

**THE CENTRAL BANK OF KENYA
(CURRENCY HANDLING) REGULATIONS**

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THE CENTRAL BANK OF KENYA (CURRENCY HANDLING) REGULATIONS

[Legal Notice 19 of 2011]

1. Citation

These Regulations may be cited as the Central Bank of Kenya (Currency Handling) Regulations.

2. Interpretation

In these Regulations, unless the context otherwise requires—

"cash" means Kenya currency in form of either printed notes or minted coins of any denomination issued by the Bank for current use, and includes all notes and coins previously issued by the Bank;

"cash defacement devices" means a security device fitted in a cash in transit box, approved by the Bank and intended to indelibly stain notes to achieve instant recognition that they have been stolen and to render them worthless;

"cash in transit box" means a box fitted with cash defacement devices;

"cash in transit client" means any person using the services of a licensed cash in transit operator;

"cash in transit operator" means a person engaged in the business of transportation of cash; and

"dye-stained bank notes" means notes that have been dye-stained by cash defacement device, approved by the Bank, as a result of an accidental discharge or through a triggered explosion in circumstances of attempted or actual security breach.

3. Use of currency notes and coins

(1) Any person who wishes to use cash or images of cash in any publication or for any other purpose shall apply in writing to the Bank for approval.

(2) No person shall use cash or images of cash, current or historical, for publication or promotional or any other purposes other than as currency without the prior written approval of the Bank.

(3) A person making an application under paragraph (1) shall provide—

- (a) full name and address of the applicant;
- (b) nationality of the applicant;
- (c) information relating to the manner and purpose for which the images are intended to be used;
- (d) specimen of the works over which such use is intended;
- (e) a declaration that the intended use would not infringe on the Bank's copyright over the cash.

(4) An application for authority to make use of images of cash shall be considered by the Bank within fourteen days of receipt and the Bank shall notify the applicant of its decision in writing.

(5) The Bank's decision under paragraph (4) shall be final and the Bank shall not be obliged to render the reasons upon which any decision was reached.

(6) A person who contravenes paragraph (2) of this Regulation shall, in addition to any criminal sanctions imposed under any law, be liable to a penalty, payable to the Bank, of one hundred thousand shillings and to a daily surcharge of ten thousand shillings if the breach is not remedied within the time specified for that purpose by the Bank.

[Subsidiary]**4. Licensing of cash in transit operators**

(1) A cash in transit operator who wishes to operate a cash defacement device in the transit of cash, shall apply to the Bank in Form CH 1 set out in the First Schedule.

(2) Every cash in transit operator applying for a licence to use a cash defacement device, shall be required to comply with the terms and conditions of use of such device and to meet the minimum technical specifications and industrial standards for the proposed device set out in the Second Schedule.

(3) The compliance by an applicant with the terms, conditions, technical and other requirements of use of a cash defacement device shall be a mandatory requirement for licensing and the Bank shall not issue a licence until an applicant fully meets each requirement.

(4) The Bank shall, upon satisfaction that an applicant meets the requirements under paragraph (3), and upon receipt of the fee prescribed in the Third Schedule, register the applicant and grant him a licence to use a cash defacement device.

(5) A licence granted under paragraph (4) shall be renewable annually, upon fulfilment of the conditions of grant and payment to the Bank of the renewal fees prescribed in the Third Schedule.

(6) The Bank shall regularly inspect and monitor every person licensed to operate a cash defacement device.

(7) The Bank may, at any time during the tenure of a licence, suspend the licence for breach of any of the terms of licensing and if the breach is not remedied within thirty days, revoke the licence.

(8) Any person who operates a cash defacement device without a licence or after the licence is suspended or revoked by the Bank, shall be liable to a penalty, payable to the Bank, of one hundred thousand shillings and in addition to a daily penalty of twenty thousand shillings for each day the breach is not remedied within the specified time.

5. Exchange of defaced notes

(1) The Bank may exchange defaced notes where the notes—

- (a) have become unserviceable due to ordinary wear and tear;
- (b) have been mutilated, defaced or soiled accidentally; or
- (c) have been defaced by a licensed cash in transit operator through a cash defacement device accidentally or in circumstances of security threat or attack:

Provided that the operator shall prove that the explosion occurred within the permitted use of the device under these Regulations.

