Mombasa based financial risk and investment expert Mihr Thakar told the Star that an aggregation of factors led to an explosion of short-term demand including backdoor loot conversion in light of the October 1 deadline to replace old Sh,1000 notes to new ones.

"Parties are attempting to avoid fallout from the impending demonetisation by moving through the formal system, albeit in an astute manner. They are fighting fire with fire," Thakar said.

Reuters had earlier attributed the depreciation to high demand of dollars by merchandise and oil importers. Financial Analysts Aly-Khan Satchu termed the variation as a meaningful move on twitter while others linked it to the recent exchange freeze order by Tanzania against Kenyan currency.

"Guess, it is the Bank of Tanzania announcement. Frantic panic dumping of shilling to get dollars? Twitter user Antivocative wrote.

The sudden jump may have prompted CBK to issue a statement alerting CEOs of commercial banks to ensure strict rules are followed when accepting old Sh1,000 notes to avoid money laundering.

"Financial institutions have a duty to prevent the financial system from being used as a channel to launder illicit funds. Commercial banks are therefore reminded of their Anti- Money Laundering obligations under section 44,45 and 46 of the Proceeds of Crime and Anti-Money Laundering Act, 2009," the statement read.

The act requires financial institutions to establish the true identity of a person transacting the money. It also states the financial institution should obtain necessary identification documents of the person involved in the transaction. They are also to establish the source and the purpose of the funds.

The shilling had strengthened to 101.39 against the dollar according to Google by the time of going to press. However, CBK quoted the shilling at 101.28.

SAFETY MEASURE

New rules to curb illegal trade in cooking gas

They will address illegal refilling, re-branding and counterfeiting

Gas cylinders on sale in Rongai on September 4, 2017 /**ENOS TECHE**

VICTOR AMADALA
@itsAmadala

It will no longer be mandatory for Liquefied Petroleum Gas traders and retailers to swap any brand of cylinder, Energy and Petroleum Regulatory Authority announced yesterday

In a raft of new regulations, EPRA director general Pavel Oimeke said the move aimed at enhancing user safety will also address illegal refilling, illegal re-branding and counterfeiting of gas cylinders.

In the new regulation, LPG brands will now be responsible for guaranteeing the safety of every cylinder.

The brands, which will only swap their cylinders for new ones through their own branded retail points, must also add safety instructions onto each cylinder, including guides on what to do if consumers smell a gas leak.

"The mandatory interchange of LPG cylinders has seen brands lose track of 90 per cent of the cylinders they had invested in, stalling investment and legal checks set aside as nameless re-fillers resell cylinders without accounting for safety breaches," Oimeke said.

He added that EPRA will no longer tolerate any gas cylinder that has not been properly checked between refills and is not fully labelled for safety and traceability.

In addition to the new regulations, government plans to increase LPG imports and storage at Mombasa, while the industry is increasing its investments in LPG cylinders six-fold.

The changes come as part of a government drive to position LPG as Kenya's primary cooking fuel to end the health and environmental problems caused by cooking with firewood and charcoal.

Olagoke Aluko, chairman of the Petroleum Institute of East Africa (PIEA) said tough regulations will see the end of illegal cylinder refilling in Kenya and will open the way for a projected seven-fold increase in LPG usage.

The PIEA, which represents the country's oil and gas industry, is working with government and regulators to achieve a widespread switch over to LPG, at a time when more than 70 per cent of Kenyans are still using firewood and charcoal for cooking.

"The pollution that dirty cooking fuels are creating in the home is killing tens of thousands of Kenyans a year," Aluko said.

Estimates suggest some 21,650 Kenyans are dying every year from air pollution, and 40 per cent of childhood deaths are being caused by respiratory diseases triggered by indoor cooking pollution.

"The country's dependency on firewood and charcoal has remained larger than for other countries in Africa as a result of disorders in the Kenyan LPG market," he said.