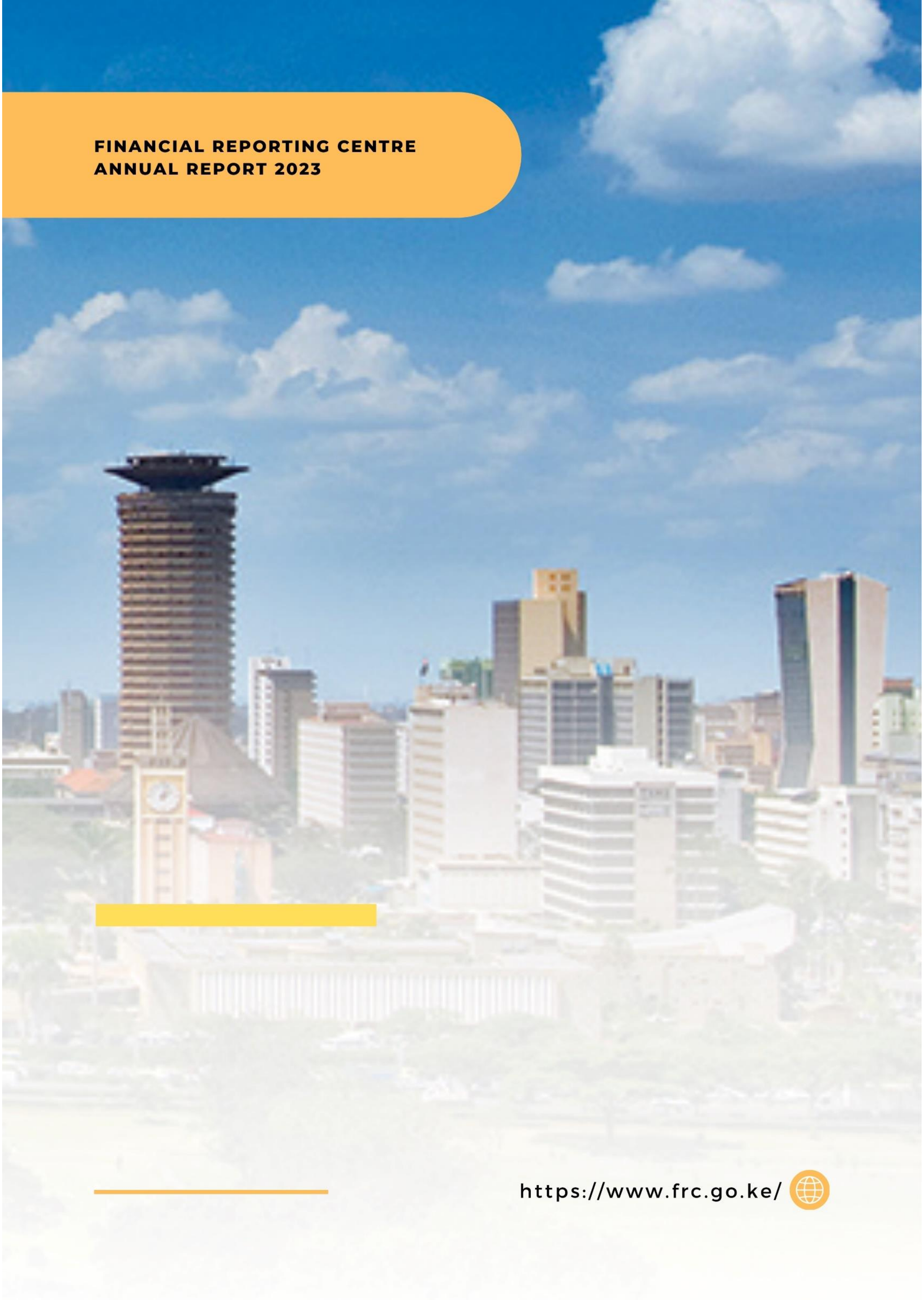
The Financial Reporting Centre

ANNUAL REPORT 2023

Follow the Flows, Combat Illicit Proceeds_

FINANCIAL REPORTING CENTRE
ANNUAL REPORT 2023



https://www.frc.go.ke/

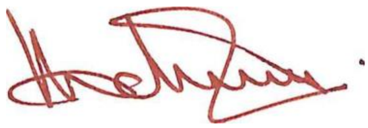
CABINET SECRETARY'S STATEMENT

The year 2023 was a very busy year for the Anti-Money Laundering, Counter Financing of Terrorism, and Counter Proliferation Financing (AML/CFT/CPF) value chain in Kenya. The country embarked on implementing Recommended Actions issued after the Mutual Evaluation and the National Risk assessment exercises. Kenya is particularly vulnerable to all forms of illicit financial flows because of its status as a regional trade hub and the fact that it has a relatively sophisticated financial system and a favorable environment for technological innovations. The stability of Kenya's financial system, therefore, holds a bigger promise for the stability and prosperity of not only the East African region but also the African continent as a whole.

Among key strategic interventions for Recommended Actions were legal reforms, which involved the amendment of 17 pieces of legislations within the AML/CFT/CPF landscape. This culminated into the enactment of the Anti-Money Laundering and the Combating the Financing of terrorism (amendment) Act, 2023 and its regulations, and the review and gazettement of Prevention of Terrorism regulations, 2023. Further, the amended Act resulted in having lawyers, advocates, and notaries become new additions to the list of reporting institutions, an issue that had been in abeyance.

During the year, Kenya reconstituted the National Taskforce on Anti – Money Laundering and Combating the Financing of Terrorism (NTF) to enhance coordination and cooperation. The Financial Reporting Centre (FRC) is now the focal point for coordinating all the domestic and foreign AML/CFT/CPF measures not only through NTF but also through the Counter Financing of Terrorism Inter-Ministerial Committee (CFTIMC) and the Anti-Money Laundering Advisory Board (AMLAB), both of which the Director General of FRC sits in as the Secretary. This arrangement has improved efficiency in AML/CFT/CPF operations, for instance, the parallel financial investigation tool that they developed and incorporated in all standard operating procedures of all law enforcement agencies will further enhance TF investigations and prosecutions.

FRC issued guidelines to Real Estate and Casinos sectors besides Guidance Circulars on Beneficial Ownership, Cash Transaction Reporting, and risk-based approach to understanding ML/TF risks. To track performance of the AML/CFT/CPF operations, Kenya deployed the Case Management System to all Law Enforcement Agencies. With emerging risks in the digital space, Kenya is set to bring on board the operations of Virtual Assets, once policy structures are ready. All these efforts put together will help Kenya meet the terms of the growing compliance requirements within the global framework and particularly address the deficiencies in the AML/CFT/CPF framework submitted in the Post Observation Period Report to the FATF International Cooperation Review Group. Kenya reiterates its commitment in the fight against money laundering, terrorism financing, and proliferation financing and therefore calls upon partners across the globe to hold hands in this fight.



Njuguna Ndung'u, EGH,

Cabinet Secretary, National Treasury and Planning

DIRECTOR GENERAL'S STATEMENT

The Financial Reporting Centre (FRC) is Kenya's Financial Intelligence Unit with the principal objective of assisting in the identification of the proceeds of crime and the combating of money laundering, terrorism financing, and proliferation financing.

During the year 2023, the Centre applied a risk-based approach to protect the stability and integrity of Kenya's financial system and by extension supporting the achievement of national security priorities. The Centre continued to share information with partners, both in domestic and foreign jurisdictions. It upheld effective structures for receiving, analysing, and interpreting information, enabling the formulation of relevant recommendations based on each circumstances to align with best practice and international standards on AML/CFT/CPF.

The Centre led the way in addressing the strategic deficiencies identified in the National Risk Assessment and the Mutual Evaluation exercises. Legal reforms were prioritised by amending laws, in addition to the issuance of guidelines on high-risk jurisdictions, and circulars to different regulated sectors. Furthermore, the Centre registered more reporting institutions peaking at 990 by the end of 2023 up from the 39 it had registered 4 years earlier. This exercise aimed to create an integrated approach in keeping all designated entities under the ambit of FRC's supervision to mitigate the observed vulnerabilities in the Kenyan financial system.

The FRC coordinated various activities to improve Kenya's risk profile in addition to ensuring its compliance with an assortment of international obligations concerning AML/ CFT/ CPF, the implementation of which has a direct impact on the risk rating of the Kenyan financial system against other economies. To this end, the Centre coordinated all AML/CFT/CPF engagements, including domestic law enforcement / investigative agencies to ensure real-time interventions for suspicious transactions across the Kenyan jurisdiction.

On the international scene, Kenya successfully completed the application process to join the Egmont Group of Financial Intelligence Units (FIUs) in addition to holding the presidency of Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). The Egmont Group facilitates collaboration among FIUs at a global stage to establish a secure environment for exchange of expertise and financial intelligence in the fight against ML/TF/PF. This admission would consequently allow Kenya to benefit from other FIUs' experiences and infrastructure at global AML/CFT/CPF level. Additionally, the Presidency of ESAAMLG is a vantage position that would help Kenya address strategic deficiencies noted in its Mutual Evaluation Report.

The Centre designed its curriculum to accommodate the changing operating environment and provide its stakeholders with the latest skills to boost their effectiveness in discharging their mandate. This helped in the rolling out of technical capacity building programmes that covered about 2,000 staff of various stakeholders. In a bid to test compliance, the Centre conducted onsite inspections of DNFBPs and offsite monitoring of several financial institutions, including the review of Annual Compliance Reports from all financial institutions in Kenya.

The rapid development in technologies globally requires every Financial Intelligence Unit to update its systems regularly to match the industry-operating environment. During the year, the Centre upgraded goAML, an interactive and secure system to support the AML/CFT/CPF value chain that enables stakeholders to undertake their obligations in a secure manner without necessarily visiting FRC premises. This system complements the Case Management system, which is a backend system that tracks the movement of cases from the point of dissemination to the point of closure. Moreover, the Centre commissioned a disaster recovery site that would ensure business continuity should there be a security breach on the main ICT infrastructure.

The Centre's strategic plan for 2023/24 – 2027/28 was approved by the Cabinet Secretary National Treasury in 2023. The Plan focuses on legal compliance, information processing and sharing, engagement of stakeholders and building capacity, intelligence research and knowledge development, and institutional capacity.

From the foregoing, I wish to express my profound gratitude to our staff and partners whose contribution to the success of this year's programmes remains invaluable.

Saitoti Ole Maika, MBS

Director General

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ABBREVIATIONS

AML	–	Anti-Money Laundering
AMLAB	–	Anti-Money Laundering Advisory Board
ARAB	–	Asset Recovery Advisory Board
BCP	–	Business Continuity Planning
BO	–	Beneficial Ownership
CBK	–	Central Bank of Kenya
CEO	–	Chief Executive Officer
CFT	–	Countering the Financing of Terrorism
CFTIMC	–	Counter Financing of Terrorism Inter-Ministerial Committee
CPF	–	Countering Proliferation Financing
DNFBPs	–	Designated Non-Financial Businesses and Professions
ESAAMLG	–	Eastern and Southern Africa Anti-Money Laundering Group
FATF	–	Financial Action Task Force
FIU	–	Financial Intelligence Unit
FRC	–	Financial Reporting Centre
ICRG	–	International Cooperation Review Group
ICT	–	Information and Communication Technology
LEA	–	Law enforcement agencies
LSK	–	Law Society of Kenya
ME	–	Mutual Evaluation
MLRO	–	Money Laundering Reporting Officer
MRP	–	Money Remittance Providers
NPO	–	Not for Profit Organizations
NRA	–	National Risk Assessment
NTF	–	National Task Force
PEP	–	Politically Exposed Persons
POCAMLA	–	Proceeds of Crime and Anti-Money Laundering Act, 2009
POPR	–	Post Observation Period Review
POTA	–	Prevention of Terrorism Act, 2012
PSP	–	Payment Service Providers
RI	–	Reporting Institutions
SASRA	–	Sacco Societies Registration Authority
STR	–	Suspicious Transaction Report
TCSPs	–	Trusts and Company Service Providers
UNSCR	–	United Nations Security Council Resolutions

1. OVERVIEW OF THE FINANCIAL REPORTING CENTRE

1.1 Background information

The Financial Reporting Centre is Kenya's Financial Intelligence Unit, established as a government agency under Section 21 of Proceeds of Crime and Money Laundering Act, 2009 (POCAMLA). The Centre started its operations in April 2012 with experts seconded from various government agencies forming its pioneer workforce.

Prior to the enactment of POCAMLA, 2009, the legal framework for money laundering (ML) in Kenya was weak and fragmented. For instance, ML predicate offences were primarily covered under the Narcotic Drugs and Psychotropic Substances (Control) Act, 1994 (the "Narcotics Act") which only dealt with proceeds of drug trafficking. ML was also covered by the Central Bank of Kenya Guidelines on Proceeds of Crime and Money Laundering (Prevention) commonly known as the "CBK Prudential Guidelines" which only applied to institutions licensed under the Banking Act, CAP 488, laws of Kenya.

Kenya's Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation regime is largely contained in POCAMLA and its regulations which provide for a comprehensive legislative and administrative framework for combating the offence of money laundering, terrorism financing and proliferation financing and associated proceeds of crime. For instance, POCAMLA provides the framework for the identification, tracing, freezing, seizure, and confiscation of proceeds of crime.

Additionally, the Prevention of Terrorism Act, 2012 (POTA) and the attendant Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations, 2023 and the Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Prevention, Suppression and Disruption of Proliferation Financing) Regulations, 2023 criminalize the offence of terrorism financing as well as proliferation financing and provide a framework for applying measures for the detection and prevention of terrorist and proliferation activities.

1.2 Objectives of the Financial Reporting Centre

The principal objective of the Centre is to assist in the identification of the proceeds of crime and the combating of money laundering, financing of terrorism, and proliferation financing.

The Centre is a key player in the process of identification, tracing, freezing, seizure, and confiscation of proceeds of crime. In this value chain, the Centre makes information it collects available to other domestic authorities for action, and where necessary, it further shares relevant information with similar bodies in other jurisdictions within the international cooperation framework.

Figure 1: AML/CFT/CPF Value Chain

Vision: A Kenya free from illicit financial flows.

Mission: To promote the integrity of Kenya's financial system by combating money laundering, terrorism financing and proliferation financing.

Core Values

In the endeavour to realize its vision and mission, the Centre upholds the following core values:

Figure 2: FRC Core Values

1.2.1 The functions of the Centre include:

i. Setting anti-money laundering policies and formulation of regulations in consultation with the Board and Cabinet Secretary for the National Treasury;
ii. Receipt, analysis and interpretation of information as prescribed by POCAMLA and POTA;
iii. Compilation and analysis of data (records and statistics) including making recommendations arising out of any information received and issuing guidelines;
iv. Dissemination of financial intelligence reports within and outside Kenya;
v. Creation and maintenance of a database of amongst others, reports of suspicious transactions and related Government information;
vi. Registration of reporting institutions;
vii. Inspection of reporting entities for compliance;
viii. Designing and provision of anti-money laundering related training; and
ix. Enhancing public awareness of AML/CFT/CPF.

1.3 Governance Structure

Anti-Money Laundering Advisory Board (AMLAB)

The Anti-Money Laundering Advisory Board (AMLAB) is established under section 49 of POCAMLA and was officially launched on June 24, 2011. The mandate of the AMLAB is to advise the Cabinet Secretary responsible for Finance on policies and best practice on combating money laundering, and to advise the Director General of the Financial Reporting Centre generally on the performance of his functions and the exercise of his powers under POCAMLA. Board members are appointed for a term of three years renewable once.

Constitution of the Anti-Money Laundering Advisory Board

AMLAB is constituted with a Chairperson appointed by the Cabinet Secretary from the designated board members and membership is as follows:

i. The Principal Secretary in the Ministry for the time being responsible for finance;
ii. The Attorney-General;
iii. The Governor, Central Bank of Kenya;
iv. The Inspector-General of Police;
v. The Chairperson, Kenya Bankers' Association;
vi. The Chief Executive Officer, Institute of Certified Public Accountants of Kenya;

vii. Two other persons appointed by the Cabinet Secretary from the private sector with knowledge and expertise in matters relating to money laundering;

viii. The Director-General of the National Intelligence Service;

ix. The Director, Asset Recovery Agency; and

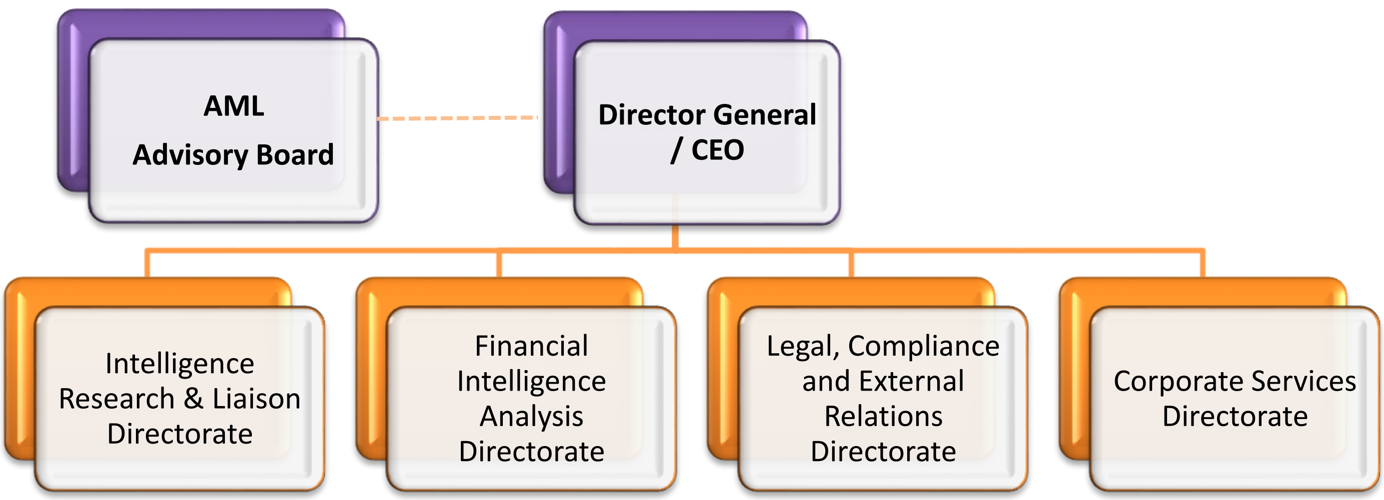
x. The Director-General, FRC who serves as the secretary.

