five shillings, ten shillings and twenty shillings coins to be issued by the Central Bank of Kenya shall be as follows—

1. One shilling coin—

(a) *Denomination:* The denomination of the new coin shall be one shilling.

(b) *Design features*: the coin shall incorporate the following inscriptions—

(i) On the obverse side:

the main motif of a full giraffe and a shrub next to the giraffe, and the inscriptions:

KENYA immediately below the main motif, and ONE SHILLING and SHILINGI MOJA encircling the main motif.

(ii) On the reverse side:

the Kenya Coat of Arms and the inscriptions:

REPUBLIC OF KENYA and JAMHURI YA KENYA, and the year of the mint immediately below the Coat of Arms.

(c) *Metal content*:

The metal alloy shall be mono-ply nickel-plated steel.

(d) *Other features*:

Shape: Round

Colour: Silver

Diameter: 23.90 mm.

Weight: 5.50 gms.

Edge: Alternate plain-milled

2. Five shillings coin:

(a) *Denomination*: the denomination of the new coin shall be five shillings.

(b) *Design Features*: the coin shall incorporate the following inscriptions—

(i) On the obverse side:

the main motif of a rhino head, and the inscriptions:

KENYA immediately below the main motif and FIVE SHILLINGS and SHILINGI TANO encircling the main motif.

(ii) On the reverse side:

the Kenya Coat of Arms with the inscriptions REPUBLIC OF KENYA and JAMHURI YA KENYA, and the year of mint immediately below the Coat of Arms.

(c) *Metal content*:

The inner metal alloy shall be mono-ply brass-plated steel and the outer metal alloy shall be mono-ply nickel-plated steel.

(d) *Other features*:

Shape: Round

Colour: Silver (outer) and Yellow (inner)

Diameter: 19.50 mm.

Weight: 3.75 gms.

Edge: Milled

3. Ten shillings coin—

(a) *Denomination*: the denomination of the new coin shall be ten shillings.

(b) *Design features*: the coin shall incorporate the following inscriptions—

(i) On the obverse side:

the main motif of a lion and the inscriptions:

KENYA immediately below the main motif and TEN SHILLINGS and SHILINGI KUMI encircling the main motif.

(ii) On the reverse side:

the Kenya Coat of Arms and the inscription:

REPUBLIC OF KENYA and JAMHURI YA KENYA, and the year of mint immediately below the Coat of Arms.

(c) *Metal content*:

The inner metal alloy shall be mono-ply nickel-plated steel and the outer metal alloy shall be mono-ply brass-plated steel.

(d) *Other features*:

Shape: Round

Colour: Yellow (outer) and silver (inner)

Diameter: 23.00 mm.

Weight: 5.00 gms.

Edge: Milled

4. Twenty shillings coin—

(a) *Denomination*: the denomination of the new coin shall be twenty shillings.

(b) *Design features*:

(i) On the obverse side:

the main motif of an elephant and the inscriptions;

KENYA immediately below the main motif and TWENTY SHILLINGS and SHILINGI ISHIRINI encircling the main motif.

(ii) On the reverse side:

the Kenya Coat of Arms and the insscription:

REPUBLIC OF KENYA and JAMHURI YA KENYA, and the year of mint immediately below the Coat of Arms.

(c) *Metal content*:

The inner metal alloy shall be mono-ply brass-plated steel and the outer metal alloy shall be mono-ply nickel-plated steel.

(d) *Other features*:

Shape: Round

Colour: Silver (outer) and yellow (inner)

Diameter: 26.00 mm.

Weight: 9.00 gms.

Edge: Alternate plain-milled

The new coins shall be legal tender in Kenya with effect from the 11th December, 2018 and nothing in this notice shall be construed as withdrawing the one shilling, five shilling, ten shilling and twenty shilling coins that were in circulation on the effective date which shall continue to be legal tender in Kenya.

Dated the 7th December, 2018.

PATRICK NJOROGE,
Governor of the Central Bank of Kenya.