(2) Save for bank notes stained through use of a cash defacement device, any mutilated or defaced notes may be exchanged at the discretion of the Bank, upon presentation by the holder to the Bank, at the nearest branch or through institutions licensed by the Bank.

(3) Upon receipt of mutilated or defaced bank notes under paragraph (2), the Bank may, with regard to the information provided?

- (a) agree to exchange the bank note;
- (b) defer its decision to allow for verification of the information provided; or
- (c) decline the application.

(4) An application deferred under paragraph (3) shall be considered by the Bank and a decision made within sixty days from the date it was received and the Bank's decision shall be final.

(5) Notes stained through a cash defacement device shall be deemed to be proceeds of crime and shall be exchanged upon an application by a cash in transit operator to the Bank in Form CH 2 set out in the First Schedule.

(6) A person, other than a cash in transit operator, who comes into possession of a dye-stained bank note shall not be eligible to apply for exchange but shall surrender such to the nearest police station, the Bank or any other financial institution and shall make a statement relating to the circumstances under which he came into possession of the dye-stained note:

Provided that, such person shall not be deemed to have been involved in the underlying security breach, unless proven otherwise in a court of law.

(7) Every person licensed to operate a cash defacement device shall, upon defacement of the cash through such device, either accidentally or through security related explosion, report the incident to the Bank within twenty four hours and shall thereafter lodge an application for replacement of the stained cash in Form CH 2 set out in the First Schedule.

(8) The exchange of defaced notes under paragraph (5) shall be subject to payment by the applicant of the replacement costs prescribed in the Third Schedule.

6. Exchange of cash defaced abroad

The Bank may consider applications for exchange of notes defaced outside Kenya under the criteria set out in regulation 5.

7. Proof of validity of notes

(1) The Bank shall, prior to considering an application for exchange of defaced notes, verify and prove that the notes were genuine before their defacement.

(2) No application for replacement of defaced notes shall be allowed if the Bank proves that the affected currency was counterfeit and the Bank shall, in addition to the penalty prescribed under paragraph (3), confiscate the counterfeit notes.

(3) A person who presents for replacement notes that have been found to be counterfeit commits an offence and shall, in addition to any punishment provided for in any other law, be liable to a penalty, payable to the Bank, of twice the total face value of the counterfeit notes or two hundred thousand shillings whichever is lower.

8. Keeping of records

(1) A person licensed under regulation 4 shall keep proper records and accounts of any cash, in notes or coins, in transit at any given time, and shall, whenever required, produce for inspection by the Bank the records and accounts.

(2) Upon defacement of notes in transit through explosion of cash defacement devices, the Bank shall consider the replacement of the defaced notes that tallies with the records held by the cash in transit operator at the time of explosion of the defacement device and the Bank shall not consider for replacement any notes defaced without records.

(3) Any person licensed to operate a cash defacement device who fails to keep proper records and accounts shall, upon determination by the Bank that proper records or accounts are not kept, be liable to a penalty not exceeding fifty thousand shillings and in addition to a daily surcharge of five thousand shillings if the breach is not remedied within the time specified for that purpose by the Bank.

9. Insurance of cash in transit

(1) A person licensed under these Regulations shall, in addition to any other insurance cover taken out to provide protection against transit perils, take out an additional insurance cover to meet the replacement cost of any notes defaced through use of a cash defacement device.

(2) The Bank shall be designated as the beneficiary of the additional mandatory cover taken out under paragraph (1), and shall duly advise the insurer on the replacement sum payable on the occurrence of every incident of security triggered defacement of cash in transit.

(3) The replacement costs payable under the Third Schedule shall be recoverable from the licensee or the insurer and where the licensee pays the full cost, the benefits of the insurance cover shall be passed on to the licensee.

[Subsidiary]

10. General Penalty

A person who breaches any regulation and no penalty is specifically prescribed for the breach shall, in addition to any criminal sanction imposed under any other law, be liable to a penalty payable to the Bank of up to five hundred thousand shillings and to a daily surcharge of up to twenty thousand shillings if the breach is not remedied within the time specified for that purpose by the Bank.

11. Revocation of L.N. 124/2010

The Central Bank of Kenya (Currency Handling) Regulations, 2010, are revoked.

