

Njuguna Ndung'u: Anti-money laundering and combating the financing of terrorism in Kenya

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the Anti-Money Laundering (AML) National Stakeholders Forum, Kenya School of Monetary Studies, Nairobi, 4 October 2012.

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Hon. Oburu Odinga, Assistant Minister for Finance;

Chief Executives of Commercial Banks;

Mr. John Wanyela, Chairman, Anti-Money Laundering Advisory Board;

Eminent Ambassadors;

Our Development Partners;

Distinguished Guests;

Ladies and Gentlemen:

I feel honoured and privileged to be with you at the start of this important interactive forum that brings together financial sector stakeholders to deliberate on the important subject of Anti-Money Laundering and Combating of Financing of Terrorism (AML/CFT) with an aim of creating awareness on AML issues.

Today I have a humble undertaking, namely of inviting our Chief Guest; the Hon. Assistant Minister for Finance to deliver the keynote address and officially open the Forum. But before I invite him to the podium, I wish to make a few remarks to bring delegates to speed on the status of Kenya on AML/CFT issues.

Ladies and Gentlemen; let me begin by extending a very warm welcome to all our participants to the Kenya School of Monetary Studies. The School is working together with the Financial Reporting Centre (FRC) with the support of the Danish Government to create an extensive AML/CFT programme for the next two years to raise awareness as well as train Reporting Entities, Law enforcement Authorities and personnel in the FRC on Anti-Money Laundering initiatives. As such, today's forum marks the start of the Danish funded project which will run over the next 24 months. The project includes activities whose objectives are to raise awareness amongst key stakeholders engaged in the fight against money laundering and terrorism financing.

As you are all well aware, Kenya has made significant strides in protecting the integrity of its financial sector from illicit financial crimes. The Government has not only shown a high level of political commitment in overseeing the stability of the country's financial sector but has also been actively engaged in overseeing the implementation of requisite laws and measures to ensure that our financial systems are adequately protected against the financial crimes of money laundering and the financing of terrorism (AML/CFT).

At the Beirut review meeting last month, we argued that Kenya is caught up in a triple problem of implementing a new constitution and formulating accompanying bills, building and safeguarding strong institutions and moving fast on FATF deficiencies. The fourth dimension is that Kenya had to go to war to fight terrorism; this is beyond financial risks but also national sovereignty.

We need:

- (a) Time to finalize all these interlinked issues.
- (b) Capacity building support.
- (c) To adopt, replicate and build a strong FRC and the best model in the world.

And with these Kenya will succeed.

Whilst the focus of this Forum today will be to raise awareness and sensitize you on upcoming programs on issues surrounding AML/CFT, allow me to briefly touch on a number of initiatives that have been undertaken by the Central Bank to address some of these issues.

Ladies and Gentlemen; The Central Bank of Kenya is mandated to foster the financial integrity of the financial system in the country. The Bank has continually enhanced the regulation and supervision of the financial system in order to improve the sector's integrity. As part of our efforts in ensuring appropriate and effective oversight, the central bank first issued AML Guidelines in 2000. These Guidelines were revised in 2006 and are currently in the process of being reviewed to reflect the prevailing international best practice and to align them with the proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA).

Over the last two years, the Central Bank has issued regular AML/CFT guidelines to financial institutions to further support and enhance the implementation of POCAMLA. The guidance has covered various issues such as the operationalization of the AML Act, Suspicious Transaction Reporting and measures to be adopted by financial institutions to combat the financing of terrorism. The Central Bank has also revised the Forex Bureau Guidelines so as to align these guidelines to POCAMLA. On the Microfinance front, the Microfinance Regulations and the Agency Guidelines require Deposit Taking Microfinance institutions and their agents to implement AML/CFT measures. All these measures are aimed at ensuring the integrity of the financial sector.

As you may be aware, Kenya is now a leading light in financial inclusion. The systems and practices we have put in place to deepen financial inclusion are now considered as acceptable best practices and are being emulated by other jurisdictions. The challenge before us on this front is to maintain the delicate balance between financial inclusion and financial integrity. By putting in place the required measures to address money laundering and terrorism financing in the financial sector while at the same time deepening our financial markets will therefore enable us maintain this critical balance.

Kenya like other developing economies is quite vulnerable to money laundering and terrorism financing due to a number of displacement factors; key amongst them being a high volume of cash based transactions, lack of an adequate legal framework and the existence of alternative remittance avenues. I am glad to note that the Government of Kenya has taken a keen interest on these issues and has, and is continuing to undertake a number of initiatives towards addressing these challenges. The Central Bank, in addition to the initiatives I have just mentioned, is developing Regulations to strengthen the money remittance sector.

Ladies and Gentlemen; It is my sincere hope that this forum will contribute to a better understanding of the AML/CFT issues affecting the Country and will generate ideas that will bring the fight against the organized crimes up to international standards.

It is now my pleasure to invite the Hon. Assistant Minister, Ministry of Finance, Dr. Oburu Odinga, to address you and to officially open this forum.

Thank You All.