PRINTED AND PUBLISHED BY THE GOVERNMENT PRINTER, NAIROBI

Annex 6: Gazette Notice on New Generation Banknotes

SPECIAL ISSUE 315

Kenya Gazette Supplement No. 76 *31 May, 2019*

(Legislative Supplement No. 23)

LEGAL NOTICE NO. 72

THE CONSTITUTION OF KENYA

THE CENTRAL BANK OF KENYA ACT

(*Cap.* 491)

DESCRIPTION OF NEW ISSUE OF FIFTY, ONE HUNDRED, TWO HUNDRED, FIVE HUNDRED AND ONE THOUSAND SHILLINGS KENYA CURRENCY NOTES

IN EXERCISE of the power conferred by Article 231 (2) of the Consitution of Kenya and section 22 (2) of the Central Bank of Kenya Act, the Central Bank of Kenya determines and notifies that the denominations, inscriptions, forms, material and characteristics of the new fifty shillings, one hundred shillings, two hundred shillings, five hundred shillings and one thousand shillings currency notes to be issued by the Central Bank of Kenya shall be as follows—

1. Main features of all currency notes:

The front of all currency notes shall—

(a) bear the image of Kenyatta International Conference Centre, a skyline image of Nairobi, a rising sun, the Coat of Arms and a dove; and

(b) bear the signatures of the Governor of the Central Bank of Kenya, and of the Principal Secretary to the National Treasury.

2. Primary themes, reverse images and currency note sizes:

Denomination	*Theme*	*Reverse images*	*Banknote size (mm.)*
Ksh. 50	Green energy	Windmills Geothermal power plant Solar power panel	123 x 62
Ksh. 100	Agriculture	Maize cobs Tea farm Livestock	128 x 64
Ksh. 200	Social services	Health services Education Athletics	133 x 66
Ksh. 500	Tourism	Beach Wildlife Lion	138 x 68
Ksh. 1000	Governance	Parliament Buildings	143 x 70

3. Detailed features:

(1) Fifty shillings currency note:

(a) Denomination

The denomination of the currency note shall be fifty shillings inscribed in words and in figures on both sides of the banknote. The wording shall be in Kiswahili and English.

(b) Basic Colours

Front and back—

The main colours shall be red and pink.

(c) Other Features

(i) a buffalo head protruding from the last zero of the large value numeral;

(ii) a lion's head as the main watermark;

(iii) colour-changing security thread with the expression "CBK", the denomination value and an image of dove embedded in the thread; and

(iv) large value numerals and one bar on the edges of the banknote as recognition features for visually impaired persons.

(2) One hundred shillings currency note:

(a) Denomination

The denomination of the currency note shall be one hundred shillings inscribed in words and in figures on both sides of the banknote. The wording shall be in Kiswahili and English.

(b) Basic colour

Front and back—

The main colour shall be purple.

(c) Other features

(i) a leopard head protruding from the last zero of the large value numeral;

(ii) a lion's head as the main watermark;

(iii) colour-changing security thread with the expression "CBK", the denomination value and an image of a dove embedded in the thread; and

(iv) large value numerals and two bars on the edges of the banknote as recognition marks for visually impaired persons.

(3) Two hundred shillings currency note:

(a) Denomination

The denomination of the currency note shall be two hundred shillings inscribed in words and in figures on both sides of the banknote. The wording shall be in Kiswahili and English.

(b) Basic colour

Front and back—

The main colour shall be blue.

(c) Other features

(i) a rhino head protruding from the last zero numeral of the large value numeral;

(ii) a lion's head as the main watermark;

(iii) a colour-changing and rainbow effect security thread with the expression "CBK", the denomination value and an image of a dove embedded in the thread; and

(iv) large value numerals three bars on the edges of the banknote as recognition features for visually impaired persons.

(4) Five hundred shillings currency note:

(a) Denomination

The denomination of the currency note shall be five hundred shillings inscribed in words and in figures on both sides of the banknotes. The wording shall be in Kiswahili and English.

(b) Basic colours

Front and back—

The main colour shall be green.

(c) Other features

(i) a lion head protruding from the last zero of the large value numeral;

(ii) a lion's head as the main watermark;

(iii) a colour-changing and rainbow effect security thread with the expression "CBK", the denomination value and an image of a dove embedded in the thread; and

(iv) large value numerals and four bars on the edges of the banknote as recognition features for visually impaired persons.

(5) One thousand shillings currency note:

(a) Denomination

The denomination of the banknotes shall be one thousand shillings inscribed in words and in figures on both sides of the banknotes. The wording shall be in Kiswahili and English.

(b) Basic colours

Front and Back—

The main colour shal be brown.