1.4 Organizational Structure of the Centre

The Director-General is the Chief Executive Officer of the Centre and is responsible for its direction and management. The Cabinet Secretary responsible for Finance, upon the recommendation of the Anti-Money Laundering Advisory Board and the approval of the National Assembly, appoints the Director-General.

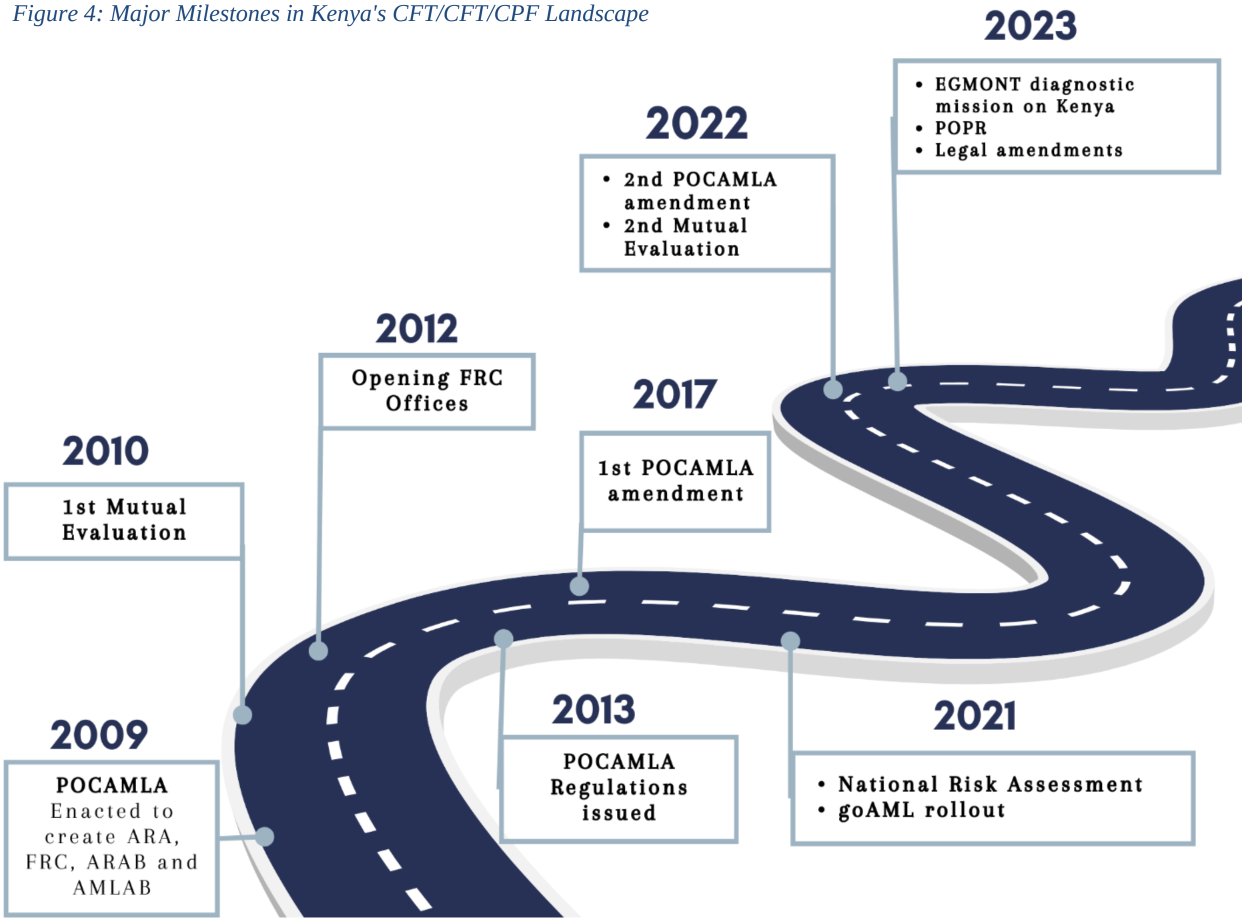
The Centre runs its affairs through four directorates that are staffed with experts in various subject areas. The chart below shows how the Financial Reporting Centre is structured.

Figure 3: FRC Organizational Structure



1.5 Major Milestones of the FRC and Kenya's AML/CFT/CPF landscape

Figure 4: Major Milestones in Kenya's CFT/CFT/CPF Landscape



Kenya has covered many milestones since the enactment of the Proceeds of Crime and Anti-Money Laundering Act in 2009, which paved way for the establishment of the Financial Reporting Centre, the Asset Recovery agency, the Anti-Money Laundering Advisory Board, and the Asset Recovery Advisory Board.

In 2010, the ESAAMLG conducted its first Mutual Evaluation for Kenyan with the report being published in September 2011. This report made recommendations that set the direction of Kenya's AML/CFT/CPF journey.

The recommendations included the requirement to criminalize TF in line with the FATF Recommendations; to adopt preventative measures for combating TF in line with the standards; to make FRC operational; and to prioritize the investigation and prosecution of ML offences.

Kenya was also required to build the technical capacity of stakeholders along AML/CFT value chain and engage with the financial services and the DNFBP sectors for compliance with AML/CFT requirements.

2. LEGAL FRAMEWORK FOR AML/CFT/CPF

2.1 International Legal Framework

The Financial Action Task Force (FATF) is the global body that sets international standards for combating money laundering, terrorism financing, and proliferation financing. Accordingly, FATF has developed 40 Recommendations (Standards) to assist countries fight money laundering and terrorism financing.

In June 2019, the United Nations Security Council adopted the Resolution 2462 (UNSCR 2462) which called upon UN Member States to combat money laundering and criminalize the financing of terrorism and their activities. Specifically, the UNSCR 2462 Resolution stressed the essential role of the Financial Action Task Force (FATF) to set AML/CFT standards and to ensure the effective implementation of these standards in all jurisdictions across the globe. Hence, failure by a country to effectively implement the standards may lead to FATF making an adverse decision through a Public Statement on a country. This may affect the country's relationships at the international level, particularly in terms of its access to the international financial systems.

2.2 Domestic Legal Framework

2.2.1 Proceeds of Crime and Anti-Money Laundering Act, 2009

Kenya's AML/CFT/CPF regime is largely contained in the Proceeds of Crime and Anti Money Laundering Act, 2009 (POCAMLA). The Act is supplemented with the Proceeds of Crime and Anti-Money Laundering Regulations, 2023. POCAMLA and its Regulations provide for a comprehensive legislative and administrative framework for combating the offence of money laundering and associated proceeds of crime. POCAMLA also facilitates the identification, tracing, freezing, seizure, and confiscation of the proceeds of crime and establishes the Anti-Money Laundering Advisory Board, the Financial Reporting Centre, the Asset Recovery Advisory Board (ARAB), and the Asset Recovery Agency (ARA).

Figure 5: Domestic Legal Framework

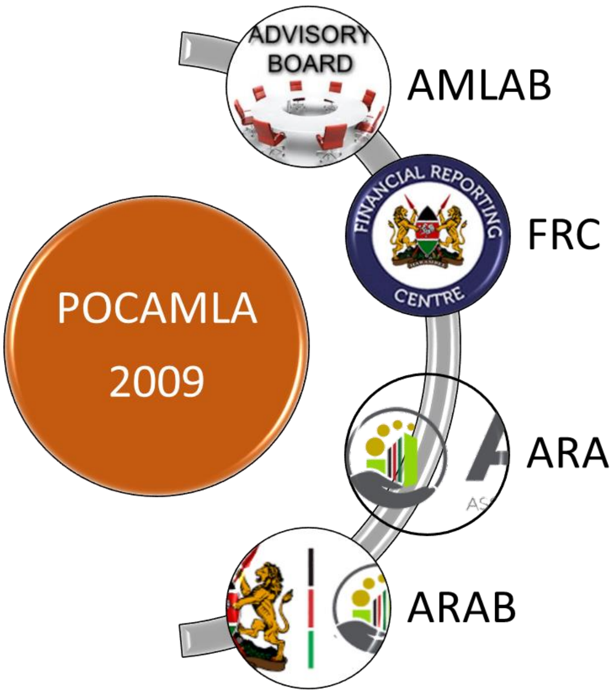


Figure 6: Defining the Offence of Money Laundering

Section 3 Money laundering offence
A person who knows or who ought reasonably to have known that property is or forms part of the proceeds of crime and—
(a) enters into any agreement or engages in any arrangement or transaction with anyone in connection with that property, whether that agreement, arrangement or transaction is legally enforceable or not; or
(b) performs any other act in connection with such property, whether it is performed independently or with any other person, whose effect is to—
(i) conceal or disguise the nature, source, location, disposition or movement of the said property or the ownership thereof or any interest which anyone may have in respect thereof; or
(ii) enable or assist any person who has committed or commits an offence, whether in Kenya or elsewhere to avoid prosecution; or
(iii) remove or diminish any property acquired directly, or indirectly, as a result of the commission of an offence, commits an offence

Section 4: ***Acquisition, possession or use of proceeds of crime***
A person who— (a) acquires; (b) uses; or (c) has possession of, property and who, at the time of acquisition, use or possession of such property, knows or ought reasonably to have known that it is or forms part of the proceeds of a crime committed by him or by another person, commits an offence

Section 7: Financial promotion of an offence
A person who, knowingly transports, transmits, transfers or receives or attempts to transport, transmit, transfer or receive a monetary instrument or anything of value to another person, with intent to commit an offence, that person commits an offence

Section 16. Penalties (1) *A person who contravenes any of the provisions of sections 3, 4 or 7 is on conviction liable—*
(a) in the case of a natural person, to imprisonment for a term not exceeding fourteen years, or a fine not exceeding five million shillings or the amount of the value of the property involved in the offence, whichever is the higher, or to both the fine and imprisonment; and
(b) in the case of a body corporate, to a fine not exceeding twenty-five million shillings, or the amount of the value of the property involved in the offence, whichever is the higher.

2.2.2 Prevention of Terrorism Act, 2012 (POTA)

Kenya's regime to combat terrorism financing is largely contained in the Prevention of Terrorism Act (POTA), 2012. This Act is supported by the Prevention of Terrorism (Implementation of the UN Resolution on Suppression of Terrorism) Regulations, 2013 that were reviewed and re-issued in 2023. In 2023, the offence of proliferation financing was created in POTA and the Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Prevention, Suppression and Disruption of Proliferation Financing) Regulations, 2023 were issued.

2.3 Legal Developments and Subsequent Amendments

Since the enactment of POCAMLA in 2009, the Act has been amended severally to strengthen the AML/CFT/CPF legislative framework in Kenya.

2.3.1 The Proceeds of Crime and Anti-Money Laundering (Amendment) Act, 2017

The first significant change came through the Proceeds of Crime and Anti-Money Laundering (Amendment) Bill 2015, which became operational upon assent on the 3rd March 2017. The amendment strengthened the powers of the FRC to impose civil penalties on non-compliant entities and persons. It also extended the categories that fall under the authority of the FRC as reporting institutions, through expansion of the meaning of 'designated non-financial businesses or professions' to include:

- Casinos (including online casinos);
- Real estate agencies;
- Those dealing in precious metals / precious stones;
- Accountants;
- Non-governmental organizations; and
- Any business or profession that the minister of finance, on the advice of the FRC, deems vulnerable to money laundering.

The amendment enhanced the penalties and provided that a person who fails to comply with POCAMLA provisions will be liable to a monetary penalty not exceeding Kshs. 5,000,000/= while the penalty for a corporate body will not exceed Kshs. 25,000,000/=. In the case of continued failure, the person or reporting institution shall be liable to an additional monetary penalty of Kshs. 10,000/= per day for a maximum of 180 days.

The amendment gave additional powers to the FRC to, among others, seek revocation of licences for financial and real estate institutions that are used as conduits for money laundering activities, issue warnings and directions to reporting institutions and to bar persons from employment with reporting institutions. Further, the amendment empowered the FRC to issue an order to a competent supervisory authority requesting the suspension or revocation of a licence or registration of a specified reporting institution whether entirely or in a specified capacity or of any employee of the reporting institution.

2.3.2 The Proceeds of Crime and Anti-Money Laundering (Amendment) Act, 2022

i. Inclusion of legal professionals in the scope of professionals with reporting obligations under POCAMLA

The first key change made to the Act related to the definition of *"designated non-financial businesses or professions"*. The definition was amended to include advocates, notaries and other independent legal professionals who are sole practitioners, partners, or employees within professional firms.

Following this amendment, legal professionals were obligated to report for AML and CFT under section 48 of the Act. The Section requires them to monitor complex, unusual, suspicious, large, or other transactions and to report any transactions that constitute or may be related to money laundering. The transactions must relate to the legal professionals preparing or carrying out their clients' instructions in the following situations:

- Buying and selling of real estate;
- Managing of client money, securities or other assets;
- Management of bank, savings or securities accounts;
- The organisation of contributions for the creation, operation or management of companies; and
- Creation, operation or management of buying and selling of business entities.

ii. Power of the Financial Reporting Centre (FRC) to freeze suspicious accounts for five working days without a court order as they conduct investigations on the source of money.

Through the inclusion of a new section (section 44A), FRC was empowered to freeze suspicious accounts for five working days without a court order so as to facilitate investigations on the source of the money.

Figure 7: Freezing of Suspicious Accounts

Section 44A. Intervention Centre
(1) Where the Centre, after consulting a reporting institution or a person required to make a report in terms of section 44, has reasonable grounds to suspect that a transaction or a proposed transaction may—
(a) constitute money laundering and related activities; or
(b) involve—
(i) the proceeds of crime or proceeds of unlawful activities or property which is connected to the proceeds of crime or unlawful activities and related activities; or
(ii) the proceeds of, or property which is connected to an offence relating to the financing of terrorism and related activities; or
(iii) property owned or controlled by or on behalf of, or at the direction of a person or entity identified or designated pursuant to the Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations, 2013 and related activities, the Centre may, for purposes of achieving the objectives of the Act, direct the reporting institution or person, in writing, not to proceed with the transaction or proposed transaction or any other transaction in respect of the funds or property affected by that transaction or proposed transaction for a period not exceeding five working days as may be determined by the Centre, in order to allow the Centre to make the necessary inquiries concerning the transaction and, where the Centre considers it appropriate, to inform and advise an investigating authority, regulatory authority or tax agency.

2.4 The Anti-Money Laundering and Terrorism Financing Laws (Amendment) Act, 2023

Kenya underwent a Mutual Evaluation (ME) process in 2021 by virtue of its membership to the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). The evaluation was a peer review assessment aimed at assessing Kenya's compliance with global AML/CFT/CPF standards. In 2023, seventeen (17) pieces of legislations were amended to address various technical compliance deficiencies identified in the ME Report of Kenya. The amendments were passed and the law became operational on the 17th September 2023. With the enactment of the AML/CFT (Amendment) Act, 2023, the Authorities amended the Proceeds of Crime and Anti-Money Laundering Regulations, 2013 to align it with the AML/CFT Amendment Act.

Key Highlights of the Amendment Act, 2023

(i) The Act amended POCAMLA to extend the application of preventative measures and enforcement measures applicable to anti-money laundering under the Act to combating terrorism financing and the financing of proliferation of weapons of mass destruction.

(ii) The amendments enhanced the powers of AML/CFT supervisory authorities to supervise, monitor, conduct AML/CFT oversight, issue guidelines, and impose sanctions on reporting institutions.

Figure 8: Powers of a Supervisory body

36C. *(1) Without prejudice to the provisions of section 36A, a supervisory body shall have powers—*

(a) to supervise, monitor and ensure compliance with anti-money laundering, combating terrorism financing and countering proliferation financing requirements under this Act by reporting institutions regulated or supervised by it;

(b) to conduct anti-money laundering, combating terrorism financing and countering proliferation financing inspections of reporting institutions regulated or supervised by it;

(c) to compel production of any information or document relevant to monitoring compliance with the antimony laundering, combating terrorism financing and countering proliferation financing requirements of reporting institutions regulated or supervised by it;

(d) to issue guidelines, directions or rules for combating antimony laundering, combating terrorism financing and countering proliferation financing purposes to reporting institutions regulated or supervised by it;

(e) through their respective legislation, to impose both monetary and administrative sanctions upon reporting institutions regulated or supervised by it for failure to comply with the anti-money laundering, combating terrorism financing and countering proliferation financing requirements; and

(f) to undertake consolidated supervision for anti-money laundering, combating terrorism financing and countering proliferation financing purposes of a reporting institution and its group.

