

PRESS STATEMENT

PROVISION OF MOBILE FINANCIAL SERVICES BY COMMUNICATIONS SERVICE PROVIDERS

1. The mobile financial services sector in Kenya has experienced phenomenal growth since its inception in 2007. The market has over 120,000 agents and more than 25 million users. The mobile money financial platform processes an average of two million transactions valued at six billion Kenya Shillings on a daily basis, making Kenya a global leader in mobile money service provision. Innovations in the mobile money transfer industry have given impetus to the access of mainstream banking services to Kenyans. Besides the revolutionary impact on financial systems, mobile technology has also provided access to banking services for the previously unbanked and created thousands of job opportunities. In this regard, it is an emerging market leadership platform to be consolidated for enhanced financial inclusion.
2. The Communications Authority of Kenya (CA) and Central Bank of Kenya (CBK) strongly support innovation in the financial services sector through the use of mobile telephony. Innovations in the communications and financial services sectors positively contribute to efficient and effective payment, clearing and settlement systems. In addition, innovation contributes to improved financial access that is a key attribute of the national financial inclusion agenda under Vision 2030.
3. The Communications Authority of Kenya is mandated under the Kenya Information and Communications Act, 1998 to regulate the Information and Communications Technology (ICT) sector. CA is guided by the principles of consultative processes in decision making; technology and service neutrality; compliance with national and international standards and laws; fair competition; and non-discriminatory practices. In 2008, CA adopted a technology and service neutral licensing framework referred to as Unified Licensing Framework (ULF) which collapsed communication licenses to three categories: Network Facilities Provider (NFP), Application Service Provider (ASP) and Content Service Provider (CSP). It is against this background that CA licensed three ASPs to provide Mobile Virtual Network Operator (MVNO) services. The MVNO concept allows provision of mobile communication services without owning radio spectrum infrastructure.
4. The Central Bank of Kenya under the provisions of the Central Bank of Kenya Act is responsible for the formulation and implementation of policies that best promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems. This underscores CBK's commitment to the development of Kenya's financial system in enhancing stability, efficiency and accessibility. Further, the Central Bank of Kenya is mandated to regulate the National Payment System within the provisions of the National Payment System Act, 2011 and the National Payment System Regulations, 2014. The strategy of partnership and consultation with other regulators has worked well in all aspects of the Bank's regulatory duty.
5. Subsequent to obtaining a CSP licence from CA, firms, including MVNOs, that desire to offer mobile financial services are required to apply for authorization from CBK. The Central Bank ensures that the design and operations of payment service providers continuously address risk management issues and provide adequate consumer protection as well as fair competition. Specifically, Regulation 24 of the National Payment System Regulations 2014 requires payment service providers to comply with the applicable technical and international standards.

In order to foster interoperability, authorized payment service providers are encouraged to offer their services through a payment service provider management body.

6. The CBK and CA have addressed the issues of risk mitigation, consumer protection and competition associated with introduction of new technology by various communications providers. We have communicated to our respective regulated entities in the telecommunications and banking sectors.
7. The Central Bank of Kenya and the Communications Authority of Kenya will continue to provide oversight to communications licensees providing mobile financial services, in order to enhance access and ensure adequate consumer protection.



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