(c) Other features

(i) an elephant head protruding from the last zero of the large value numeral;

(ii) a lion's head as the main watermark;

(iii) colour changing and rainbow effect security thread with CBK, the denomination value and an image of a dove embedded in the thread; and

(iv) large value numerals and five bars on the edges of the banknote as recognition marks for visually impaired persons.

(6) The new banknotes shall circulate alongside those previously issued and not withdrawn.

Dated the 31st May, 2019.

PATRICK NJOROGE,
Governor of the Central Bank of Kenya.

PRINTED AND PUBLISHED BY THE GOVERNMENT PRINTER, NAIROBI

Annex 7: Launch of New Generation Coins

VISIT OF H.E. PRESIDENT HON. UHURU KENYATTA
TO THE CENTRAL BANK OF KENYA

Remarks by Dr. Patrick Njoroge
Governor, Central Bank of Kenya
December 11, 2018

As prepared for delivery

Your Excellency; Distinguished Guests:

It gives me great pleasure to welcome you to the Central Bank of Kenya, on behalf of the Board and staff. I am particularly grateful to Your Excellency, for graciously accepting to visit CBK despite your busy schedule. Your visit is also historic, as it is your first visit to the Central Bank as President.

The history of the Central Bank is intertwined with the history of our country. Its vision and objectives are built on the aspirations of the Kenyan people. We have faced both difficulties and opportunities with courage and hope. CBK has advanced towards the vision of a *World-Class Modern Central Bank*. We are proud of the progress that we have made, even as compared to other central banks. For instance, we support all 47 counties in their banking operations, including organizing training sessions in every county. Nevertheless, there is still work to be done, such as finding innovative ways to provide credit to SMEs and other excluded sectors.

Your Excellency, on this occasion of your visit, we will present you a symbolic cheque, for dividends that were remitted to the Government on November 12, 2018. In making its determination on the amount of these dividends, the CBK Board also considered CBK's financial needs with the objective of ensuring CBK is well-resourced to deliver on its mandates, as CBK supports our country best by delivering on its mandates. For instance, we have maintained inflation within the target band, the foreign exchange market has remained stable as the balance of payments position improved, prudential regulation and supervision has been strengthened, and CBK has continued to support innovations especially those that have potential to enhance financial inclusion.

Your Excellency, there is a pending matter concerning the issuance of New Generation Currency, that is, notes and coins that are consistent with the 2010 Constitution. This is one of CBK's mandates and the Constitution provides guidance on the features and elements that may be depicted. CBK invited the public to provide their views on the design elements. Having consulted widely, CBK considered and selected the most appropriate elements—the design features that best meet CBK's technical requirements, serve the public aspirations, and capture the spirit of the Constitution.

1

Your Excellency, the Central Bank of Kenya has now completed the process of producing the New Generation coins, in accordance with the Constitution and all applicable laws. I confirm that the New Generation coins were issued today, December 11, 2018, by a Gazette Notice. They are now legal tender.

Your Excellency, it gives me great pleasure to request you to unveil, after your speech, the New Generation coinage of the Republic of Kenya.

A few words on the new coins are in order. The new coins bear a significant aspect of our nation, and therefore will serve as a means of passing knowledge, conserving culture and promoting our global uniqueness. By engraving the selected images in the coinage, an awareness of our country and its characteristics will be revitalized, giving physical expression to a ***Newly Reborn and Prosperous Kenya***. In the coming days, the Central Bank will roll out an awareness campaign to educate the public on the features of the new coinage. The new coins will circulate alongside the coins previously issued but not withdrawn. Additionally, in keeping with the spirit of being responsible of our environment in the new coinage, the Central Bank pledges 1 million tree seedlings through the "***Greening Kenya Campaign***" to mitigate climate change.

Finally, let me thank all Kenyans and our guests for joining us to mark this milestone. I would be remiss if I do not mention the Central Bank's greatest assets, its staff. Most of them are unsung heroes who work quietly, every day at their post. All dedicate themselves with professionalism, integrity, and a spirit of service. Thank you for your dedication.

It is now my pleasure to invite the Cabinet Secretary, National Treasury, Mr. Henry Rotich, to make his remarks. *Karibu Waziri*!