(iii) FRC was empowered to directly impose sanctions for violations of POCAMLA and clarified the circumstances under which it might request for the revocation of a reporting institution's license. Further, the law enhanced the penalties to be proportionate and dissuasive as per the FATF Standards.

(iv) The amendments enhanced mechanisms for heightened due diligence for both on-boarded and walk-in clients.

(v) On reporting suspicious transactions, the amendments aligned FRC's reporting requirement by requiring prompt reporting upon forming suspicion and further expanded the obligations of reporting institutions to filing suspicious transaction reports on TF.

(vi) On beneficial ownership, the amendment provided for the requirement for companies to keep a register of beneficial owners. Requirements for filing beneficial owners' information were extended and made accessible to competent authorities in a timely manner. It also covers the obligations to identify and verify beneficial owners with the relevant institution.

(vii) POTA was amended to entrench the Counter Financing of Terrorism Inter-Ministerial Committee (CFTIMC) by giving it a legal basis. Previously the CFTIMC was provided for in the regulations. Further, the amendments provided for the offence of financing of travel of individuals for supporting terrorism, proliferation financing and financing of proliferation acts and introduces criminal liability and sanctions to legal persons who commit a terrorism-financing act.

(viii) It reviewed the legal framework for preventive measures applicable to targeted financial sanctions concerning terrorism financing and proliferation financing. Further, it ensures that designations and obligations regarding targeted financial sanctions relating to TF and PF are communicated to FIs, DNFBPs, LEAs and other relevant sectors without delay.

(ix) With regard to mutual legal assistance, it amended the Extradition (Commonwealth Countries) Act and Extradition (Contiguous and Foreign Countries) Act by making money laundering and terrorism financing extraditable offenses and provided for simplified extradition mechanisms.

(x) The amendment designated lawyers as reporting institutions under POCAMLA with the Law Society of Kenya (LSK) as a self-regulatory body. The matter in court challenging the designation of lawyers and its subsequent application was settled through a consent which ring-fenced advocate client privilege paving way for amendments in POCAMLA and the LSK Act.

3. RECEIPT, ANALYSIS AND DISSEMINATION OF INFORMATION

3.1 Financial Intelligence Analysis & Reporting

One of the Centre's core-function is to provide intelligence to law enforcement agencies relating to suspected money laundering, terrorism financing and related financial crimes. The Centre analyses suspicious transaction reports (STRs) and other financial transactions reports from reporting institutions from which the Centre compiles intelligence disseminations to law enforcement agencies for appropriate action. The Centre receives reports in prescribed forms, as shown in the figure below.

Figure 9: Reports Submitted to the Centre by Reporting Institutions

3.1.1 Receipt of Reports

a) Suspicious Transaction Reports (STRs)

The principal objective of the Financial Reporting Centre (FRC) is to assist in the identification of proceeds of crime and the combating of money laundering. To facilitate this process, Section 44 of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) places an obligation on Reporting Institutions to file Suspicious Transaction Reports (STR), and Cash Transaction Reports (CTR) with FRC.

FRC receives and processes STRs from various sources. For instance, the Centre received an average of 5,100 STRs between 2017 and 2022. In 2023, the total number of reports received was 6,631 from reporting institutions and two reports from walk-ins / whistle blowers. This represents a twelve percent (12%) increase as compared to 2022 where the Centre received 6,064 reports. The banking sector has consistently formed the bulk of STRs reporting. Overall, the Centre can attribute the increase in number of STRs to enhanced outreach, changes in legislation, and on boarding of additional entities.

The Centre has taken deliberate initiatives to improve the quality of reports received from reporting institutions. Some of these measures include:

- Sustained engagements with reporting institutions.
- Capacity building of both FRC staff and stakeholders through trainings and workshops.
- Training of newly registered reporting entities.
- Enhanced collaborations with supervisory bodies
- Upgrade of goAML to facilitate seamless exchange of information with reporting entities.

Figure 10: Reports received in 2023 (categorised)

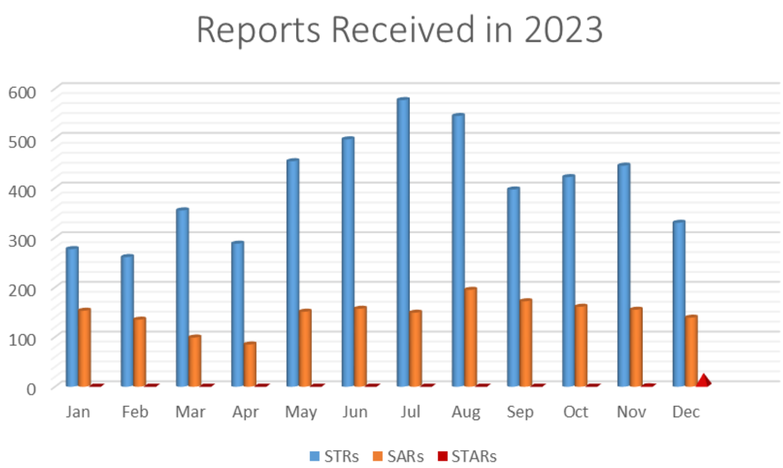
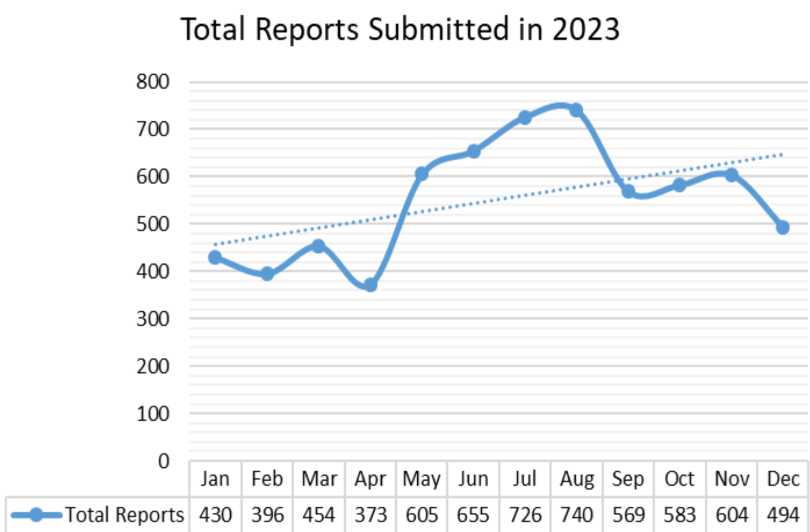


Figure 11: Reports received in 2023 (uncategorised)

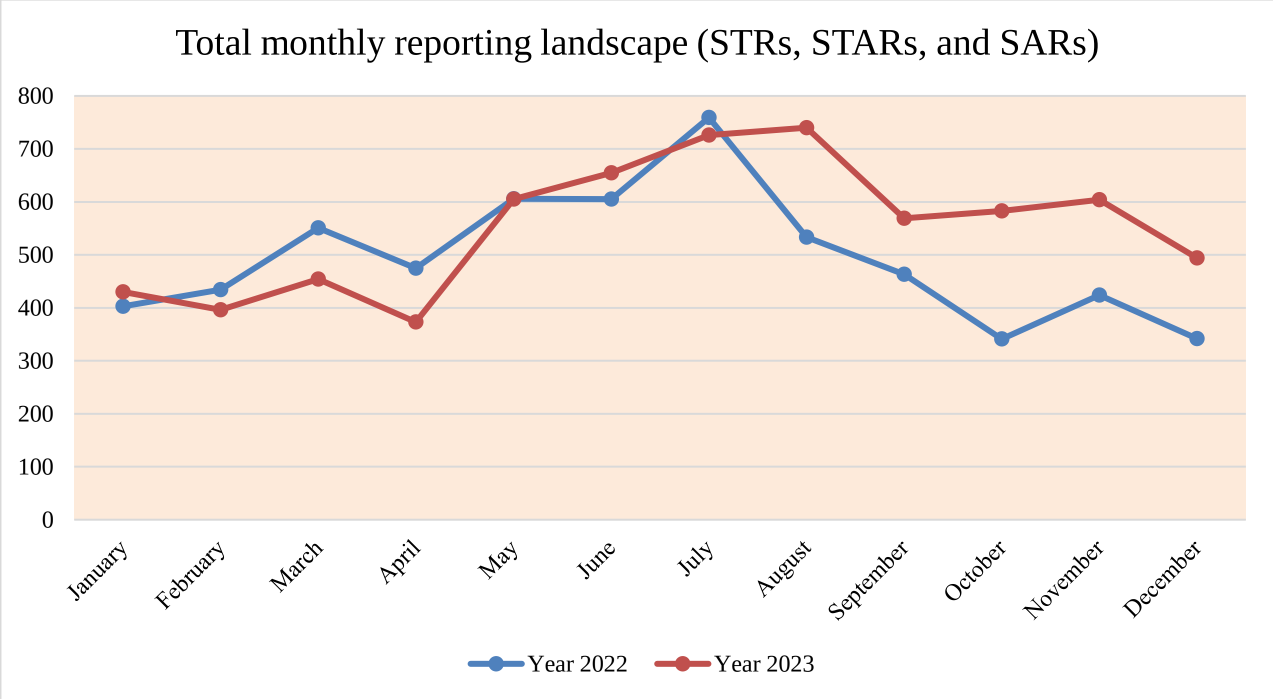


This chart presents STRs received per month in the year 2023. It is noteworthy that filing of STARS commenced towards the end of the year upon the upgrade of the goAML schema in October 2023.

The increase of STRs in the months of June, July and August is attributable to heightened activity among corporations /

government agencies during the closure of the financial year, which is customarily characterised by settlement of outstanding obligations.

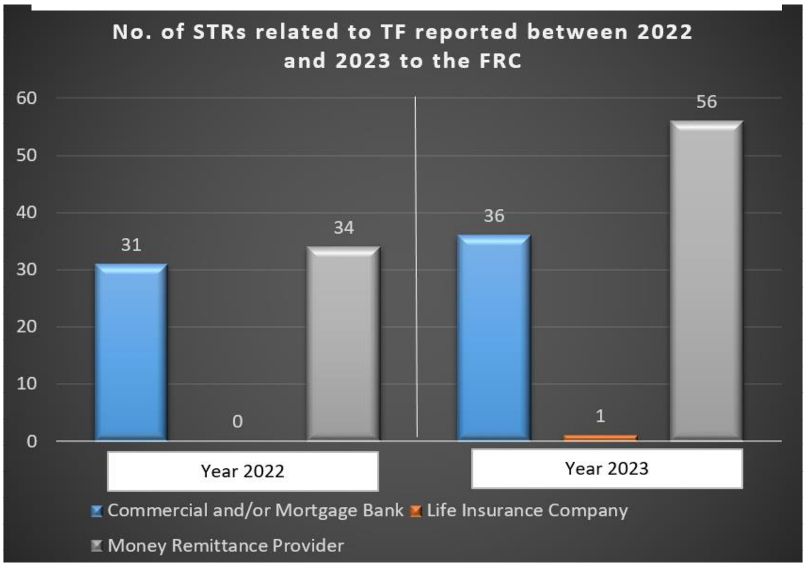
Figure 12: Reporting comparison for 2022 & 2023



The increased number of reports in 2023 is attributed to the training programmes that were rolled out to reporting institutions and the two conferences held in 2023 for Money Laundering Reporting Officers that discussed the findings of mutual evaluation and measures being undertaken to address the situation. In addition, the implementation of risk-based controls by reporting institutions following NRA and ME activities also contributes to the quality and volume of the reports.

Commercial banks and money remitters were the greatest sources of STRs on TF. In 2023, Life Insurance also filed an STR on TF. The increase in 2023 STRs can be attributed to the in-depth TF risk assessment and Mutual Evaluation conducted and the continued engagement with MLROs.

Figure 13:No. of TF related STRs reported between 2022 and 2023



Sectoral reporting

The Centre received 6,631 STRs in 2023, with 5,848 reports filed by Commercial banks and / or mortgage institutions while 783 coming from other sectors. The STRs received from the Commercial banks and / or Mortgage institutions were distributed as shown:

Figure 14: Reports from Commercial Banks in 2023

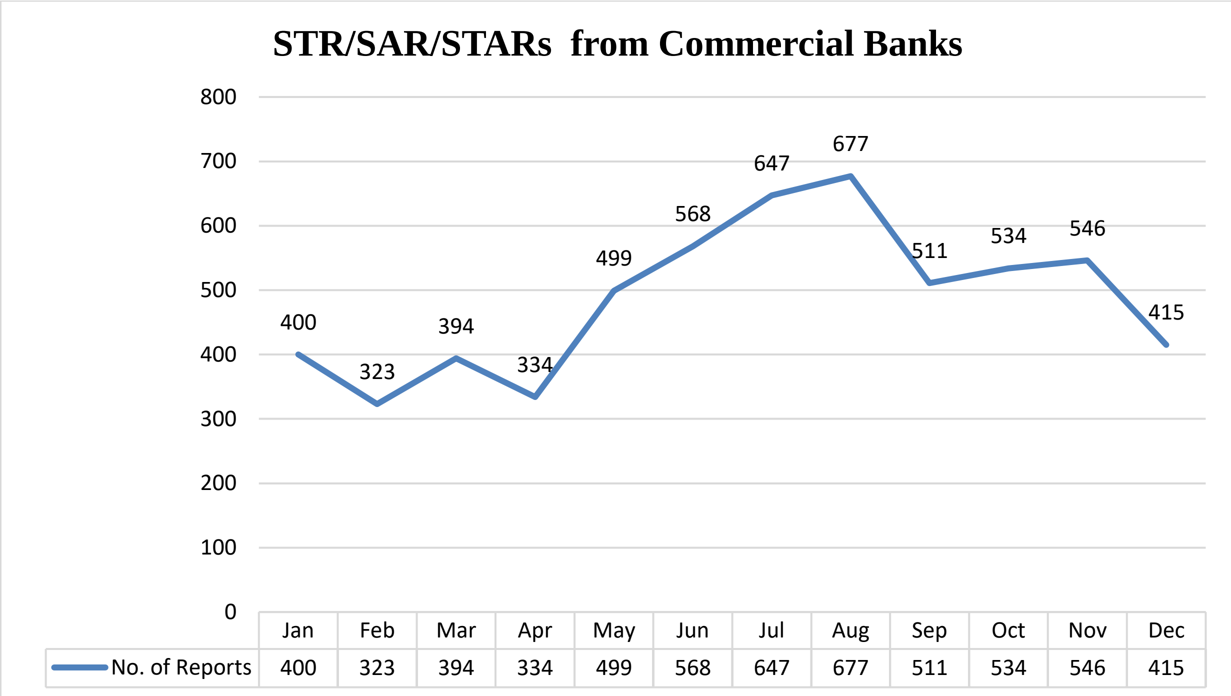
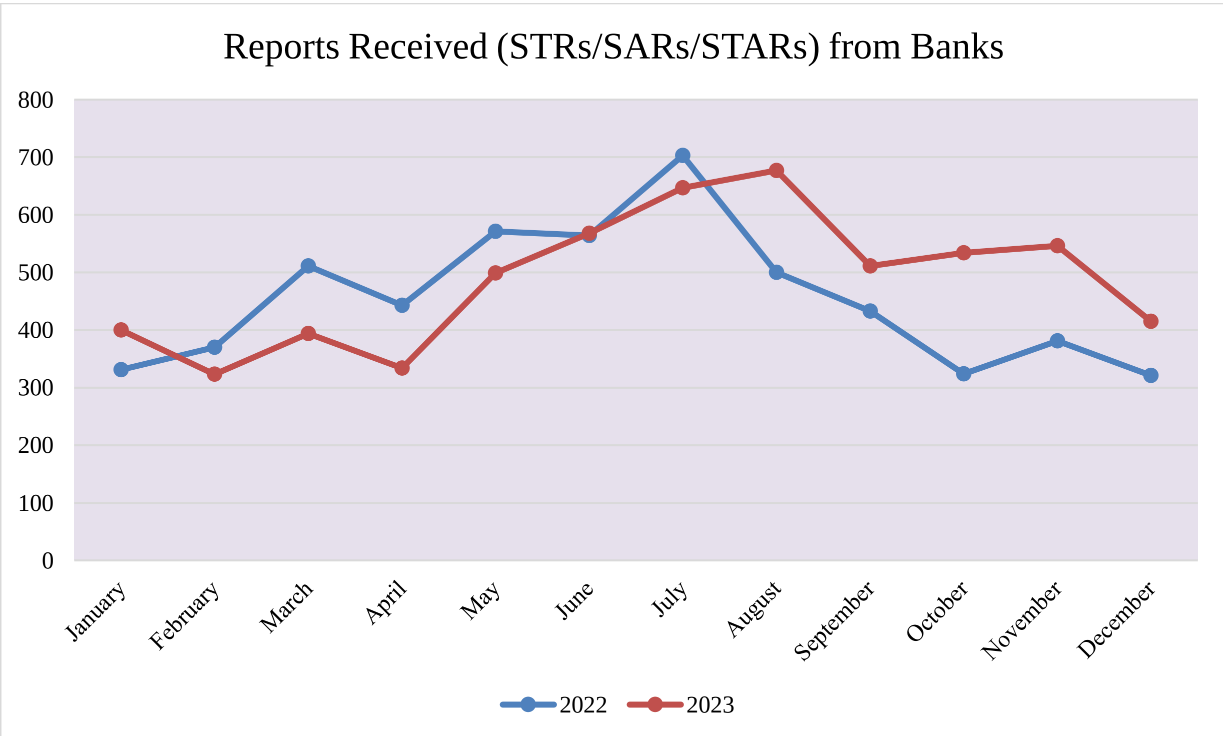
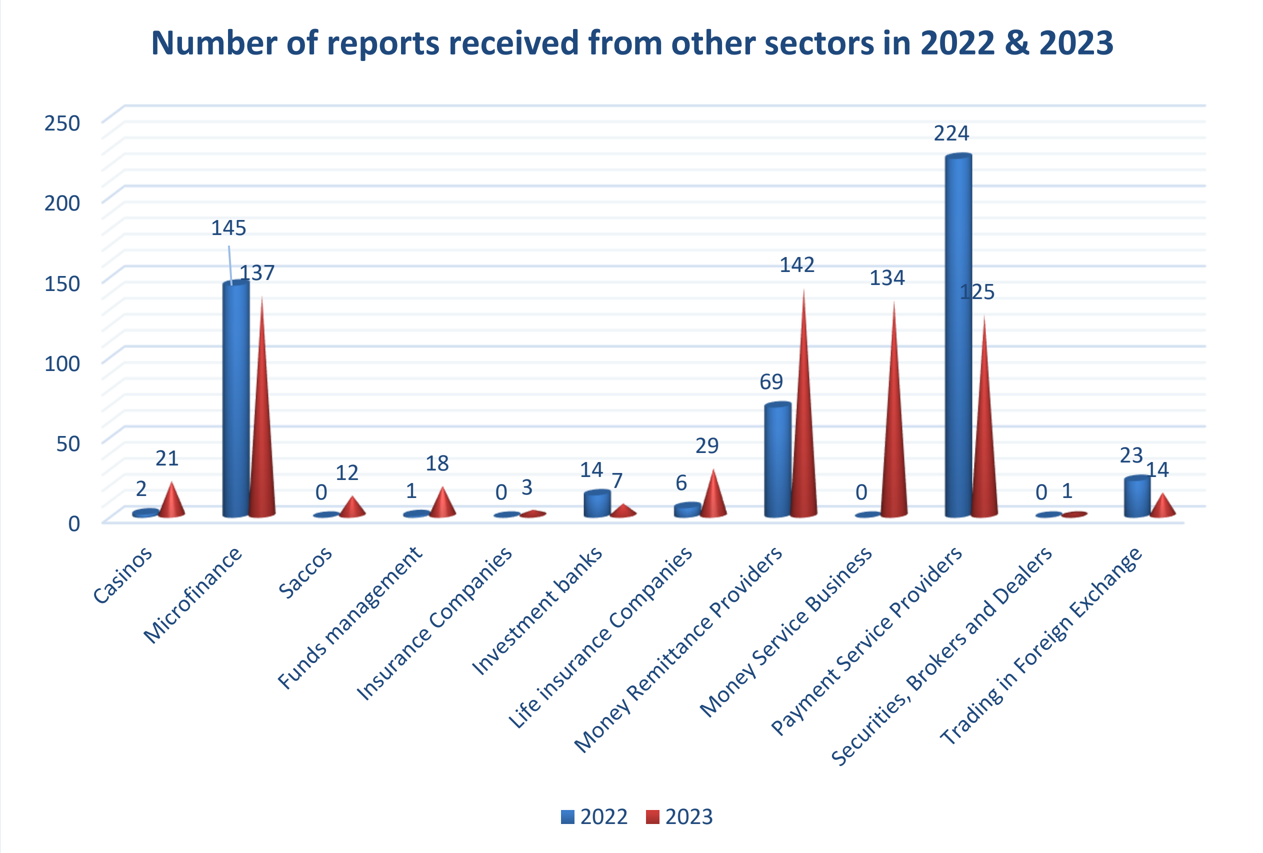