FIRST SCHEDULE

FORMS

Form CH 1 (r. 4(1))

THE CENTRAL BANK OF KENYA ACT

(Cap. 491)

APPLICATION FOR LICENCE TO USE CASH DEFACEMENT DEVICE

1. Name of

Company

2. Date and country of

incorporation

3. Certificate of incorporation

No.

4. Physical and Postal address of head office:

(a) City/

Town

(b) L.R.

No.

(c)

Street.

(d)

Building.

(e) Postal Code

address

5. Association

membership

6. Licence application for the

period:

7. Details of branch network and number of years each has conducted business:

Branch Name No. of years in operation

8. Particulars of Directors:

Name	Nationality	I.D/ Passport No.	Date of appointment
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(Profession, Other directorships)

Significant shareholders, financial status)

Name	Nationality	I.D/ Passport No.	Date of appointment
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9. Particulars of Senior officers both in the head office and Branches:

Name	Nationality	I.D/ Passport No.	Designation/ Branch
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10. Details of Devices to be used

Device type (Dye or
Smoke.):
Device
Model
Source of Device
(Manufacturer)

11. Declaration (By Chief Executive Officer):

I, the undersigned, hereby declare-
(a) THAT the particulars set out herein are true and correct
to the best of my knowledge and belief; and
(b) THAT if licensed, I shall use cash defacement devices
in accordance with the Central Bank of Kenya Act and any
regulations, guidelines or directive as may from time to time
be issued by the Central Bank of Kenya.

Name

Signature

Date

Note:

1. Please attach certified copies of
 1. certificate of incorporation;
 2. certification by Kenya Bureau of
standards, Government Chemist and
National Environmental Management
agency or certification from other similar
internationally recognized organization;
and
 3. valid operating licence.
2. Replacement of any of the senior operating officers
must be notified to the Central Bank and particulars of new
officers submitted to the Central Bank immediately.

Form CH 2 (r.5 (5) & (7))

CENTRAL BANK OF KENYA ACT

(Cap. 491)

**APPLICATION FOR REPLACEMENT OF BANKNOTES STAINED THROUGH
CASH DEFAACEMENT DEVICE**

1. IMPORTANT INFORMATION TO THE CLAIMANT

- (1) Part A - to be completed by the claimant.
- (2) Part B - to be completed by the claimant.
- (3) Part C - to be completed by the commercial Bank.
- (4) Part D - to be completed by the Central Bank

A. DETAILS OF THE CLAIMANT (BLOCK LETTERS)

1. Name of
company
2. Physical
address
3. Telephone
No
4. Postal
address
5. Company Registration
No

[Subsidiary]

6. Name of authorised official

7. ID or Passport Number

DETAILS OF BANKNOTE

DENOMINATION	KSH 50	KSH 100	KSH 200	KSH 500	KSH 1000
NUMBER OF PIECES					
VALUE					
SERIAL NUMBERS					

(If more space is required use a separate page and attach it to this claim form).

B. STATE HOW DYE-STAINED BANK NOTES
WERE STAINED

.....

Signature/Stamp of Claimant:

Date:

C. CONDITIONS OF EXCHANGE

Claimants must ensure that they have read all the conditions for exchange set out below and (if claiming through a licensed institution) that they have been handed an acknowledgement of receipt (Part C) for the claim.

1. A certified copy of the claimant's certified copy of Company Registration Certificate must accompany this claim form.
2. The sworn declaration in the prescribed form must be completed in respect of all claims.
3. The Bank is not legally bound to replace any dye-stained bank notes either in whole or in part. Any replacement is strictly at the discretion of the Bank.
4. The Bank may at its discretion call upon an applicant to furnish a bond of indemnity in respect of any amount refunded.
5. All dye stained bank notes including remains or fragments, no matter how small, shall accompany the application.
6. The Bank shall not accept claims via the post, and shall accept claims made by means of personal delivery at the Bank, its branches or commercial bank. Should a claimant utilise the postal service for delivery of dye-stained bank notes, these notes will be forfeited to the Bank.
7. The claimant accepts that it voluntarily cedes the bank notes in its possession to the Bank and that the Bank shall handle this claim according to the policies laid down for replacement of dye-stained bank notes or even the forfeiture thereof.

DECLARATION

I declare that the above is true and correct and that I have not withheld any information regarding this application. I have read all the conditions for exchange and I understand that any false disclosure can lead to prosecution.