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Annex 8: Poster of Kenya's New Coins Launched on December 11, 2018

Annex 9: Launch of New Generation Banknotes

LAUNCH OF THE NEW GENERATION BANKNOTES

Remarks by Dr. Patrick Njoroge
Governor, Central Bank of Kenya
June 1, 2019
Narok Stadium, Narok County

As prepared for delivery

Your Excellency; Distinguished Guests; fellow citizens:

It gives me great pleasure to participate in this auspicious national celebration. I am particularly grateful to Your Excellency for the honour you have bestowed on the Central Bank of Kenya, by graciously inviting me to say a few words at the end of this beautiful ceremony. It was also our singular honour, Your Excellency, when you visited the Central Bank last December and launched Kenya's New Generation coins which have wildlife images as the theme. It is therefore fitting that today we are in Narok County, home of the world-acclaimed Maasai Mara and the animals depicted on our coins.

After launching the new coins, the matter of the New Generation banknotes still remains, that is, the issuance of banknotes that are consistent with the 2010 Constitution. While the Constitution provides guidance on the features and elements that may be depicted, CBK also invited the public to provide their views on the design elements. Having consulted widely, CBK considered and selected the most appropriate elements—the design features that best meet CBK's technical requirements, serve the public aspirations, and capture the spirit of the Constitution.

Your Excellency, the Central Bank of Kenya has now completed the process of producing the New Generation banknotes, in accordance with the Constitution and all applicable laws. I confirm that the New Generation banknotes were issued yesterday, May 31, 2019, by a Gazette Notice. They are now legal tender.

A few words on the new banknotes are in order. The new banknotes bear a significant aspect of our nation, and like the coins, will serve as a means of passing knowledge, conserving culture and promoting our global uniqueness. All banknotes bear the image of Kenyatta International Conference Centre, one of the most iconic and recognisable landmarks in our country. The banknotes also embody each of the big five; *nyati, chui, kifaru, simba, and ndovu*. Each banknote has a unique theme to show the richness of our people and nature in our beautiful Kenya. For the fifty shillings we have **Green Energy**, one hundred shillings - **Agriculture**, two hundred shillings - **Social Services**, five hundred shillings – **Tourism**, and one thousand shillings - **Governance**. These are the drivers of a ***Newly Reborn and Prosperous Kenya***. Additionally, for the first time, the new banknotes bear features that make them more accessible to the visually impaired members of our society. In the coming days, CBK will roll out an awareness campaign to educate the public on the features of the new banknotes.

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Your Excellency, the new banknotes will circulate alongside those previously issued but not withdrawn. However, we have assessed the grave concern that our large banknotes—particularly the older one thousand shillings series—are being used for illicit financial flows in Kenya and also other countries in the region. More recently we have seen the emergence of some counterfeits. These are grave concerns that would jeopardize proper transactions and the conduct of commerce in our currency.

To deal conclusively with these concerns, all the older one thousand shillings series shall be withdrawn. By a Gazette Notice dated May 31, 2019, all persons have until October 1, 2019, to exchange those notes, after which the older one thousand shillings banknotes will cease to be legal tender. More details about this will be provided.

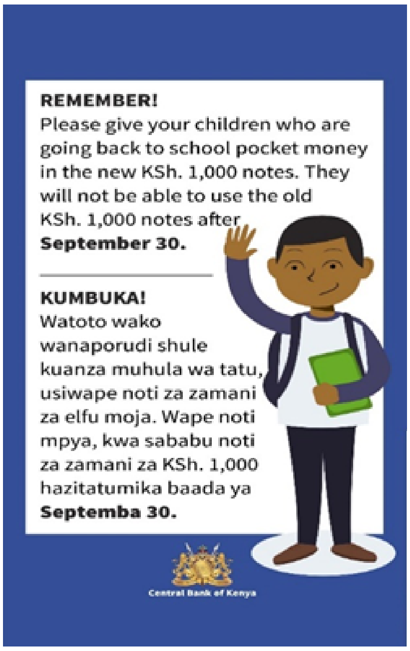
Finally, let me thank all Kenyans for their patience with us, their contributions in the design of these new banknotes, and their support of the Central Bank as we seek to discharge our mandate. The launch of the New Generation banknotes at the Madaraka Day celebrations underscores that the history of the Central Bank is intertwined with the history of our country.