Figure 15: Comparison of reports received in 2022 and 2023



The distribution of reports from non-banking and DNFBP sectors in 2023 is shown in the chart below:

Figure 16: Comparison of reports received from other sectors in 2022 and 2023



b) Cash Transaction Reports (CTR)

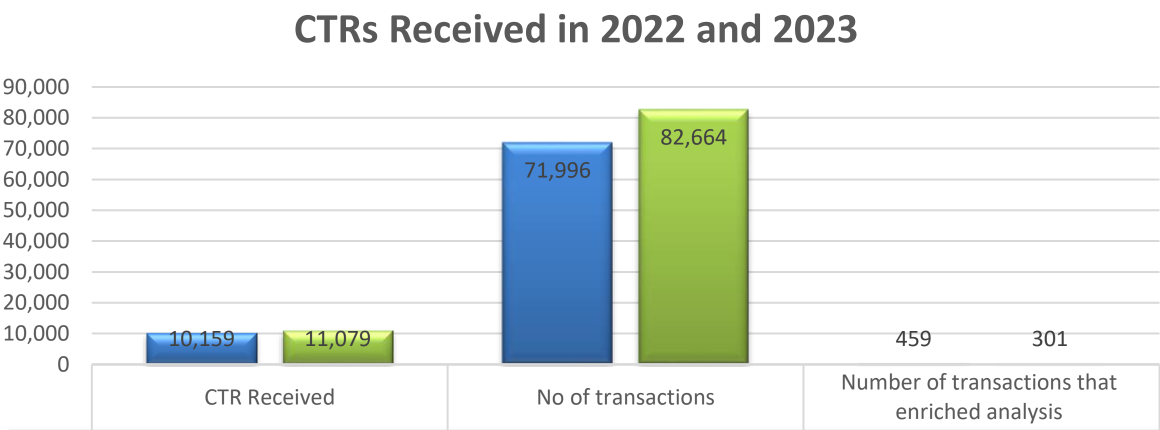
Regulation 34 of the Proceeds of Crime and Anti-Money Laundering Regulations 2023 requires all reporting institutions to file reports with the Centre on all cash transactions equivalent to or exceeding US$ 15,000 or its equivalent in any other currency carried out by it, whether or not the transaction appears to be suspicious. The cash transaction reports are submitted by the end of every week. In 2023, the total number of CTR reports received was 11,079 representing a 9.1% increase in CTRs received as compared to the previous year which had 10,159 as shown in the table below:

Table 1: CTRs received

Period	CTR Received	No of transactions*	Number of transactions that enriched analysis
2022	10,159	71,996	459
2023	11,079	82,664	301
Total	21,238	154,660	760

**One CTR can contain multiple transactions*

Figure 17: CTRs received in 2022 and 2023



	CTR Received	No of transactions	Number of transactions that enriched analysis
2022	10,159	71,996	459
2023	11,079	82,664	301

**One CTR can contain multiple transactions*

c) Cross Border Monetary Instrument Declarations

All travellers crossing Kenya's gazetted border points are required to make declaration of currency or monetary instruments exceeding USD10, 000 or its equivalent in any other currency. This declaration is made to a customs officer or any other authorized officer at the point of entry or exit of Kenyan territory as required under the provisions of Regulation 8 and Schedule (r.10(1)) of the Proceeds of Crime and Anti-Money Laundering Regulations, 2023. This information is used to monitor conveyancing of monetary instruments and detect illicit cross-border flows. In 2023, the total amounts declared in the cross border instruments are as shown below.

Table 2: Cross-border Cash Movement

Currency	Totals In	Totals Out
USD	400,970,874.00	1,016,261,864.32
Euro	34,119,606.00	2,978,317.00
GBP	334,000.00	405,525.00
KES	118,700,440.00	11,025,000.00
DRH	4,300.00	-
TZS	-	165,659,500.00
UGS	-	427,535,000.00

**Where there are no amounts reported implies that travellers conveyed amounts below the declaration threshold.*

The Centre aspires to automate the receipt of Cross Border Monetary Instruments from Kenya Revenue Authority in 2024 by integrating them within the goAML platform thereby increasing efficiency and security of data sharing between FRC and her partners.

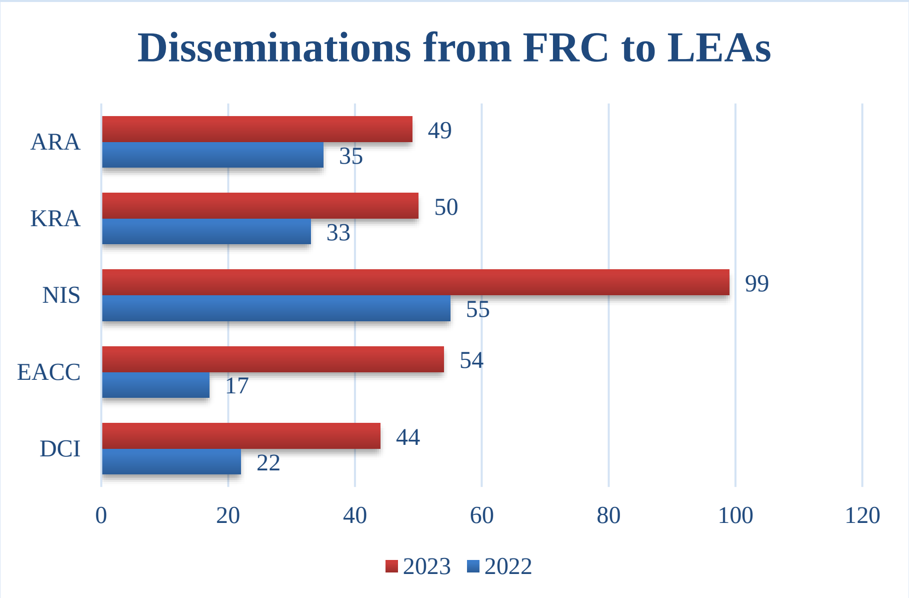
3.2 Disseminations

An integral function of the Centre is to disseminate financial intelligence relating to illicit financial flows to Law Enforcement Agencies to facilitate the administration and enforcement of laws in Kenya. The Centre enriches received reports with information from multiple sources towards production of high quality intelligence disseminations. In 2023, 296 disseminations were made to various Law enforcement agencies representing an 83% increase as compared to the previous year. This is attributed to the Centre increasing the number of analysts during the same year and increased engagements with reporting entities to boost reporting excellence. The disseminations are as shown in the table below:

Table 3: Disseminations from FRC and the status.

Agency	*2022*	*2023*	*Total for the last two years*	*Percentage change*	*Triggered Investigations*	*Status*
DCI	22	44	***66***	*100%*	*49*	*10 before court, 2 closed, 37 under investigations, 17 under review*
EACC	17	54	***71***	*218%*	*67*	*4 under review* *67 under investigation*
NIS	55	99	***154***	*80%*	*60 triggered new collection; 94 provided supplementary information*	*89 shared with LEAs* *65 still under collection*
KRA	33	50	***83***	*52%*	*79*	*79 under investigations* *4 under review*
ARA	35	49	***84***	*40%*	*76 investigations,*	*11 judgements,18 forfeiture applications in court, 28 under preservation and 26 under investigation*
Total	**162**	**296**	***457***	*83%*		

Table 4: Disseminations from FRC to LEAs



Generally, there was an increase in disseminations to all LEAs. Disseminations to the National Intelligence Service were the highest due to their mandate in profiling all offenses.

3.3 Recoveries

LEAs have been able to make recoveries based on disseminations from the Centre as illustrated in the table below.

Table 5: Summary of recoveries by ARA 2022-2023

Nature of Confiscation	Cases	Estimated Value (USD)	Other Assets
Preservation	28	1.51 Million	22 motor vehicles
			5 motor cycles
			4 parcels of land
			2 properties
Forfeitures	18	3.5 Million	12 motor vehicles
			3 properties
			1 land parcel
Judgements	11	21.6 Million	13 motor vehicles

Table 6: Summary of Recoveries by EACC for 2022-2023

S/No.	Action	July 2022-June 2023		July 2023 –to Oct 2023	
		No. of Cases	Estimated Value (USD Million)	No. of Cases	Estimated Value (USD Million)
1.	Illegally Acquire and Unexplained assets cases completed	40	44.2	4	13.1
2.	Applications for Preservation of Assets	23	5.9	5	8.1
3.	Recovery Suits Filed	62	58.2	2	7.4
4.	Recovered Assets	107	25.3	5	8.79

3.4 Money Laundering Typologies

Operational analysis of reports received by the Centre has identified significant money laundering risks and typologies as illustrated below.

3.4.1 Trade Based Money Laundering

Analysis of STRs involving tax crimes revealed instances of trade based money laundering characterized by:

- Invoicing of goods or services at prices above/below the fair market price.
- Quantities supplied not corresponding with payment amounts received.
- Supporting documents not related to the products purported to have been shipped.
- The products purported to have been supplied are not found in Kenya, or not in line with declared field that requires specialized expertise.
- Payment received/ transferred purported to be payment for goods without any evidence of export/import.

3.4.2 Foreigner Accounts

Analysis of STRs pertaining to foreigner accounts showed risks relating to attempts by foreigners to open and operate bank accounts with insufficient KYC documentation, preference for multiple cash deposits, followed by online wire transfers to / from multiple overseas intermediaries as shown in *Figure 18.*

Figure 18: Foreigner accounts typologies

Foreigner Accounts

Profile

- Client lacks necessary documents to be in the country
- Work permit provided does not match the account activity
- Entity is registered in Kenya but with no physical presence
- Client is not a resident or citizen of Kenya
- Company legal structure has been altered several times
- Foreign entity with complex ownership structures

Flow of funds

- Account funded through multiple cash deposits, followed by wire transfers
- Account funded by wire transfers from multiple jurisdictions
- All transactions conducted online
- Funds from / to multiple overseas financial intermediaries

Documentation

- Documents provided are irrelevant to the transaction
- False or counterfeited documentation
- Movement of funds does not match the stated purpose on the document

Controls

Enhanced due diligence measures:

- Verification of identification documents using independent sources
- Written statement from clients confirming expected source of wealth
- Increased frequency in transaction monitoring
- Requirement for Compliance team approval before account opening

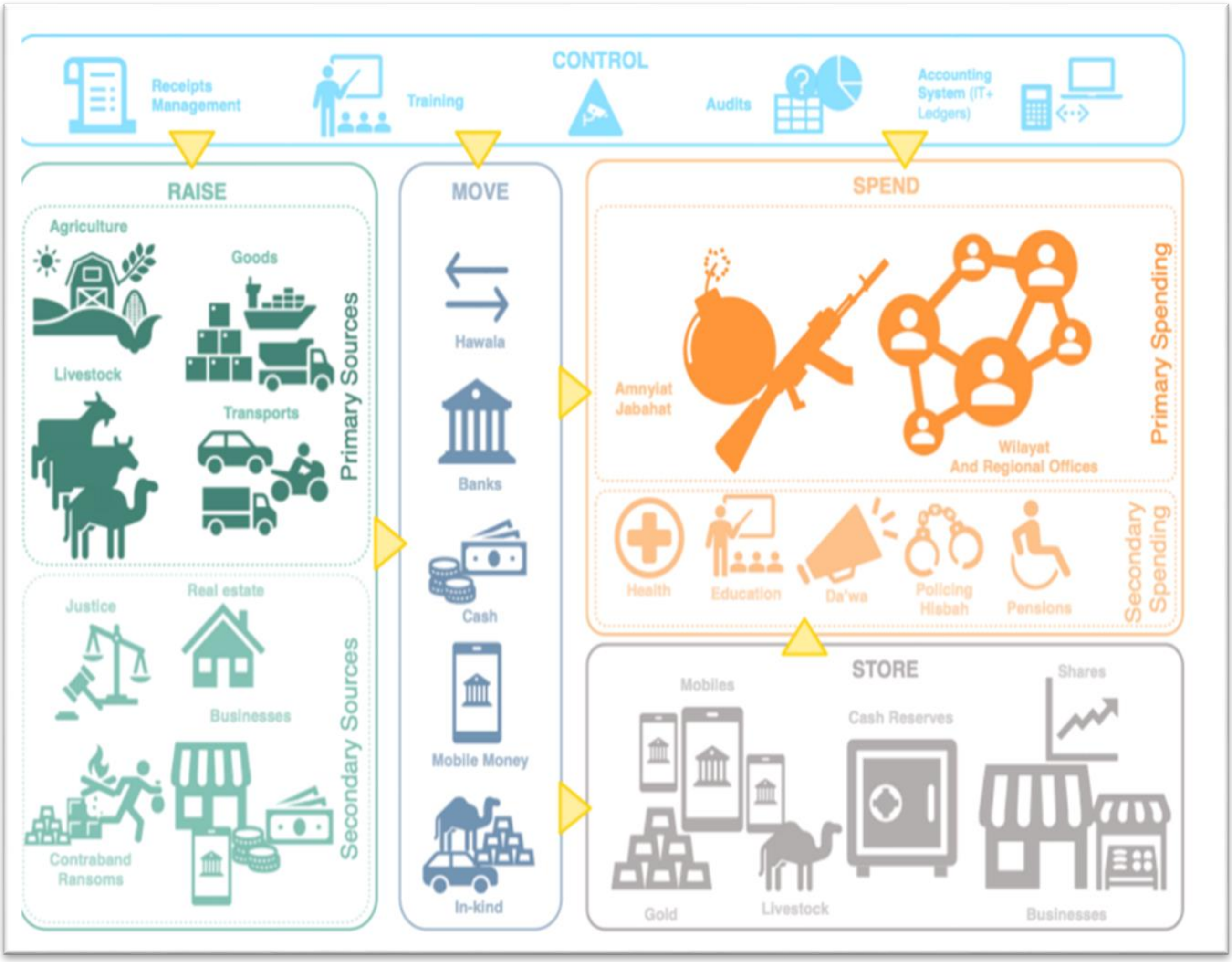
3.4.3 Service Based Money Laundering

Service-based money laundering relies on exploiting the trade in services or other intangibles to disguise and justify the movement of illicit proceeds by use of consultancy arrangements that cover a wide range of non-quantifiable services and are often used to integrate illegal funds into the legitimate financial system. Other trends captured involved software providers, including gaming and business software and financial services, and in virtual asset wealth management.