I, do solemnly and sincerely declare that I am the lawful claimant of the abovementioned dye-stained bank notes and make this solemn declaration, conscientiously believing it to be true.

Signed:

The deponent has acknowledged that he or she knows and understands the contents of this declaration, which he or she has declared before me at this day of 20

Commissioner for Oaths

RECEIVING BANK

NAME OF

BANK

Branch:

Branch

Code

Confirmation of circumstances in which the dye-stained bank notes are declared to have been so stained—

.....

.....

Name of claimant:

Amount claimed:

Signature of authorised Bank official Date

Bank stamp Date

D. CENTRAL BANK OF KENYA

ACKNOWLEDGEMENT OF RECEIPT OF DYE-STAINED BANK NOTES CLAIM

I, acknowledge receipt of a dye-stained bank notes claim on a collection basis.

From (name of claimant or commercial

Bank):

Name of Authorised official of claimant or

Bank

Identity or Passport

number:

Amount received:

At this day of

20.....

DETAILS OF NOTES

DENOMINATION	KSH 50	KSH 100	KSH 200	KSH 500	KSH 1000
NUMBER OF					
PIECES					
VALUE					

Signature N.B: Claimants must ensure that they have read all the conditions for exchange set out below and (if Claiming through a licensed institution) that they have been handed an acknowledgement of receipt (Part C) for the claim.

..... Date

SECOND SCHEDULE

[r. 4(2)]

TERMS AND CONDITIONS OF USE OF CASH DEFACEMENT DEVICES

1. Applicability

(1) These conditions apply to the use of cash defacement devices by licensed cash-in-transit operators.

(2) This document is provided for the information of cash in transit operators, the Bank and other cash in transit clients.

(3) Cash in transit operators shall strictly adhere to all obligations and other compliance matters imposed under these terms and conditions and any breach of such obligations shall be breach of the licensing obligations and for which penalties shall be levied.

[Subsidiary]

2. Obligations of CIT Operators

In addition to other obligations set out in these Regulations, cash-in-transit operators undertake to?

- (a) abide by these Regulations and the terms and conditions of use of cash defacement devices;
- (b) train their staff and regularly update them on the technology and other aspects of cash defacement devices;
- (c) alert the police, the Bank and other stakeholders of an incident of robbery or attack leading to explosion of cash in transit boxes and staining of banknotes;
- (d) fully comply with manufacturer's specifications relating to cash in transit boxes, including load capacity, handling procedures and maintenance;
- (e) carry out public education and awareness of the cash in transit boxes, their role as security devices in the transportation of cash, the recognition of dye-stained notes and what recourse to take on finding such notes;
- (f) with the approval of the Bank, regularly update themselves with the technology and safety standards of the devices and upgrade accordingly with the necessary certifications; and
- (g) abide by any other requirement or obligation that the Bank may from time to time impose.

3. Specifications and standards of cash defacement devices

(1) Every cash defacement device proposed to be used by a cash in transit operator shall meet the following minimum requirements—

- (a) safety: the device shall be certified as safe for use in the public domain by Kenya Bureau of Standards or alternatively, any other internationally recognized standards organization and any chemical or dye used to disfigure the notes shall not be harmful to the public and shall be certified by the Government Chemist, the National Environment Management Agency or other similar recognized organization at the cost of the applicant;
- (b) reliability: the functionality of the cash defacement device shall be tested and certified for reliability by the Kenya Bureau of Standards;
- (c) stability: the cash defacement device shall not, under normal operating circumstances, activate accidentally; and
- (d) industry standards: the device shall meet such industry standards and criteria, including electrical, mechanical and other capabilities specified by the Kenya Bureau of Standards from time to time.

(2) Approved cash defacement devices shall be used in accordance with the manufacturer's specifications including, but not limited to, those related to the packing of notes, the type of wrapping used, and the amount of notes to be contained within a single device.

(3) Approved cash defacement devices shall have the capacity to cause all, notes to be stained with coverage of at least not less than thirty per centum of the surface of each note.

(4) The device shall have the capability of?

- (a) staining the notes in such a manner that the Bank will be able to verify the denominations affected; and
- (b) establishing the legitimacy of the notes following a defacement by enabling notes that are dye-stained to be easily recognizable as having been the subject of crime unless proven to have been dyed as a result of an accidental trigger to the device.