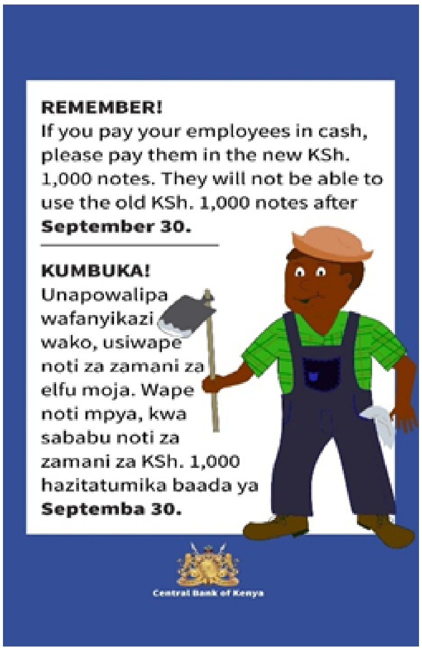
Your Excellency, it is my distinct honour and privilege, and it gives me great pleasure, to request you to unveil the New Generation banknotes of the Republic of Kenya.

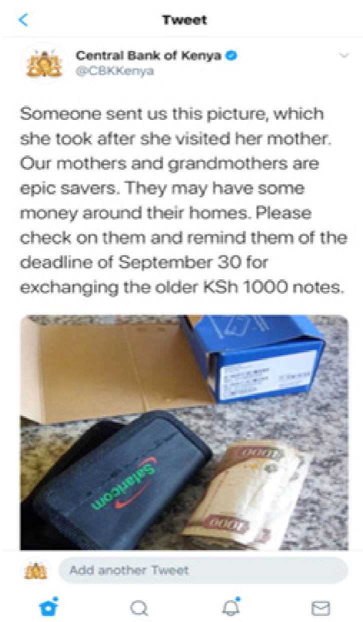
Annex 10: Network of Radio Stations Nationwide carrying Demonetisation Message

NO.	STATION	REGION
1.	RADIO CITIZEN	NATIONAL
2.	RADIO MAISHA	
3.	MILELE FM	
4.	RADIO JAMBO	
5.	RADIO TAIFA	
6.	GHETTO RADIO	NAIROBI
7.	KOCH FM	
8.	PAMOJA FM	
9.	RUBEN FM	
10.	BIBILIA HUSEMA RADIO	
11.	INOORO FM	CENTRAL
12.	KAMEME FM	
13.	GUKENA FM	
14.	CORO FM	
15.	MERU FM	UPPER EASTERN
16.	MUUGA FM	
17.	WIMWARO FM	
18.	WERU FM	
19.	RAMOGI FM	LAKE
20.	NAMLOLWE FM	
21.	MAYIENGA FM	
22.	DALA FM- LUO	
23.	URBAN RADIO	
24.	GULF RADIO	
25.	PACHO FM	
26.	TARUMBETA FM	
27.	SKY FM	
28.	RADIO LAKE VICTORIA	
29.	WEST FM	WESTERN
30.	MULEMBE FM	
31.	NYOTA FM	
32.	EMURIA FM	
33.	ELGON YOUTH RADIO	
34.	VUUKA FM	
35.	SULWE FM	
36.	RADIO MAMBO	
37.	VIHIGA FM	
38.	INGO FM	
39.	EGESA FM	SOUTH NYANZA
40.	KISII FM	
41.	MINTO FM	
42.	SAYARE RADIO	
43.	KISIMA FM	
44.	BARAKA FM	COAST
45.	BAHARI FM	
46.	PWANI FM	
47.	RADIO KAYA	
48.	SIFA VOI FM	
49.	TANA RIVER FM	
50.	KWALE RANET FM	
51.	LULU FM	
52.	MWANEDU FM	
53.	RADIO RAHMA	
54.	KASS FM	RIFT
55.	CHAMGEI FM	
56.	KITWEK FM	
57.	EMOO FM	
58.	TAACH FM	
59.	CONGASIS FM	
60.	KALYA FM	NORTH WESTERN
61.	EKEYEKON FM	
62.	SIFA MARSABIT	
63.	WATCHMAN FM	
64.	ATAYANECHE FM	
65.	AKICHA FM	
66.	MAYIAN FM	SOUTH RIFT
67.	SIDAI FM	
68.	NOSIM FM	
69.	MUSYI FM	LOWER EASTERN
70.	ATHIANI FM	
71.	MBAITU FM	
72.	COUNTY FM	
73.	SYOKIMAU	
74.	STAR FM	NORTH EASTERN
75.	MIDNIMO FM	
76.	WAJIR COMMUNITY RADIO	
77.	IFTIN FM	
78.	WAJEER FM	

Annex 11: Social Media Engagements







Central Bank of Kenya @CBKKenya · Jun 22, 2019

Out and about this weekend? Download the new CBK app from the app store. A convenient way to familiarise yourself with the key features of the new generation banknotes. Go to play.google.com/store/apps/det...