3.4.4 Terrorism Financing Typologies

Terrorism Financing is characterized by four major phases namely: raising of funds to support terrorism, movement of the funds, storage of the funds and expenditure as illustrated in the chart below.

Figure 19: Terrorism Financing Typologies



Source: United Nations Office of Counter-Terrorism

a) Raising of Terrorist Funds

Terrorism is funded through both legal and illegal channels. Legal channels include Self-funding, legitimate/ front businesses in different jurisdictions, external funding and crowdfunding using social media, individual funders (donations). Their illegal channels include kidnapping for ransom; illegal taxation (livestock); smuggling of contraband goods; extortion of NPOs, among others.

b) Transfer of Funds/Value

Mobilised funds are moved through mobile money platforms, bank products such as wire transfers, money remittance providers, physical smuggling of cash and by use of virtual assets.

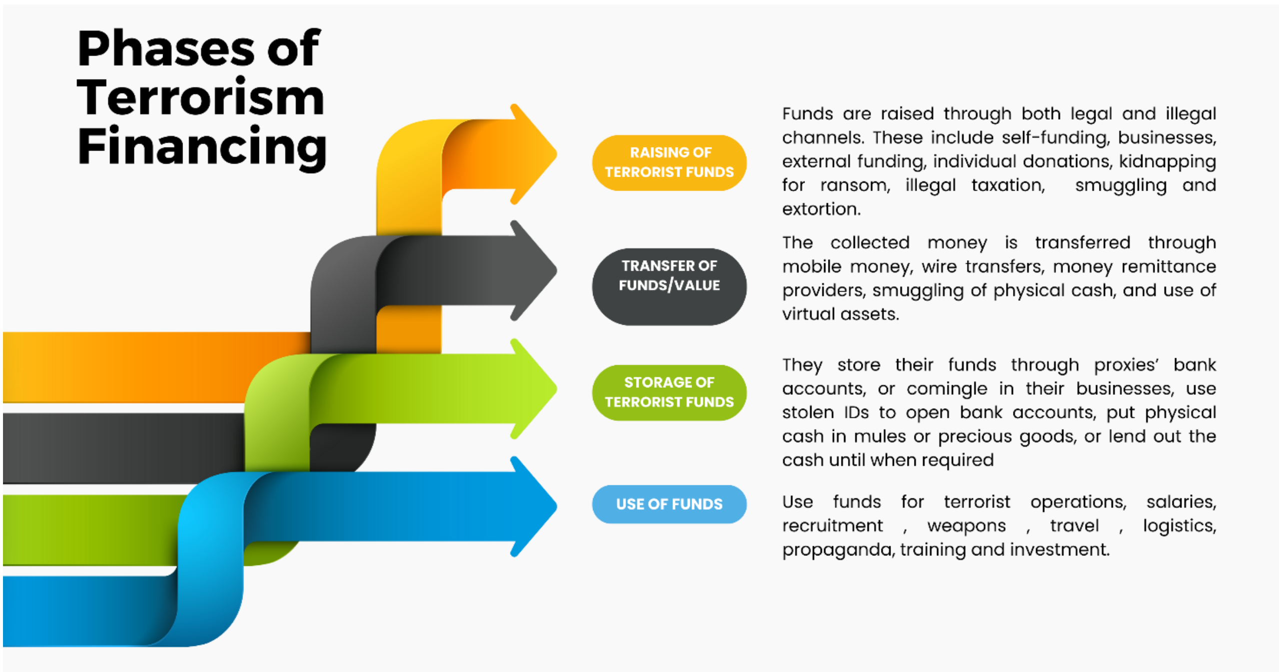
c) Storage of terrorist funds

Terrorist actors will use ML techniques to conceal the origin and ultimate beneficial owner by employing proxies operating covertly to store the funds in their bank accounts or comingle in their businesses. The may also use stolen identification documents to open bank accounts to store the funds or put physical cash in mules, or precious goods for liquidation when funds are required or even lend out the cash until when required

d) Use of funds

Terrorist actors' primary spending is on supporting terrorist operations, paying salaries, recruitment drives, weapons acquisition, travel facilitation, logistical support, upkeep, spreading propaganda. Secondary Spending is directed to training and acquisition of specialized skills and expertise, including the training of doctors, engineers, pilots, and information technology experts or investments in assets.

Figure 20: Phases of Terrorism Financing



Geographic Risk of TF

Kenya's geographic location is a determinant of the terrorism financing risk. The table below shows the countries posing the highest TF risk to Kenya and countries exposed to highest TF risk from Kenya as per the National Terrorism Financing Risk Assessment Report Kenya (2023).

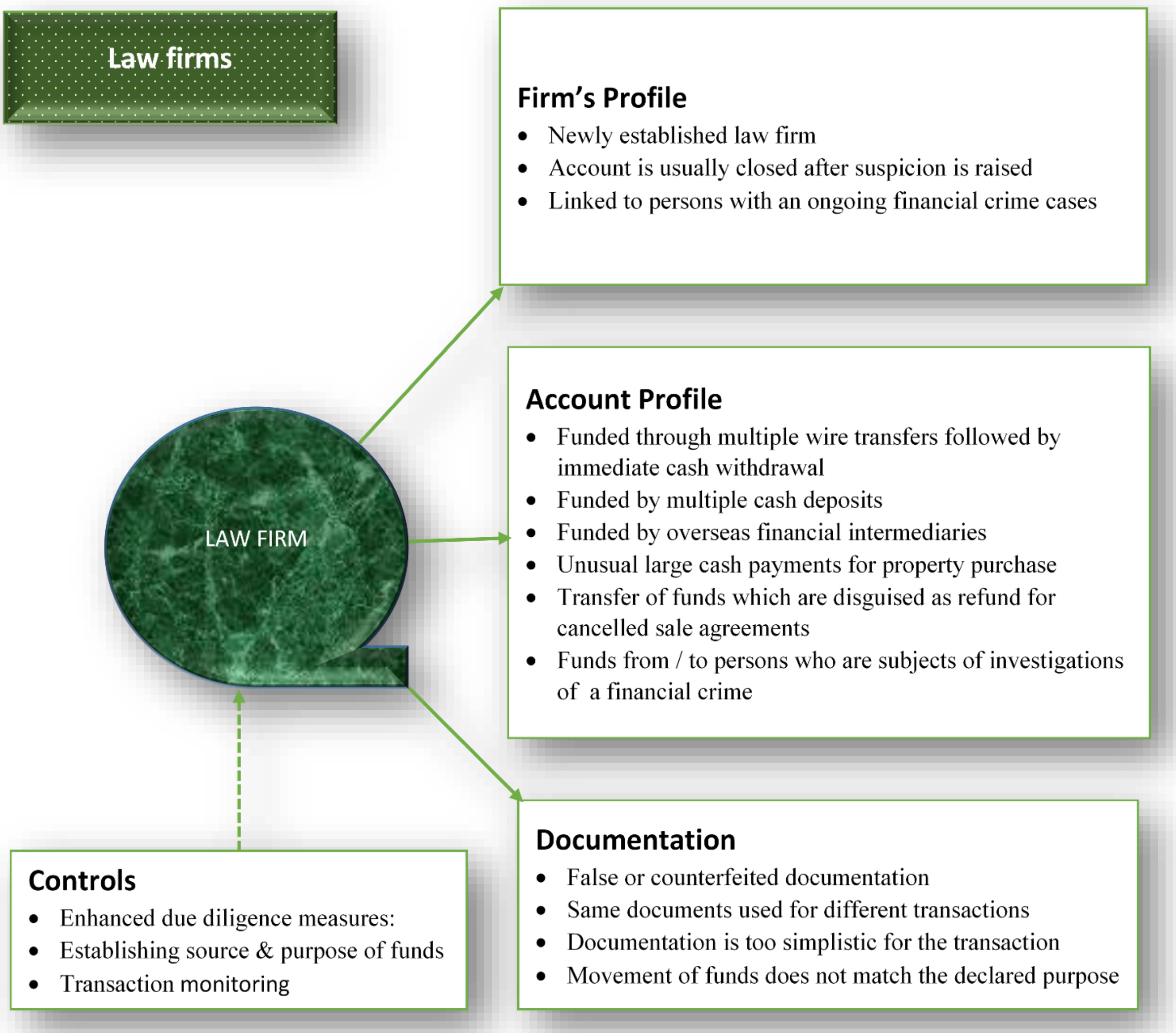
Figure 21: Geographic Risk

Source: National Terrorism Financing Risk Assessment report Kenya (Nov 2023)

3.4.5 Abuse of Legal Profession for Money Laundering

The National Risk Assessment (2021) indicated that the highest number of STRs filed by reporting institutions on DNFBPs were in relation to the legal profession. Analysis of STRs involving law firms revealed instances of abuse to carry out money laundering as illustrated in this figure.

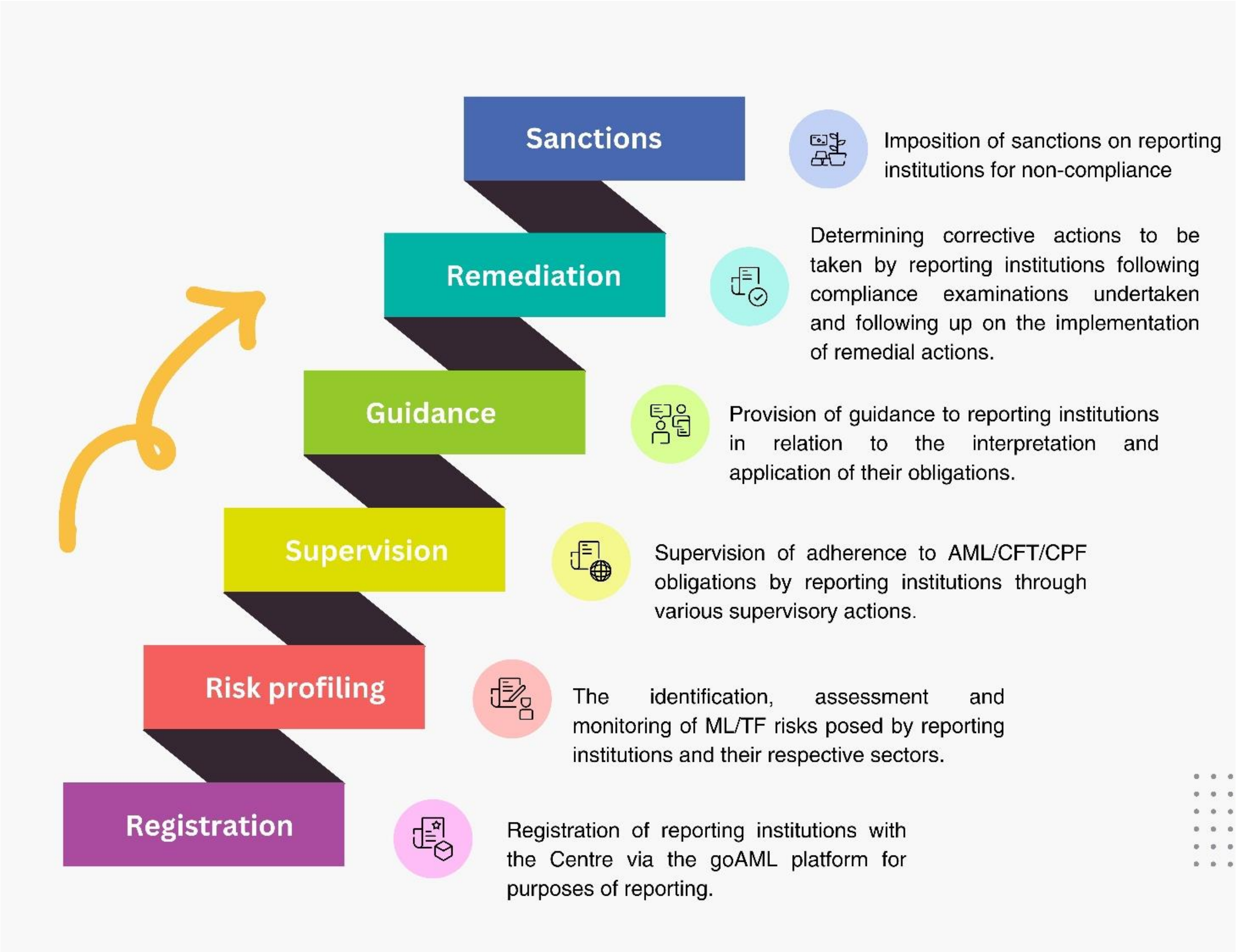
Figure 22: Abuse of legal profession



4. COMPLIANCE

The supervisory function of the Centre runs along a risk-based approach as per Section 36 of POCAMLA. The Centre monitors Reporting Institutions for their compliance to their obligations as espoused in the AML/CFT/CPF laws and guidelines issued by the Centre. Additionally, supervisory bodies in the financial sector supervise their respective licensees for AML/CFT. The Centre remains the designated AML/CFT/CPF supervisor for Designated Nonfinancial Businesses and Professions. The primary Compliance functions of the Centre are registration, risk profiling, supervision, guidance, remediation, and sanctions.

Figure 23: The Compliance Process



During the year, the Centre implemented its annual supervision plan based on road maps for each sector for purposes of DNFBP supervision. These road maps provide for the different supervisory activities including registration of reporting entities with the Centre, development of AML/CFT sectoral guidelines, development of risk assessment / profiling tools, mobilization and sensitization of the reporting institutions, sectoral and institutional risk profiling, off-site monitoring, on-site inspections and enforcement actions.

4.1 Registration

Section 47A of POCAMLA obligates reporting institutions to register with the Centre, while Section 2 of the same Act defines reporting institutions as financial institutions and designated non-financial business professions (DNFBPs). The process of registration with the Centre was automated through the implementation of the goAML platform in 2021. A significant increase in the number of registrations was recorded in 2023, arising from directives by the Centre to hitherto unregistered sectors like real estate, accountants, SACCOs and dealers in precious metals to be registered. By the end of 2023, the number of registered entities in the goAML system stood at 990. Progress made in the registration exercise is demonstrated below:

Table 7: Registration of Reporting Institutions

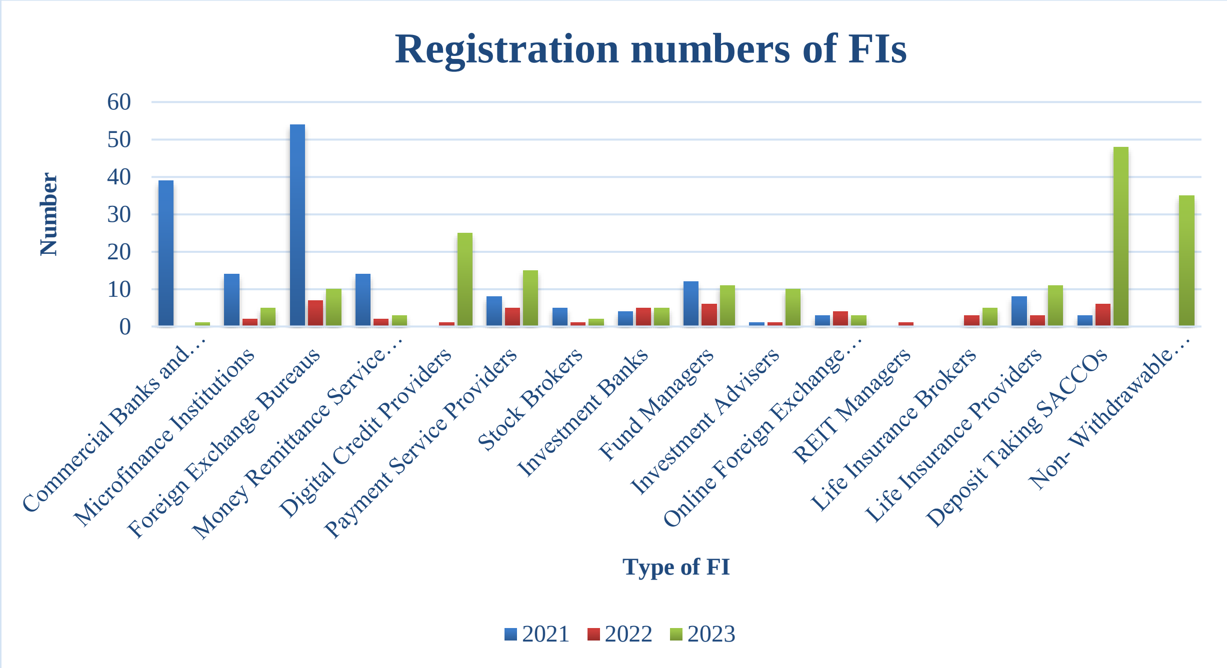
	Institution type	Number registered	No. of reporting institutions in the sector
1.	Casinos	53	**53**
2.	Real Estate Agencies	86	**1504 individuals[1]**
3.	Accountants	329	**1054[2]**
4.	Dealers in Precious Metals and Stones	9	**118**
5.	Trusts and Company Service Providers	10	**1000 individuals[3]**
6.	Commercial and/or Mortgage Banks	39	**39**
7.	Microfinance Banks	14	**14**
8.	Digital Credit Providers	32	**32**
9.	Foreign Exchange Bureau	72	**72**
10.	Fund Managers	40	**40**
11.	Investment Advisers	17	**17**
12.	Investment Banks	16	**16**
13.	Life Insurance Company	22	**23**
14.	Life insurance Broker or Agent	93	**93**
15.	Money Remittance Provider	22	**22**
16.	Online Foreign Exchange Broker	9	**9**
17.	Payment Service Provider	35	**35**
18.	Stock Brokers	9	**10**
19.	Non-deposit taking SACCOs	48	**176**
20.	Deposit Taking SACCOs	35	**181**

[1] These are the total number of real estate agents (individuals) regulated by Estate Agents Registration Board. The total number of agencies registered with FRC is 86; there are several agents within the agencies registered.

