



**REPUBLIC OF KENYA**

**THE NATIONAL TREASURY AND ECONOMIC PLANNING**

**PRESS STATEMENT**

**FOR IMMEDIATE RELEASE**

**STEPS TAKEN BY KENYA TO ADDRESS THE ANTI-MONEY LAUNDERING, COUNTERING THE FINANCING OF TERRORISM AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION (AML/CFT/CPF) STRATEGIC DEFICIENCIES AND INTERVENTIONS TO ADDRESS THE ENHANCED MONITORING OF KENYA'S FINANCIAL SYSTEM BY THE FINANCIAL ACTION TASK FORCE (FATF)**

We wish to address the recent development concerning Kenya's status with the Financial Action Task Force (FATF). Kenya has officially been placed on its 'grey list,' indicating enhanced monitoring to ensure compliance with international Anti-Money Laundering, Countering the Financing of Terrorism, and Proliferation of Weapons of Mass Destruction (AML/CFT/CPF) obligations.

This, underscores the imperative for swift and comprehensive action to bolster our compliance efforts. It is important to note that Kenya underwent an assessment conducted by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) in 2022. The evaluation revealed a mixed picture.

The Kenya Kwanza Government came into office after the assessment and immediately embarked on a number of interventions and initiatives to speedily implement the recommended actions. This required both legal and regulatory reforms as well as a number of institutional actions.

Kenya has demonstrated compliance in certain areas while facing challenges in others. One significant achievement worth noting is the enactment of the AML/CFT (Amendment) Act, 2023, which involved a comprehensive overhaul of existing legislation. This legislative reform comprised of 17 amendments aimed at addressing various legal and technical compliance deficiencies identified in the Mutual Evaluation Report (MER). These amendments represent a crucial step towards aligning Kenya's legal framework with international standards.

With the enactment of the AML/CFT (Amendment) Act, 2023, the Government subsequently amended the Proceeds of Crime and Anti-Money Laundering Regulations, 2013 to align it with the AML/CFT Amendment Act. The new Regulations were gazetted on 6th October, 2023.

Similarly, the Government reviewed the Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on the suppression of Terrorism) Regulations, 2022 to align these Regulations with the amended Act and published the Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on the suppression of Terrorism) Regulations, 2023 which were also gazetted on 6th October 2023.

All the regulatory agencies, including the Central Bank of Kenya, Capital Markets Authority, Insurance Regulatory Authority, among others, enhanced their AML/CFT risk-based supervision following the new powers provided by the AML/CFT Amendment Act. They developed new AML/CFT supervision manuals and carried out numerous risk-based AML/CFT inspections to enforce compliance with the Act and their own regulations by reporting entities. Notable, is the issuance for the first time of the AML/CFT Guidelines as well as on-site inspections of the Real Estate Agencies and Casino sectors by the Financing Reporting Centre. These sectors had been identified in the evaluation as high risk. Similarly, FRC issued Guidance Circulars on Beneficial Ownerships, Terrorist Financing Prevention Measures, Cash Transaction Reporting and Risk Based Approach to understanding ML/TF risks.

The other strategic intervention was the designation of lawyers as reporting entities under the Proceeds of Crime and Anti-Money Laundering Act, an issue which has been outstanding as a result of litigation. Successful negotiations with LSK led to an out of court consent whose terms included designating the Law Society of Kenya (LSK) as a Self-Regulatory Body, ring-fencing advocate client privilege and mechanisms for sharing of information between LSK and FRC. Pursuant to the consent, the relevant provisions for amendment were included in the

Amendment Act. This paved way for lawyers to report money laundering suspicion through LSK which takes effect from 15th March 2023.

Moreover, other implementing agencies have undertaken significant efforts to bolster Kenya's AML/CFT/CPF regime. Coordination frameworks, risk assessments, and capacity-building initiatives have been instrumental in improving domestic cooperation and coordination among law enforcement agencies.

Kenya acknowledges the importance of multilateral cooperation in addressing AML/CFT/CPF challenges. We seek the support of our international partners, including the European Union (EU), United Kingdom (UK), and United States (US) for whom we have been discussing Technical Assistance Support, to facilitate support to develop capabilities for capacity diverse actions and instruments in this dynamic environment. Collaboration and technical assistance from these partners will be crucial in our efforts to enhance our AML/CFT/CPF framework strengthens our regulatory institutions and expedite our exit from the grey list.

While there are still strategic deficiencies that require urgent attention, Kenya remains fully committed to implementing the FATF Action Plan comprehensively and expeditiously. We will review the progress made to date and develop a comprehensive strategy to address remaining deficiencies. Adequate resources will be allocated to ensure timely compliance and exit from the grey list.

The National Treasury is actively engaged in this process and anticipates minimal effects on the country's financial stability and the costs of conducting business in Kenya. Nevertheless, we remain vigilant and committed to managing domestic ML/TF/PF risks effectively.

As a country that has witnessed the devastating effects of terrorism and money laundering, Kenya reaffirms its dedication to combating money laundering, terrorism financing, and proliferation risks. The Government will spare no effort in addressing identified deficiencies and working towards a swift exit from the grey list.



**Njuguna Ndung'u, CBS**  
**CABINET SECRETARY**

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