Central Bank of Kenya @CBKKenya · Aug 29

Governor @njorogep was in Garissa and Wajir Counties, getting firsthand engagement on the region's economy, and reminding residents of the deadline for exchanging or using the older KSh. 1000 notes.

Central Bank of Kenya @CBKKenya · Aug 20, 2019

Gavana @njorogep alitalii kaunti ya Kwale, kutoka Ukunda hadi pembeni mwa nchi kule Lunga Lunga, akiwahamasisha wananchi kuhusu sarafu mpya. Jinsi ya kuzitambua na kuzitofautisha. Pia kuwakumbusha kubadilisha noti za shilingi elfu moja kabla ya Oktoba mosi mwaka huu.

Reuters @Reuters

Kenya to withdraw an old version of its 1,000 shilling banknote to tackle illicit flows and counterfeiting

Kenya retires old banknote in fight against illicit flows

5:05 PM · Jun 6, 2019 · Twitter Media Studio

Central Bank of Kenya @CBKKenya · Sep 24, 2019

Governor @njorogep: We have worked with the prison authorities to convert any currencies they are holding on behalf of inmates. We have also worked with the Judiciary on money which may be held as court exhibits.

Central Bank of Kenya @CBKKenya · Oct 2, 2019

Each briquette the Governor is holding is equivalent to Ksh 1,000,000 in shredded banknotes.

39 144 176

Patrick Njoroge @njorogep

Time is up! September 30, 2019, has come and gone. Bye bye and goodnight!
That's it. That's the tweet.

12:24 AM · Oct 1, 2019

Annex 12: Television and Radio Engagements

Annex 13: Governor at the Garissa Livestock Market during the Demonetisation

Annex 14: Circulation of the New Generation Banknotes and Withdrawal of the Older 1,000 Shillings Banknotes

BANKI KUU YA KENYA

PRESS RELEASE

CIRCULATION OF THE NEW GENERATION BANKNOTES AND WITHDRAWAL OF THE OLDER 1,000 SHILLINGS BANKNOTES

Further to the issuance and launch of the New Generation banknotes we are pleased to advise that the new banknotes are already circulating in the country. We expect that they will be available in all commercial bank branches in the coming days. We have also embarked on a wide Public Awareness Campaign to ensure all members of the public are familiar with the new banknotes and their features.

By Gazette Notice No. 4849 of May 31 2019, all the older 1,000 shillings banknotes shall be withdrawn and will cease to be legal tender on October 1, 2019. All other denominations are unaffected and will continue to circulate alongside the New Generation banknotes. The objective of this measure is to deal conclusively with the emerging concerns about illicit financial flows and counterfeits. To ensure this measure is fully effective, the requirements of Regulation 31 of the *Proceeds of Crime and Anti-Money Laundering Regulations, 2013*—that banks obtain confirmations from customers on the nature of their business that generate large cash transactions—shall be adhered to. We are working with banks, forex bureaus, payment service providers, money remittance providers, other financial institutions, and investigative agencies to ensure that all requirements are observed.

Further guidance is provided below as to how the banknotes will be exchanged. These modalities are aimed at minimising business disruptions, ensuring the security of cash transactions, and safeguarding the integrity of the financial sector. The intention is to make the process as straight forward as possible, particularly for smaller amounts.

The modalities are as follows:

- Persons exchanging currency notes for **amounts not exceeding Ksh.1 million** of the withdrawn currency notes will exchange at their Commercial banks, CBK Branches and Currency Centres, or any nearest commercial bank.
- Bank customers exchanging currency notes for **amounts Ksh.1 million to Ksh.5 million** of the withdrawn currency notes will exchange at their respective commercial banks, under the normal procedures and requirements.
- Persons without bank accounts exchanging currency notes for **amounts exceeding Ksh.1 million** will require an endorsement from CBK.
- Persons exchanging currency notes for **amounts exceeding Ksh.5 million** (bulk exchange) will require an endorsement from CBK. These persons should get in touch using the contacts shown below.