[2] These are the total number of accounting firms registered and licensed by Institute of Certified Public Accountants of Kenya (ICPAK) to practise and provide accountancy business (audit, tax, advisory, consultancy, due diligence in relation to mergers & acquisitions, among others) in Kenya. The rest of the individual accountants are non-practising and are employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not-for-profit sector, regulatory bodies or professional bodies.

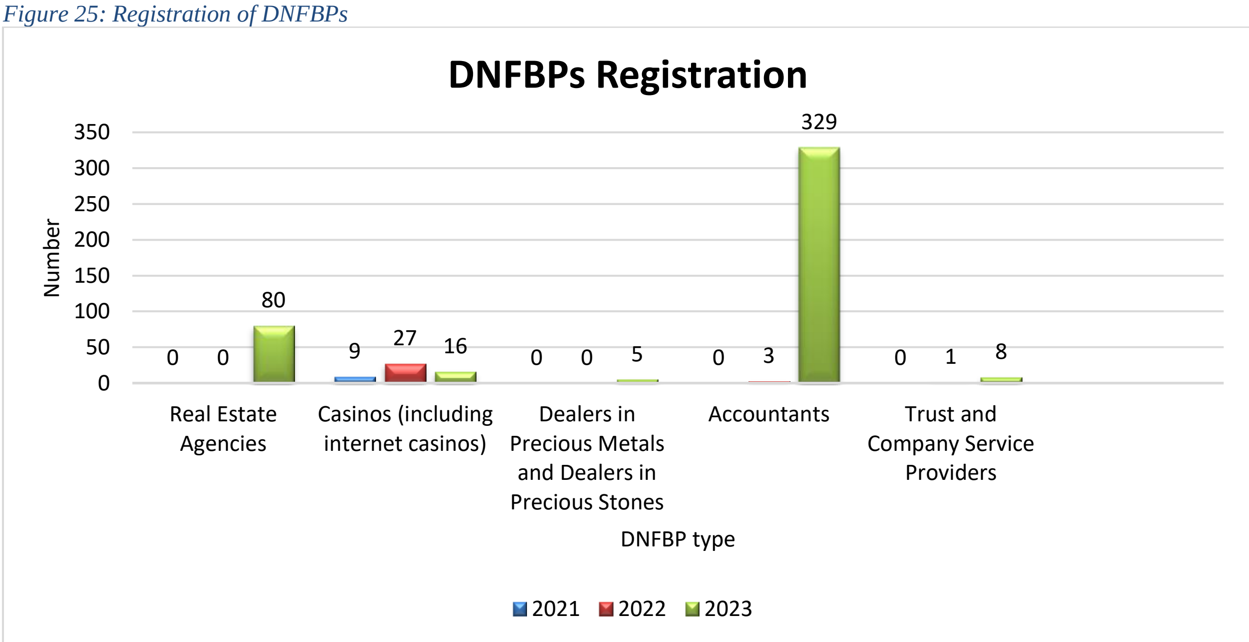
[3] These are the total practising Certified Secretaries (individuals) as per the Regulator, Institute of Certified Secretaries of Kenya (ICSK), who carry on matters of governance, corporate secretarial practice, compliance, management, administration, advisory, consultancy, corporate recovery, and insolvency as a business. The CSs practise as both individuals or partners within a professional firm. The registered firms have several company secretaries practising under the firm.

Figure 24: Registration of Financial Institutions



Financial institutions exhibited significant registration growth. The CBK began licensing digital credit providers in 2022 resulting in the large numbers registered in 2023 by the Centre. Outreach efforts and administrative actions by the Centre also led to more registrations by payment service providers, investment advisors, fund managers, SACCOs and life insurance firms and brokers.

Figure 25: Registration of DNFBPs



The Centre issued directives in 2023 to previously unregistered reporting entities like real estate agents, TCSPs and accountants whose effectiveness resulted in the increase shown in the figures above.

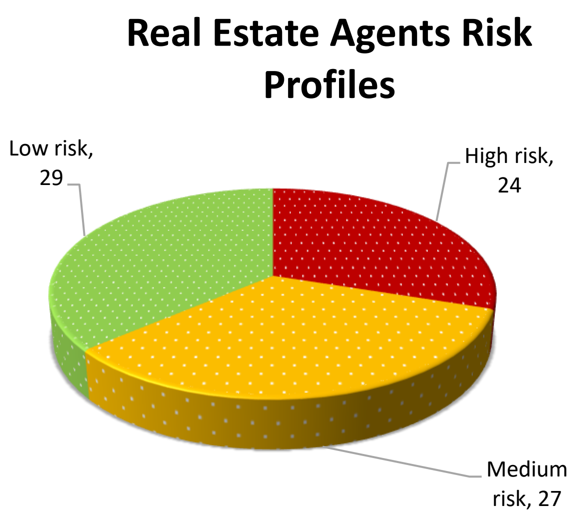
4.2 Risk profiling

In the implementation of risk-based supervision, the Centre carries out risk profiling of different sectors and reporting institutions to understand the distribution and controls of ML/TF risks. The profiling process takes into account structural risk factors and business risk factors that include inherent risks posed by customers, delivery channels, products, and geographical factors. The results of the risk profiling inform the supervisory strategy and activities of the Centre.

In 2023, the Centre conducted institutional ML/TF risk profiling of 80 real estate agencies that had registered with the Centre. 24 real estate agencies were identified as posing high risk, 27 were medium risk while 29 were low risk. The results of the exercise translated into the development of a risk-based inspection plan of the profiled real estate agencies.

The Centre also profiled all casinos that were in operation in the country. 47 casinos were profiled, out of which 24 were identified as posing high ML/TF risk, 17 were rated medium, and seven were rated low. The outcomes of the exercise also informed subsequent risk-based supervisory actions for the sector.

Figure 26: Risk profiles of DNFBPs



4.3 Inspections

In executing its risk-based supervisory framework, the Centre implemented its annual supervision plan and inspection plan through a combination of off-site and on-site inspections informed by the risk-profiles of different DNFBPs, with key regard to scope, intensity, and frequency.

4.3.1 Off-site monitoring

Off-site monitoring is a key compliance tool for the Centre and it involves primarily assessing key documents that provide an overview of an entity's operations, ML/TF risk, and level of compliance with AML/CFT obligations. It helps determine whether the level of compliance is acceptable or whether an on-site inspection is warranted. It is also an important tool to validate and inform the results of both sectoral and institutional risk assessments.

Figure 27: Number of institutions monitored offsite

4.3.2 On-site inspection

The Centre employs on-site inspections to establish the effectiveness of a reporting entity's compliance program and its ability to mitigate ML/TF risks. The frequency, intensity, and scope of the inspections is determined by the ML/TF risk profiling, the off-site monitoring, and the supervisory engagement model set in the Centre's supervisory strategy.

In 2023, the Centre undertook on-site inspections of casinos and real estate agencies, as they had already been risk-profiled. From the 24 casinos rated as high risk, the Centre inspected eight of them on-site while for the real estate sector, 31 agencies were inspected. The focus of the onsite inspections was on all pillars of an effective AML/CFT compliance framework. The parameters considered included the MLRO function, ML/TF risk assessments, internal policies, controls & procedures, customer due diligence including PEP and BO requirements, transaction monitoring, reporting of suspicious activities and transactions, record keeping, trainings and implementation of Targeted Financial Sanctions on terrorism financing (TF) and proliferation financing(PF). In addition to checking the existence of these components, the inspection teams also checked the effectiveness of the entities' AML/CFT frameworks in mitigating the risks.

Table 8: Inspection of Reporting Entities

Types of institution	Sector	No. entities inspected	Type of inspection	Summary of findings
DNFBPs	Casinos	8	Onsite	• Absence of AML/CFT policies • Inadequate AML/CFT training of staff • Lack of customer & products riskassessment • Insufficient customer due diligence • Lack of independent testing of AML/CFT framework • Low level of reporting e.g. STRs
	Real estate agencies	31	Onsite	• Absence of AML/CFT policies • Inadequate AML/CFT training of staffs • Lack of customer & products riskassessment • No Casino has conducted independent testing of AML/CFTframework • Low level of reporting e.g. STRs • Inadequate CDD/KYC screeningprocedures

During the year, the Centre also took part in 14 joint inspections of capital market intermediaries with the Capital Markets Authority (CMA). The intent of the joint exercise was to tap into the inspection expertise of the CMA while providing AML/CFT expertise for effective supervision.

4.4 Guidance

The Centre is responsible for developing guidance targeted at reporting institutions through issuance of sector-specific guidelines, circulars, and publication of ML/TF indicators. Prior to publication, the Centre subjects guidance to consultation with industry representatives to determine the appropriateness to the industry's needs. In 2023, the Centre issued guidelines and circulars on different AML/CFT subject matters as outlined below.

Table 9: Sectoral Guidance initiatives undertaken

Targeted Sector	Document type	Purpose
Casinos	Guideline	AML/CFT Guidelines for Casinos
Real estate agencies	Guideline	AML/CFT Guidelines for real estate agencies
All RI	Circular	Statements on high-risk jurisdictions and Jurisdictions under increased monitoring by FATF
Real estate agencies	Directive	Registration of real estate agencies with the FRC
SACCOs	Directive	Registration of SACCOS registered by SASRA with the FRC
All reporting institutions	Circular	Reporting of cash transactions by reporting institutions
	Circular	Beneficial Ownership Requirements for reporting institutions
	Circular	Key Changes to AML/CFT/CPF Laws
	Circular	Risk Based Approach to Mitigate Money Laundering and Terrorism Financing Risks Posed by Different Sectors
	Circular	Implementation of Terrorism Financing Preventative Measures by Reporting Institutions
	Circular	Implementation of Targeted Financial Sanctions relating to Proliferation Financing
	Circular	Submission of Annual Compliance Reports
	Circular	Amendments to Entries in the ISIL (DA'ESH) and AL-QAEDA Sanctions List

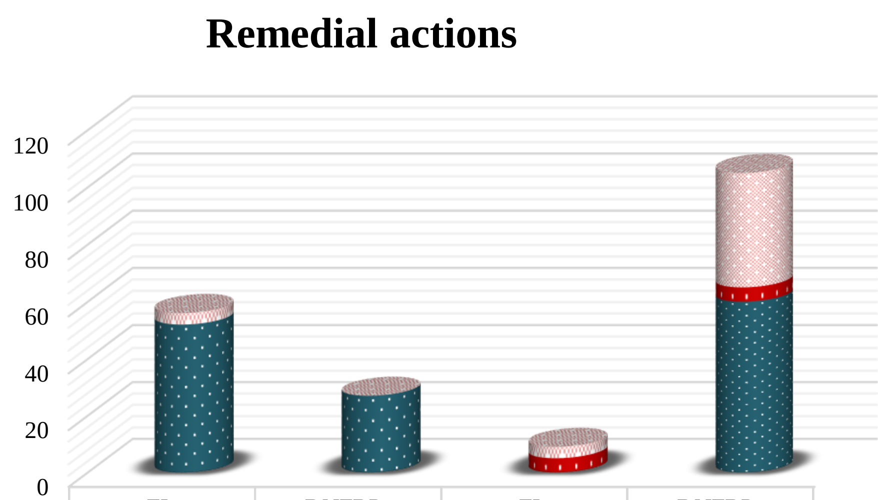
To enhance reporting of suspicious transactions and activities, the Centre updated the Suspicious Transaction Reporting Guidance of 2015 to take into account new typologies in different sectors. The Centre also took part in developing indicators/red flags for the capital markets and insurance sectors and updated the same on the goAML platform. In addition, the Centre also shared TF red flags and indicators with competent authorities, LEAs, and reporting institutions.

4.5 Remedial actions

The Centre determines the most appropriate response to non-compliance and coordinates interventions with reporting institutions. If areas of vulnerability or breaches of compliance are detected, the Centre develops solutions and recommendations to help the reporting institutions meet their obligations. The Centre issues directives, deficiency letters and remedial action implementation schedules, after which the Centre monitors the implementation of the remedial actions.

In 2023, upon completion of the on-site inspections, the Centre issued 39 remedial action implementation schedules to all the entities inspected and are subject to monitoring by the Centre and their respective supervisory bodies. Moreover, the Centre also issued directives and show cause letters against reporting institutions that did not register with the with the intention of having their licenses revoked, and this spurred registration as demonstrated in the registration statistics.

Figure 28: Remedial actions undertaken

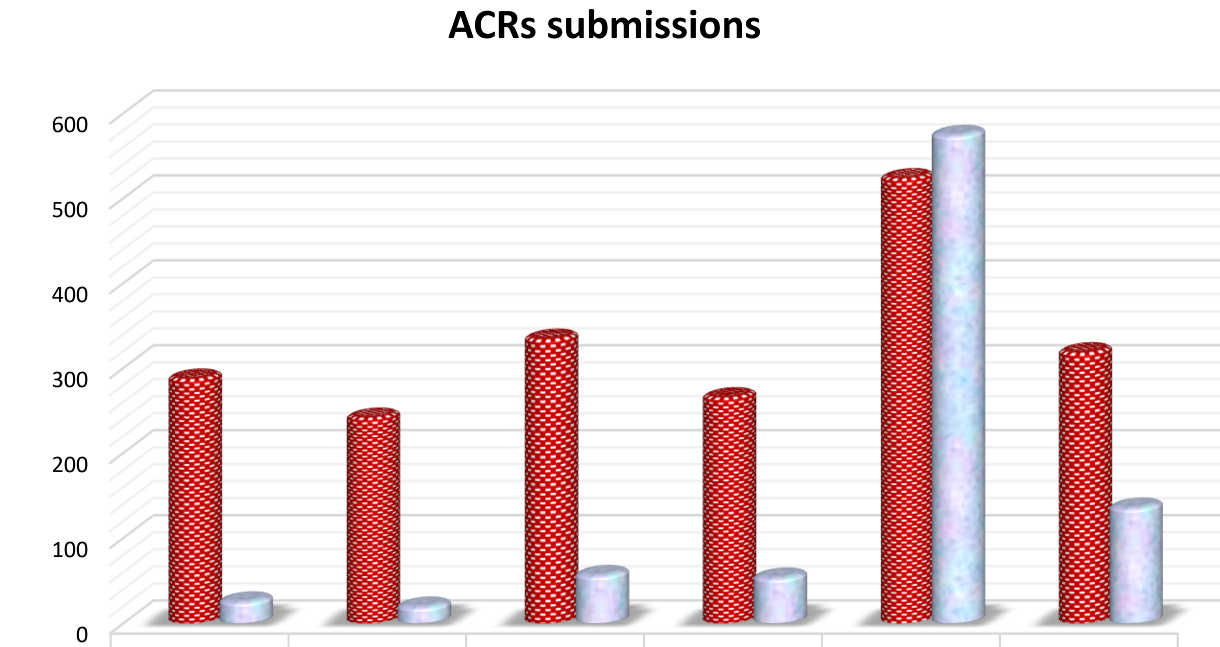


	2022 FIs	2022 DNFBPs	2023 FIs	2023 DNFBPs
Corrective actions	4	0	4	40
Directives	0	0	5	5
Show cause letters	52	27	0	60

4.6 Reporting institutions' compliance

In addition to inspections, the Centre utilizes the Annual Compliance Report (ACR) to understand compliance trends across reporting entities. The ACR consists of a questionnaire exploring the entity's compliance with AML/CTF obligations. Reporting institutions are required by law to lodge the ACRs to the Centre by 31st January each year. Previously, only 20% of reporting entities filed their ACRs and this necessitated the Centre to issue notices and warning letters to reporting entities to show-cause why legal action should not be taken against them for failing to submit ACRs. The measures taken were effective in that, in 2023, ACRs submission registered a 90% compliance level. The Centre reviewed all ACRs with the findings informing supervisory actions.