(5) The dye used in all devices licensed within the country shall be of a uniform agreed colour and as specified by the Bank and shall be indelible.

(6) The Bank shall not give value for any notes stained by a cash defacement device whose design and use was not approved under the Regulations.

(7) The operation of any cash defacement device shall be demonstrated to the Bank, as a condition of consideration of the device for approval.

(8) The Bank shall approve the use of any cash defacement devices.

(9) The Bank shall approve the use of cash defacement devices, by cash in transit operators in the transportation of cash between?

- (a) the Central Bank and its branches or cash centres;
- (b) the Central Bank and a commercial bank;
- (c) a commercial bank and its branches or automated teller machine;
- (d) a commercial bank and its customer or a customer and the commercial bank;
- (e) customer and its branches; or
- (f) any other scenario approved by the Bank.

(10) A new device replacing a licensed cash defacement device shall be subjected to the same approval process.

4. Reporting of robberies or heists

(1) In the event of robbery where notes packed in a cash in transit box are stolen, the cash in transit operator shall immediately communicate with the police and the Bank and report the event within twenty four hours.

(2) The report of robbery shall provide all relevant information including details of the geographical area of attack, the motor vehicle used by the cash in transit operator, amount of money in transit and records of the cash in transit operator relating to the transaction.

(3) the Bank shall, upon receipt of the report of robbery issue a press release at the cost of the cash in transit operator giving full details of the robbery and alert the public not to use the notes and to call upon the public to surrender all stained notes recovered within the locality of the robbery to the police, the Central Bank or the nearest licensed financial institution.

5. Claims

(1) A financial institution receiving any dye-stained notes from any person shall not exchange the notes with clean notes.

(2) All dye-stained notes shall be surrendered within fourteen days from the date of receipt together with the supporting surrender form to the Bank.

(3) Commercial banks shall not mix dyed notes with fit or unfit notes and any dye-stained notes found in bulk cash deposited by commercial banks shall be treated as shortages, no value will be given and the applicable discrepancy charges will be levied.

6. Destruction of dye-stained notes

Dye-stained notes shall be kept in the Bank's vaults for a period not exceeding six months unless a longer period is necessary owing to pending court proceedings and the Bank shall thereafter destroy such notes in accordance with the existing procedures.

7. Public education

(1) Cash in transit operators using cash defacement devices and seeking approval of these devices shall be required to educate the public, on an ongoing basis, to inform them of the operations of the devices, nature of defaced cash that results from explosion of the devices, where to report any such notes and any other relevant information.

(2) All material, content and other tools of proposed public education prepared by a cash in transit operator shall be submitted to the Bank for vetting and approval.

[Subsidiary]

(3) The Bank shall carry out independent public education on all aspects of the cash defacement devices but this shall be complimentary to and shall not absolve the licensed cash in transit operators from undertaking such public education.

(4) The Bank shall not be used in any way, whatsoever, to promote the sale and use of any devices or to indicate the Bank's endorsement of any brand of such devices.

8. Amendment of Terms and Conditions

The Bank, may amend, suspend or withdraw the whole or specific sections of these conditions, and shall duly give notice of any such amendment to all stakeholders within thirty days.

THIRD SCHEDULE

[r. 4(4) & r.(5), 5(8).]

FEES AND CHARGES

A. FEES

The following fees shall be payable by cash in transit operators?

- (a) Application fees KSh. 5,000
- (b) Initial licence fee KSh. 100,000
- (c) License renewal fees (annual) KSh. 100,000

B. REPLACEMENT CHARGES FOR DYE-STAINED NOTES

1. The Bank shall levy the following charges in respect of all approved claims for exchange of dye-stained notes presented for replacement:

- (1) KSh. 10 per dye-stained note in respect of attempted robbery claims.
- (2) KSh. 20 per dye-stained note in respect of accidental discharge.
- (3) KSh. 10,000 per cash in transit box being administrative costs.
- (4) KSh. 20,000 per cash in transit box, in respect of all cases in which the user of the cash in transit boxes has failed to comply with the manufacturer's specifications, in terms of packaging of the volumes and notes.

2. The Bank shall reserve the right to decline a claim in its entirety if willful non- compliance with the manufacturer's specifications, is proven.

3. The above fees or charges shall be subject to review from time to time.