For enquiries on this matter, members of the public are requested to contact CBK by telephone at +254 20 2861032 or +254 20 2863132 or email: newcurrency@centralbank.go.ke

CENTRAL BANK OF KENYA

June 6, 2019

Annex 15: High Court Judgement on New Currency

PRESS RELEASE

HIGH COURT JUDGEMENT ON NEW CURRENCY

The Central Bank of Kenya (CBK) welcomes today's judgement of the High Court. In its ruling, the Court determined that there was no violation of the Constitution in the design of the new generation currency notes. The Court declared that the statue at the Kenyatta International Convention Centre, a national landmark, is an integral part of the building, and is not a portrait. The Court maintained that CBK carried out extensive, reasonable and all-inclusive public participation, leading to the final design of the currency.

With regard to the withdrawal of the older series KSh 1000 notes, the Court further ruled that CBK had the power and discretion to withdraw the notes, and the rationale given was justifiable. The Court ruled that the four-month period for withdrawal was adequate and reasonable, and that CBK had the power and discretion to set the period. The Court concluded that CBK discharged its duty properly.

Since the launching of the new generation currency on June 1, 2019, CBK has been on a sustained, intensive and targeted campaign for Kenyans to familiarise themselves with the features of the banknotes, and to sustain awareness of the September 30 deadline for the withdrawal of the older KSh 1000 banknotes. CBK is glad to report the continuing success of these efforts, and the overwhelmingly positive reception by Kenyans.

CENTRAL BANK OF KENYA

September 27, 2019

Annex 16: Investigations of Banks Related to National Youth Services Transactions

PRESS RELEASE

INVESTIGATIONS OF BANKS RELATED TO NATIONAL YOUTH SERVICE TRANSACTIONS

The Central Bank of Kenya (CBK) announces the completion of its review of the responses by commercial banks that it requested on September 21, 2018, in the context of the first phase of investigations of banks that were used by persons suspected of transacting illegally with the National Youth Service (NYS). The responses relate to the CBK's assessment of the associated penalties and Action Plans to address the identified lapses.

CBK welcomes the submitted Action Plans which will strengthen the banks' anti-money laundering and countering of financing of terrorism (AML/CFT) frameworks. CBK will monitor the implementation of the Action Plans and notes the strong commitment expressed by the banks to be fully compliant with all aspects of the law.

CBK has reviewed each bank's response to the penalty assessment and has concluded that the submissions were not sufficient to alter the findings of the investigations and the penalties assessed. Consequently, CBK has levied the penalties as assessed.

As was earlier announced, 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. At that time, CBK 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.

The actions taken by CBK are aimed at safeguarding stakeholders' interests and maintaining a healthy financial sector.

CENTRAL BANK OF KENYA

November 16, 2018

Annex 17: Vol.CXXI-No_.69_ Special Gazette Notice May 31 2019

SPECIAL ISSUE

THE KENYA GAZETTE

Published by Authority of the Republic of Kenya

(Registered as a Newspaper at the G.P.O.)

Vol. CXXI—No. 69 **NAIROBI, 31st May, 2019** **Price Sh. 60**

GAZETTE NOTICE NO. 4849

THE CONSTITUTION OF KENYA

THE CENTRAL BANK OF KENYA ACT

(*Cap.* 491)

WITHDRAWAL OF CURRENCY NOTES

IN EXERCISE of the powers conferred by Article 231 (2) of the Constitution of Kenya and section 22 (3) of the Central Bank of Kenya Act, the Central Bank of Kenya gives notice as follows—

1. all the currency notes of the denominations set out in the First Schedule hereto, issued by the Central Bank of Kenya *vide* Legal Notice No. 17 of the 18th January, 1995, Legal Notice No. 88 of the 17th June, 1998, and Legal Notice No.13 of the 1st March, 2004, shall be withdrawn;
2. all such currency notes shall cease to be legal tender with effect from the 1st October, 2019;
3. all such currency notes may, with effect from the 3rd June, 2019, be exchanged at their face value at the places specified in the Second Schedule hereto, during normal working hours and in accordance with the steps set out in the Third Schedule hereto; and
4. all such currency notes shall, with effect from the 1st October, 2019, no longer be exchanged.