Figure 29: Annual Compliance Reports submission data



	2021 Registered entities	2021 ACRs submitted	2022 Registered entities	2022 ACRs submitted	2023 Registered entities	2023 ACRs submitted
FIs	287	241	334	265	523	318
DNFBPs	25	19	56	53	574	135

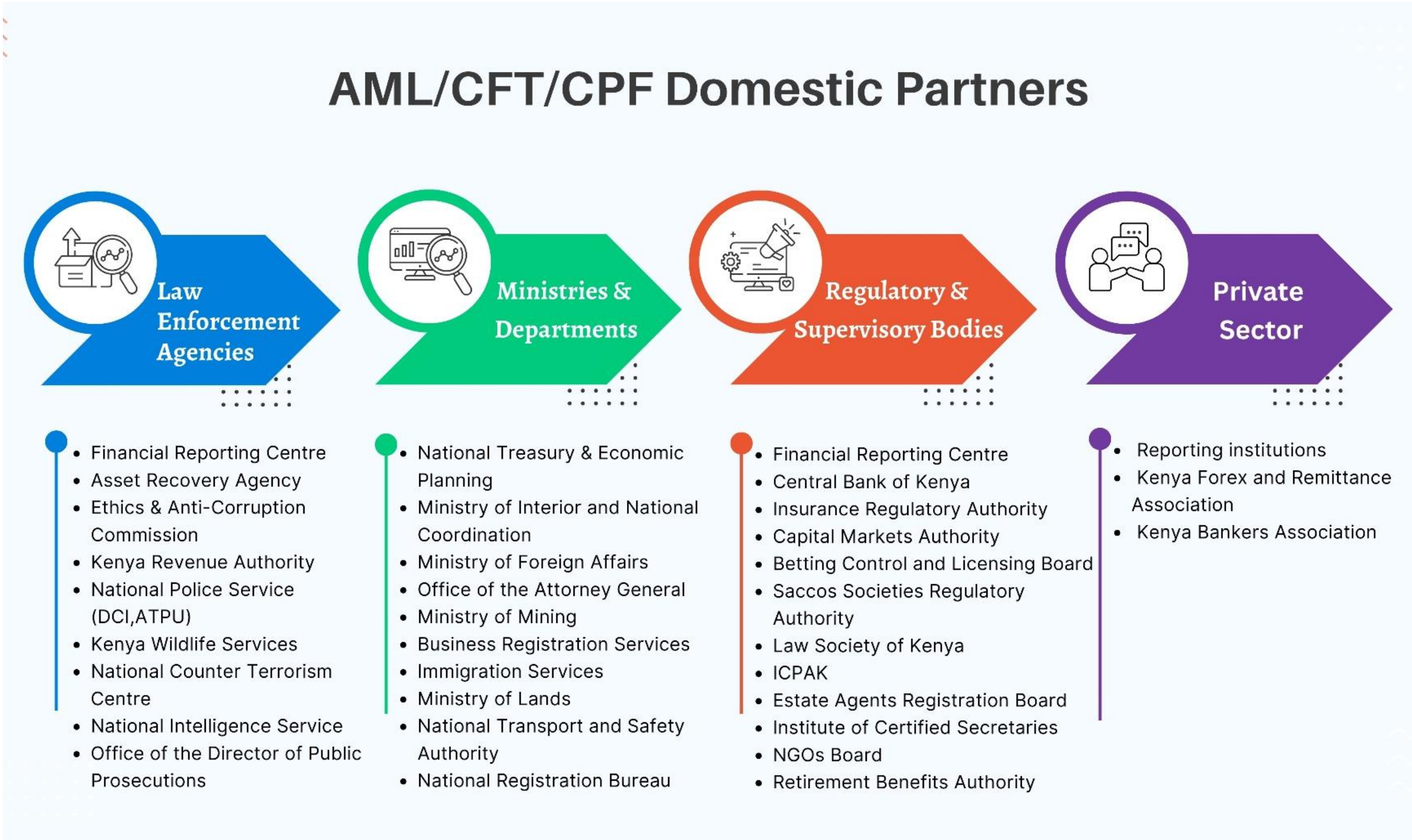
5. DOMESTIC AND INTERNATIONAL COOPERATION

5.1 Domestic Cooperation

Domestic cooperation is a key element in ensuring that AML/CFT/CPF operations are undertaken efficiently through strategic partnerships across competent authorities. Kenya has an elaborate inter-agency framework for domestic players involving several parties that hasten the process of identification, tracing, freezing, seizure, and confiscation of proceeds of crime. This arrangement conforms to Recommendations 2, 29 and 31 of FATF, which require countries to ensure that policy-makers, the FIU, LEAs, supervisors and other competent authorities, at different levels, develop effective mechanisms to enable them to cooperate and coordinate at domestic level in the implementation of policies and activities to combat ML/TF/PF.

Domestic players are categorised in Law Enforcement Agencies (LEAs), Ministries and Departments, Intelligence agency, regulatory and supervisory bodies, and prosecutorial body. To this end, the Centre has developed and operationalised guidelines, policies, frameworks, strategies and systems that guide domestic cooperation as discussed hereunder.

Figure 30: Domestic partners



5.1.1 The National Coordination Framework for Combating ML/TF/PF

In seeking to address challenges of coordination and collaboration among participating competent authorities, the National Coordination Framework for Combating ML/TF/PF was developed in 2023. The framework enables timely exchange of information and intelligence in a manner that creates mutually beneficial relationships among participating LEAs and improves efficiencies in the discharge of individual and collective mandates.

5.1.2 Kenya National Counter-Financing of Terrorism Strategy 2023-2026

Kenya is implementing the National Counter-Financing of Terrorism (CFT) Strategy 2023 – 2026 which is a three-year roadmap designed to execute effective measures against terrorism financing risks identified in the TF national risk assessment of 2023. The strategy outlines six strategic pillars and their corresponding strategic actions that stipulate specific interventions to ensure effectiveness of CFT implementation in the country. Also contained in the strategy is an implementation matrix consisting of the lead agencies in the domestic CFT landscape and monitoring and evaluation measures.

The CFT strategy puts emphasis on the need for coordination amongst all CFT stakeholders with accompanying strategic actions that guide identification, detection, disruption, and application of proportionate and dissuasive sanctions against TF activities. The strategic actions underscore the need for joint initiatives, utilization of existing inter-agency guidelines on information sharing among stakeholders, and feedback mechanisms on the effectiveness of CFT regulatory interventions.

5.1.3 Designation of focal persons across competent authorities

There are designated focal persons across competent authorities mandated with the task of coordinating information exchange activities from their institutions. They receive and process requests and attend strategy meetings on behalf of their institutions. In 2023, the Centre on-boarded and trained focal persons from respective institutions on electronic exchange of information through the goAML platform.

In 2023, the Centre also convened quarterly meetings with focal persons from relevant LEAs/competent authorities to discuss ongoing cases and seek or receive feedback on the usefulness of its disseminations. Appointing focal persons within the relevant authorities streamlined information exchange processes, enhanced responsiveness to requests and assisted in safeguarding the confidentiality and integrity of shared information.

5.1.4 Requests for Information

In the year 2023, the Centre received 511 requests from Law Enforcement Agencies. All the requests were processed and responses made as per the respective MoUs on information exchange. The table below shows the number of requests received from LEAs.

Table 10: Information requests received

S/NO		Law Enforcement Agency	No. of Requests received
1	Quarter 1	National Intelligence Service	65
		Ethics and Anti-Corruption Commission	3
		Asset Recovery Agency	9
		Kenya Revenue Authority	6
		Directorate of Criminal Investigations	17
2	Quarter 2	National Intelligence Service	28
		Ethics and Anti-Corruption Commission	15
		Assets Recovery Agency	18
		Kenya Revenue Authority	6
		Directorate of Criminal Investigations	16
3.	Quarter 3	National Intelligence Service	72
		Ethics and Anti-Corruption Commission	17
		Assets Recovery Agency	19
		Kenya Revenue Authority	29
		Directorate of Criminal Investigations	20
4	Quarter 4	National Intelligence Service	44
		Ethics and Anti-Corruption Commission	45
		Assets Recovery Agency	14
		Kenya Revenue Authority	37
		Directorate of Criminal Investigations	31
		TOTAL	**511**

5.1.5 Co-ordination and Co-operation through MoUs and Implementation of Policy Guidelines.

FRC enters into Memoranda of Understanding (MoUs) with various partners with a view to foster collaboration on key areas of mutual interest. The areas include capacity building, information exchange, and investigations. The result of effective implementation of MoUs is reduced turnaround time of scheduled activities. In 2023, FRC entered into MOUs with the Betting Control and Licencing Board (BCLB), the Non–Governmental Organisations Coordination's Board (NGOCB) and the Law Society of Kenya (LSK).

During the year, the Centre held several consultative meetings with the NGOCB to discuss areas of collaboration and NPO risk assessment culminating into an MoU between the two entities, which sets out a model for cooperation, coordination, and collaboration specifically on sharing intelligence and information, and monitoring of at-risk NPOs. Key highlights of the MoU include conducting joint trainings on terrorism financing to the NPOs identified as posing higher TF risk, capacity building of the NGO Board staff by FRC experts for better oversight and monitoring of at-risk NPOs, and joint monitoring and investigations of NPOs at higher risk of TF abuse.

Similarly, the FRC and LSK signed an MOU that will help in coordinating supervision of the legal profession. The LSK has been designated as an SRB with AML/CFT/CPF supervisory oversight of lawyers, notaries and other independent legal practitioners under Section 36A of POCAMLA and Section 4A of the LSK Act. Under the MOU, the Centre shall support the LSK in its mandate under section 4C of the LSK Act regulate, supervise and enforce compliance for anti-money laundering, combating the financing of terrorism and countering proliferation financing for lawyers, notaries and other legal professionals.

Finally, the MOU with the BCLB sets out a framework for supervision of casinos under the oversight of the BCLB, mutual assistance, cooperation and the exchange of information in the fulfilment of individual entities mandate with particular emphasis on combating money laundering, terrorism financing and proliferation financing.

5.1.6 Implementation of the Case Management System

In 2023, the Centre developed an ML/TF/PF Case Management System (CMS) that is an automated and centralized web-based system that categorizes, records, transmits and tracks disseminations and requests. The system manages the full life cycle of cases from the point of case dissemination up to the point when the case is fully dispensed with. Users in the various organizations/entities update every action/stage that the case undergoes in the system. The system is also equipped with workflow and alert functionalities as well as secure login and access capabilities. The CMS has achieved a wider domestic outreach and assisted in prioritization of cases and improved management of statistics as well as increased visibility of cases.

5.1.7 Other policy interventions

In April 2023, the National Task Force (NTF) on AML/CFT/CPF was reconstituted in line with Kenya's risk profile with a view to improve efficiency in exchange of information, promotion of dialogue and consultation on implementation of AML/CFT/CPF measures.

As a measure of reporting excellence, FRC convened periodical meetings with reporting entities to sensitize them on the need for objective reporting. It used this opportunity to commend the best performing MLROs as well as getting feedback on challenges encountered in the course of reporting.

5.2 International Cooperation

The transnational nature of ML/TF/PF necessitated the Centre to develop international cooperation mechanisms to facilitate information and intelligence sharing with a view to enrich investigations and prosecution of cases. The Centre utilized formal and informal channels to acquire information from foreign counterparts.

5.2.1 Information requests between FIUs

In 2023, the Centre received eighteen (18) requests from foreign FIUs. This marked an increase in foreign requests compared to sixteen (16) requests made in 2022. Similarly, FRC made twenty-five (25) requests to foreign FIUs in 2023. This was a significant increase compared to twenty-two (22) in 2022.

The table below illustrates the number of requests received from other FIUs and those made to foreign FIUs.

Table 11: Information Exchange with other Financial Intelligence Units

Year	2022	2023	Percentage change
Number of requests received from foreign FIUs	16	18	**12.5**
Number of requests made to foreign FIUs	22	25	**12**

The number of requests made in 2023 increased, signifying confidence among FIUs mainly because of the quality of assistance accorded as well as strengthened bilateral relationships established to combat ML/TF/PF.

5.2.2 Spontaneous disseminations among FIUs

In 2023, Kenya received nine (9) spontaneous disseminations from foreign FIUs. This was the highest compared to one (1) in 2022. Similarly, the Centre made two (2) spontaneous disseminations to foreign FIUs in 2023 and two (2) in 2022. Spontaneous disseminations to and from foreign FIUs is as tabulated in the next table.

Table 12: Spontaneous disseminations among FIUs

Year	2022	2023
Number of Spontaneous requests received from foreign FIUs	1	9
Number of Spontaneous requests made to foreign FIUs	2	2

5.2.3 Co-operation with multi-lateral partners

Over the years, the Centre continued to collaborate with development partners to undertake its mandate. For instance, the Centre partnered with the AML-THB Project: EU Trust Fund to offer training on AML/CFT risks to Branch and Operations managers of commercial banks, microfinance banks, money remittances and forex bureaus across the country from November 2021 to May 2022. The Centre has also partnered with the AML/CFT ESCAY Project (the successor of AML-THB Project) on key areas of capacity building, including organised crime, virtual assets.

The Centre has partnered with the GIZ global program on combating illicit financial flows (IFFs), which is commissioned by the German Federal Ministry of Economic Cooperation and Development, and co-financed by the Norwegian Ministry of Foreign Affairs on a number of activities. These include interventions to strengthen the AML/CFT/CPF supervision of DNFBPs, strengthening the capacity of LEAs and competent authorities on financial investigations and assets recovery from June 2023, trade-based money laundering (TBML) risks, especially those relating to second-hand/luxury motor vehicles and alcoholic drinks, among others.

The Centre has also partnered with United Nations Office on Drugs and Crime (UNODC) through its Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML – AML/TF), with various sponsors, including the government of the United States of America, to implement several projects. These include a regional training workshop on financial investigations in August 2023, interventions to develop AML/CFT/CPF National Coordination Framework in September 2023, and projects on strengthening countries' capacities to implement domestic and international sanctions regimes and prevent the financing of terrorism, financial investigations Trainer of Trainers (ToT) programme in October, 2023. Furthermore, trainings on DNFBPs programme on precious metals, diamonds and the commercially most important gemstones relevant for Kenya conducted in December 2023, are other programmes that have been undertaken through partnerships.

The Centre has also partnered with the World Bank, the International Monetary Fund (IMF) and the African Development Bank (AfDB) to improve the understanding of ML/TF/PF risks and international compliance, especially through General Budget Support (GBS) mechanisms. For instance, Kenya relied on the partnership with the World Bank to employ the World Bank Risk Assessment Guidance and Tool to conduct the 2021 NRA, 2023 TF National Risk Assessment and the 2023 Update on the National Risk Assessment of Money Laundering.

The Centre also partnered with the US Department of Treasury (Office of Technical Assistance), EU AML/CFT Global Facility and Civipol to provide technical expertise towards AML/CFT capacity building initiatives regarding financial intelligence analysis, proliferation financing, virtual assets. This came in addition to trainings on financial investigations relating to trafficking in persons, beneficial ownership, case management, training on FATF Standards, and trainings on the requirement of FATF Recommendation 8 regarding supervision of NPOs

5.2.4 Membership to EGMONT

Kenya applied for membership to the Egmont Group of FIUs and was successfully evaluated in 2023. Admission of Kenya to the Egmont group will allow the Centre access to the global FIUs secure information exchange platform, whose dividends include seamless sharing of information with over 174 other FIUs from around the world.

The admission will aid the country in pursuing cross-jurisdictional ML/TF/PF cases that require information from foreign counterparts. Previously, Kenya was restricted from accessing information from some jurisdictions due to its non-membership status. The admission, therefore, elevates Kenya’s international standing amongst its peers in AML/CFT/CPF.

5.2.5 Membership to ESAAMLG

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). This is a regional anti-money laundering body established in 1999 to combat money laundering, terrorism financing, and proliferation of weapons of mass destruction through implementing the Financial Action Task Force (FATF) Recommendations. ESAAMLG is an

FATF-style regional body and it monitors the progress of implementation of the FATF Recommendations of its members through a self-assessment process.

Currently, ESAAMLG has a membership of twenty-one (21) countries namely, Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, South Sudan, Tanzania, Uganda, Zambia, and Zimbabwe.

In 2023, Kenya took up ESAAMLG's Presidency of the Council of Ministers and was represented by the Cabinet Secretary, National Treasury, and Economic Planning. In the same period, the Director General, FRC took up the role of Chairperson of the ESAAMLG Task Force of Senior officials. This membership helps Kenya with opportunities of information sharing, training programmes, and participation in Mutual Evaluations.

