

Njuguna Ndung'u: Brief remarks on Kenya's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime

Remarks by Professor Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the Anti-Money Laundering (AML) AMLOCK event, Nairobi, 28 October 2014.

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Mr. Sandeep Khapre, Group CEO of BDO East Africa;

Chief Executive Officers of Commercial Banks and other Financial Institutions;

Distinguished Ladies and Gentlemen:

I am indeed honoured to be with you at this important event convened by BDO and 3i InfoTech. Before I make my remarks allow me to thank the management of BDO for inviting me to this conference as a guest speaker. This event will showcase one of the globally known Anti-Money Laundering solutions "AMLOCK" which is offered by 3i InfoTech. I have also been made aware that AMLOCK has been implemented by more than 80 clients in over 20 countries across the globe that also includes some of the Kenyan banks.

Ladies and Gentlemen; as you may be aware, Kenya's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime since June 2009 had been under review by the International Cooperation Review Group (ICRG). Kenya was initially referred to the ICRG for being a high risk area/jurisdiction and the absence of anti-money laundering and terrorist financing laws. Over time Kenya has addressed the deficiencies that led to the Financial Action Task Force (FATF) review process. Some of the measures that have been undertaken include:

- Enactment and amendments of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), 2009 and its regulations – which among other issues provides for the criminalization of money laundering, establishment of an independent institution responsible for AML/CFT issues – the Financial Reporting Centre (FRC). The FRC's objective among others includes assisting in the identification of proceeds of crime and the combating of money laundering.
- Enactment of the Prevention of Terrorism Act (POTA), 2012 and its regulations – which among other issues provides for the criminalization of terrorism financing and the mechanism for implementing United Nations Security Council Resolutions with regard to terrorism financing.

In May 2014, Kenya underwent an onsite assessment by the Africa/Middle East Regional Review Group to ascertain the extent to which the country had addressed AML/CFT identified deficiencies. The onsite team observed that Kenya had a clear commitment at both the political and technical levels to continue the development of its AML/CFT regime and there was an adequate institutional framework to pursue the reforms going forward.

Ladies and Gentlemen; it is on the basis of the on-site visit report that the FATF concluded that Kenya has established the legal and regulatory framework to address the strategic deficiencies that had been identified. In view of these positive developments, Kenya was subsequently removed from the FATF's monitoring process under its on-going global AML/CFT compliance process. However, Kenya will continue addressing and improving on its AML/CFT regime under the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Ladies and Gentlemen: On its part, the Central 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 1996. These Guidelines were revised in 2000, 2006 and

subsequently overhauled in 2012 to reflect the prevailing international best practice and to align them with the proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA).

Ladies and Gentlemen; in 2013, FRC entered into Memorandum of Understanding (MOU) with the respective domestic financial sector regulators comprising the Central Bank of Kenya, Capital Markets Authority, Insurance Regulatory Authority and the Retirement Benefits Authority. The MOU provides for supervision and enforcement of POCAMLA by the supervisors with respect to institutions under their purview. The MOU also provides for the exchange of information that is necessary to support effective anti-money laundering supervision of financial institutions.

Ladies and Gentlemen; money laundering and terrorism financing have far reaching implications on the credibility and stability of the financial system as well as to national security. I therefore applaud BDO and its partner 3i InfoTech for their pro-activeness in developing AML/CFT solutions. These solutions and others in the market will facilitate financial institutions in meeting their AML/CFT legal and regulatory requirements effectively and efficiently. This will in turn foster the integrity of Kenya's financial sector putting it in good standing globally.

With those few remarks I wish you fruitful deliberations.

Thank you.