FIRST SCHEDULE

Currency denomination	*Currency type*
1,000 shillings	Currency note

SECOND SCHEDULE

1. Central Bank of Kenya, Head Office, Haile Selassie Avenue, Nairobi.
2. Central Bank of Kenya, Mombasa Branch, Nkrumah Road, Mombasa.
3. Central Bank of Kenya, Kisumu Branch, Jomo Kenyatta Highway, Kisumu.
4. Central Bank of Kenya, Eldoret Branch, Uganda Road, Eldoret.
5. Central Bank of Kenya, Meru Currency Centre, Njuri Ncheke Street, Meru.
6. Central Bank of Kenya, Nakuru Currency Centre, George Morara Street, Nakuru.
7. Central Bank of Kenya, Nyeri Currency Centre, Kenyatta Street, Nyeri.
8. Any branch in Kenya of a bank licensed under the Banking Act.

THIRD SCHEDULE

1. All currency notes upto an amount not exceeding one million shillings shall be exchanged at their face value at any of the places specified in the Second Schedule during normal working hours.
2. All currency notes for an amount exceeding one million shillings but not exceeding five million shillings, may be exchanged at their face value, at the respective commercial banks during normal working hours.
3. All currency notes for an amount exceeding five million shillings may be exchanged at their face value, at the respective commercial banks during normal working hours and after obtaining endorsement of the Central Bank of Kenya.
4. Any person without a bank account who shall be in possession of currency notes of an amount exceeding one million shillings shall require the endorsement of the Central Bank of Kenya before exchanging the currency notes.
5. In the exchange of the notes, normal banking procedures and requirements shall apply.

Dated the 31st May, 2019.

PATRICK NJOROGE,
Governor of the Central Bank of Kenya.

PRINTED AND PUBLISHED BY THE GOVERNMENT PRINTER, NAIROBI

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Annex 18: Conclusion of Demonetisation Excercise

PRESS RELEASE

CONCLUSION OF DEMONETISATION EXERCISE

The Central Bank of Kenya (CBK) is pleased to announce the successful completion of the withdrawal (demonetisation) of the older series KSh.1,000 notes. The exercise, announced on June 1, 2019, was aimed at addressing the grave concern of illicit financial flows, and the emerging risk of counterfeits.

From a total of 217,047,000 pieces of the KSh 1,000 notes on June 1, CBK had received 209,661,000 pieces at the end of the demonetisation period on September 30. Thus, 7,386,000 pieces of the older KSh.1,000 notes, worth KSh.7.386 billion, were rendered worthless at the end of demonetisation. A significant proportion of this amount would represent cash that was held by individuals who were unable or unwilling to subject themselves to the robust checks in place.

The demonetisation exercise had little impact on the economy—inflation, exchange rate, etc. There was little evidence of a rush to purchase high-value assets in cash. The demonetisation process was underpinned by:

1. **A robust anti-money laundering and combating the financing of terrorism (AML/CFT) framework**. Financial institutions employed AML/CFT checks to all transactions, and CBK closely monitored compliance. During the period, 3,172 suspicious transactions were flagged and are being investigated. CBK also carried out 15 targeted on-site inspections.
2. **A sustained, intensive and targeted public awareness campaign**. The intention was for Kenyans to familiarise themselves with the features of the banknotes, and to sustain awareness of the September 30 deadline for the withdrawal of the older KSh.1000 banknotes. To ensure that the public was aware of the currency, as well as the deadline, CBK ran more than 15,000 advertisements on radio, television and print media, as well as intense, two-way engagement on social media. CBK teams, including Governor Dr. Patrick Njoroge, engaged with wananchi in every part of the country, and material was distributed to all public schools and through the Government Administration in every county.
3. **Close monitoring, which allowed for quick response as and when required**. CBK sought to ensure that any concerns on the demonetisation process were addressed in a timely manner.

During the period, Kenyans largely exchanged their banknotes in smaller amounts. In value terms,

- 62 percent of transactions were under KSh.500,000
- 79 percent of transactions were under KSh.1,000,000
- 92 percent of transactions were under KSh.2,000,000

In terms of number of transactions,

- 96 percent of transactions were under KSh.500,000
- 99 percent of transactions were under KSh.1,000,000

Looking forward, investigations will continue based on information from this process and the robust AML/CFT checks will remain entrenched in the financial institutions.

CENTRAL BANK OF KENYA

October 2, 2019

Central Bank of Kenya

Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi |Tel: (+254) 20 - 286 0000 / 286 1000 / 286 3000

www.centralbank.go.ke | www.facebook.com/CentralBankKenya | @CbkKenya