6. TECHNICAL CAPACITY BUILDING

6.1 Introduction

Section 24(g) of the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA) mandates the Centre to design training requirements and on a need basis, provide such AML/CFT/CPF training to any reporting institution (RI) in respect of transactions monitoring, record-keeping and reporting obligations.

Figure 31: TCB Approach

The extensive objectives, functions and powers of the Centre further extend the training obligation to designing capacity building interventions for the supervisory bodies, law enforcement agencies, internal capacity of the staff and the general public.

The technical capacity building (TCB) strategy adopted by the Centre is in line with the Information Education Communication (IEC) approach, and follows four steps as shown in this figure. The TCB function of the Centre therefore, starts long before the actual training session and lasts beyond the end of the training process.

6.2 Reporting Institutions

Reporting institutions are categorized mainly as financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs). FIs comprise the following; banks (both commercial banks and microfinance banks), telcos (PSPs), remittances (MRPs), forex bureaus (FXBs) digital credit providers (DCPs), securities, insurance, pensions, SACCOs, among others. The number of AML/CFT/CPF sensitizations extended to the FIs from 2021 to 2023 are tabulated in the next table.

Table 13: Sensitization programmes for FIs

	Banks	**MRPs**	**PSPs**	**FXBs**	**DCPs**	**SACCOs**	**Insurance**	**Securities**	**Pensions**
Year	**Number of Technical Capacity Building Interventions**								
2023	4	3	3	3	2	1	2	2	1
2022	2	2	2	2	1	0	0	0	0
2021	2	2	2	2	0	0	0	0	0

From its inception in 2012, the Centre was majorly focusing on building the capacity of the banking sector, which is the largest among the financial institutions and the most vulnerable to money laundering, terrorism financing, as well as proliferation financing. As tabulated above, the Centre also prioritized outreach to the other ML/TF/PF significant sectors, including MRPs, forex bureaus and PSPs. In 2023, the Centre extended the TCB interventions to the entire financial sector, majorly through a risk-based approach. The training program for the FIs majorly covered the following elements to facilitate identification, mitigation, and management of ML/TF/PF risks:

a) AML/CFT/CPF risk assessment at the national, sectoral and institutional levels, continuous institutional ML/TF/PF risk assessments and the application of risk-based approach;
b) Enhancing the capacity to implement domestic and international sanctions regimes and to address strategic deficiencies identified in the NRA and MER relating to the effective

implementation of targeted financial sanctions (TFS) relating to terrorists, terrorist organisations and terrorist financiers;

c) Roles of boards and senior management in approval of policies and their ongoing oversight of the AML/CFT/CPF program;
d) Appropriate designation of compliance and risk functions with independent MLROs;
e) Employee due diligence program;
f) AML/CFT/CPF risk awareness training program for staff and senior management;
g) Consideration of guidance material and feedback from the Centre and respective supervisors, including any material circulated or published about the particular industry;
h) Systems and controls to make sure reporting institutions meet their AML/CFT/CPF reporting obligations;
i) Ongoing customer due diligence (OCDD) systems and controls to make sure information collected about a customer or beneficial owner is reviewed and kept up to date, and to determine whether extra/additional information should be collected and verified;
j) The nature of customer information to be collected and verified in order to make sure they are who they claim to be, or (for companies and organizations) that they exist;
k) The information to collect and verify about beneficial owners;
l) How to determine if a customer or the beneficial owner is a politically exposed person (PEP);
m) How to respond to discrepancies in customer information;
n) How reporting institutions should decide when to collect additional information about a customer, among others.

The "Three Lines of Defence model" places AML/CFT/CPF preventive measures along the first line of defence (*business line management, including frontline staff like tellers, operations, client relations, marketing & branch officials, senior management and boards*). The second line of defence considers the risk management and compliance interventions (*designated compliance and risk functions with independent MLROs*[4]), and third line of defence tests the effectiveness of the interventions in line one and two (*independent testing of AML/CFT program i.e., auditing*), was emphasized taking into account the size, nature and complexity of respective sectors and institutions. For instance:

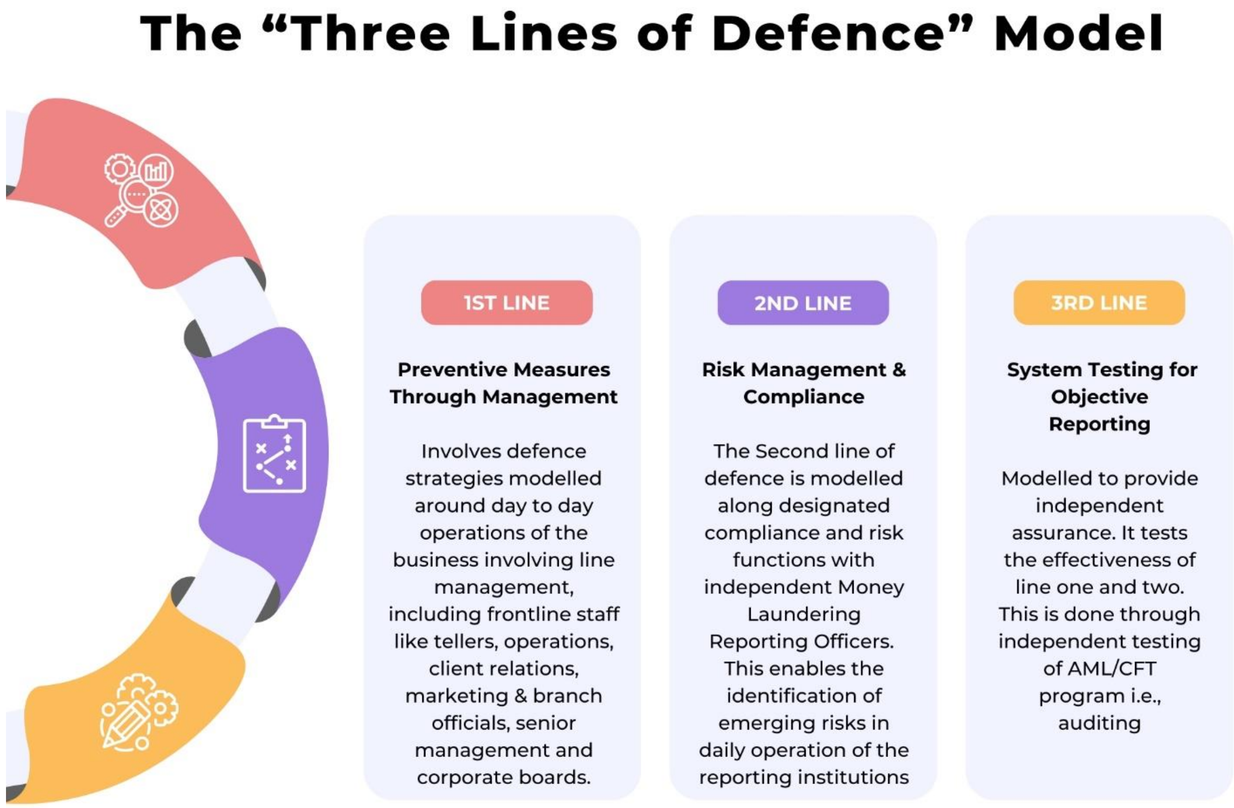
i. Sensitization of Board of Directors and Senior Management: In 2022, the Centre started a program to train senior management and boards of directors of reporting entities on their AML/CFT/CPF obligations.

ii. The objective was to enhance knowledge for setting appropriate AML/CFT tone at the top, and promoting understanding as well as ownership of AML/CFT/CPF risks and their accompanying mitigation measures. In 2022 and 2023, 3 and 5 commercial banks benefited

[4] MLRO denotes Money Laundering Reporting Officer

from the program respectively. Additionally, chief officers in all the 14 licensed micro-finance banks were sensitized.

Figure 32: The Three Lines of Defence Model



iii. Money Laundering Reporting Officers' (MLROs) Conference: This is a continuous initiative which began in March 2022. The Centre is committed to holding quarterly MLRO's engagements that focus majorly on emerging ML/TF typologies and trends, as well as challenges on the reporting framework. The aim is to provide a platform for peer learning and networking among the MLROs to foster collaboration regarding AML/CFT/CPF compliance, and to ensure improved quality in reporting.

The DNFBPs, who include accountants, lawyers, casinos, NPOs, real estate agencies, dealers in precious metals and stones, were also sensitized between 2021 and 2023 as tabulated below.

Table 14: DNFBPs capacity building interventions

Year	Accountants	Lawyers	Casinos	NPOs	Real Estate Agencies	Precious Stones & Metals Dealers
	Number of Technical Capacity Building Interventions					
2023	2	3	3	2	3	1
2022	1	2	2	0	1	0
2021	1	2	1	0	0	0

The TCB interventions for the DNFBPs focused on the AML/CFT/CPF Program i.e. development and documentation of policies, procedures and controls for use to identify, mitigate and manage ML/TF/PF risks. Specifically, DNFBPs were sensitized on general AML/CFT/CPF awareness, the prevailing AML/CFT/CPF regime, especially the obligation of reporting institutions, establishment of AML/CFT/CPF internal control mechanisms, registration procedure, respective ML/TF indicators, reporting framework, among others.

6.3 Law Enforcement Agencies

The law enforcement agencies (LEAs) and competent authorities were sensitized on parallel financial investigations, mechanisms of sharing information and effective handling and usage of disseminated financial intelligence. LEAs were also sensitized on goAML in general, and on the modalities of the electronic exchange of information following their registration on the goAML platform to facilitate digital sharing of information.

Additional sensitizations for the LEAs and competent authorities are tabulated below:

Figure 33: Sensitization of LEAs and Competent Authorities

S/No	Institutions	Participants	Activity	Status/Timeline
1.	All LEAs & Competent Authorities	National Task Force on AML / CTF/ CPF members	Sensitization and validation of ML/TF risk assessments, NPOs risk assessment, VASPs, legal arrangements & structures risk assessments	Conducted on 29th – 30th September, 2023
2.	KWS, FRC, ARA, EACC, KRA, DCI, EACC & NIS, ATPU, NCTC, ODPP	Financial Investigators, Analysts, Prosecutors and Intelligence Officers	Financial Investigations & Assets Recovery training by FRC in partnership with GIZ Global Programme on Combating Illicit Financial Flows, which implements the holistic approach of prevention, financial investigations and asset recovery, with a focus on 'follow the money' strategy	Implemented in 8 physical sessions between Sep. 2023 & June 2024. 1st session conducted from 13th-17th Nov. 2023
3.	KWS, FRC, ARA, EACC, KRA, DCI, EACC & NIS	Financial Investigators, Analysts and Intelligence Officers	Financial Investigations Trainer of Trainers training by FRC in partnership with UNODC, with the objective of enhancing the current knowledge and skills of the officers to conduct investigations with financial investigations as an additional tool and methodology for use on predicate offences	Successfully conducted from 20th-24th November, 2023 in Naivasha, Kenya
4.	LEAs, Competent Authorities, Supervisory bodies	All Responsible Officers	ML/TF risk understanding Sensitization on counter-measures, including the National CFT Strategy and Action Plan, 2023-2026	November 2023
5.	KWS, FRC, ARA, EACC, KRA, DCI, EACC & NIS, ATPU, NCTC	Financial Investigators, Analysts, and Intelligence Officers	Training on Precious Metals, Diamonds and Gemstones' Supply Chain related Crimes and associated Terrorism Financing for Law Enforcement Agencies – by FRC in partnership with UNODC.	Successfully conducted in Nairobi in December 2023

6.4 Internal Capacity of Staff

The Centre has a robust internal sensitization program meant to assist members of staff settle in to the dynamic work environment and roles. Given the uniqueness of the objectives and mandate of the Centre, the staff continuously require additional tailor-made trainings on specific facets of the AML/CFT/CPF regime, typologies and tools to advance their knowledge, skills, experience and to qualify them to be all rounded FRC officers. Between 2021 and 2023, FRC staff participated in several trainings, workshops, and webinars aimed at enhancing their skills and knowledge in areas such as financial investigations and analysis, countering terrorism financing, trafficking in persons, investigations on virtual assets, organized crime and supervision of reporting entities.

6.5 General Public Awareness

Enhancement of public awareness and participation in AML/CFT/CPF initiatives and programmes is necessary to facilitate AML/CFT/CPF compliance. For instance, knowledgeable members of public are able to report cases which can lead to disruption of ML/TF/PF networks or commission of predicate offences. On the other hand, knowledgeable clients (members of public) are much more understanding of the need to verify documents which are produced to support transactions and are therefore, expected to cooperate with reporting institutions while conducting enhanced due diligence.

During the conduct of the ML/TF National Risk Assessment (NRA) in 2021, members of the public were informed through a publication on the Kenya Gazette, while on the outcomes through publication on the local Newspapers in July 2022. Following the launch of the NRA report in July 2022, the Director General of the Centre engaged the public on the essence, outcomes and explained the ML/TF risk profile of the country. The Director General was hosted on the Trading Bell show that airs on the Kenya Television Network on 17th August 2022. Members of the public were also involved in updating risk assessments for TF and VASPs through public questionnaires, which were published on local newspapers in June 2023.

To address the Technical Compliance deficiencies contained in Kenya's MER, The Executive Office of the President issued a Press Statement on 7th July, 2023 informing the public of the steps the Government is taking to address them. The steps included the approval of the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Bill, 2023 by the Cabinet, which also sanctioned its transmittal to Parliament, marking a significant step towards strengthening the country's AML/CFT/CPF legislative framework. The Bill was later subjected to public participation and scrutiny before enactment by Parliament in August 2023. The FRC website has also been updated over the years with relevant AML/CFT/CPF information that also served to enhance the knowledge of members of the public.

6.6 Impact of TCB Activities

Following the outreach and sensitization activities conducted by the Centre, especially to the reporting entities, the following were observed:

i. By the end of 2023, the number of institutions which registered with the Centre as RIs (both FIs & DNFBPs) rose to about 990 up from 390 in 2022. Registration is a crucial component of the reporting framework by enabling the RIs to effectively file statutory reports.

ii. The number of RIs that filed the annual compliance reports (ACRs) in 2023 increased from 260 in 2022 to 318. ACRs enable offsite monitoring of the RIs on their AML/CFT/CPF program.

iii. By the end of 2023, 745 MLROs were designated by the newly registered FIs and DNFBPs. As such, all the registered FIs have appointed MLROs. The MLROs are key in the implementation of the preventive measures in their institutions including the development of AML/CFT/CPF programs.

iv. The RIs increased resources dedicated to AML/CFT/CPF as evidenced by the measures taken to strengthen internal control functions, including training of MLROs, boards, senior management and staff to enhance their understanding of AML/CFT/CPF obligations. This was confirmed during on-site inspections.

v. For FIs, there was improved submission of quality responses to the questionnaires issued by respective supervisors for offsite inspections.

vi. There is general improvement in the understanding of institutional ML/TF risks, which has enabled RIs to develop and improve internal AML/CFT/CPF policies that comprehensively cover CDD, EDD, PEPs, BO and record keeping as per requirements in POCAMLA.

vii. There was an increase in the number of STRs submitted by the non-bank financial institutions (NBFIs) and DNFBPs. That is, from 320 by the end of 2022 to 386 by December 2023.

viii. The quality of STRs also improved because of, among others, reduction in defensive reporting by RIs leading to more actionable financial intelligence and improved turnaround times on request for additional information.

ix. The liaison, partnership and collaboration of the Centre improved based on the joint TCB initiatives with both local and multilateral partners.

7. OUTLOOK FOR 2024

The greater part of 2023 was devoted to addressing deficiencies identified in the MER, which culminated in Kenya submitting its Post Observation Period Report (POPR) to the FATF in October 2023. In 2024, Kenya looks forward to address the outstanding strategic deficiencies in its AML/CFT/CPF regime following the determination on the POPR.

With regard to AML/CFT/CPF supervision, the Centre plans to enhance registration of unregistered DNFBPs as well as strengthen AML/CFT/CPF oversight of the sector. With the designation of lawyers as reporting institutions, focus now shifts to the development of reporting mechanisms for the legal profession and building capacity of the Law Society of Kenya to function effectively as a self-regulatory body.

The Centre will continue to cooperate with domestic partners in the AML/CFT/CPF landscape by strengthening engagements with LEAs in sustaining financial investigations, prosecutions, confiscations and recoveries of ML and TF cases in line with the risk profile of the country. This will include capacity building and training as well as sensitization on the updated risk understanding. In addition, greater collaborative outreach programmes targeted towards FIs and DNFBPs on key areas such as risk understanding and application of risk-based approach, development of effective preventive measures, beneficial ownership, targeted financial sanctions on terrorist financing and proliferation financing will be a key focus for the Centre in 2024.

Internationally, the Centre will continue to enhance and develop its international footprint with other FIUs, international partners and competent authorities, including continued participation in ESAAMLG and FATF activities. The Centre also looks forward to exploit the benefits of joining EGMONT through information exchange to enhance investigation and prosecution of cross-border ML and TF cases.

Most importantly, the Centre will play its role as the national coordinator for AML/CFT/CPF in the country, focus on identifying emerging threats and risks, undertake strategic analysis of any incipient issues with a view to securing the integrity of Kenya's financial system, and by extension, national security.

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