



**GUIDELINES FOR APPLICATION FOR THE AUTHORISATION OF  
PAYMENT SERVICE PROVIDERS**

**BANKING SERVICES, NPS & RISK MANAGEMENT DEPARTMENT**

**CENTRAL BANK OF KENYA  
JUNE 2014**

## **Authorisation of a Payment Service Provider (Electronic Retail Payment and E-Money Issuance)**

To qualify for authorisation, your firm will need to seek approval from the Central Bank of Kenya and must meet all the conditions listed in National Payment System Act, 2011 and the NPS Regulations, 2014.

You will need to give us detailed information about proposed services as listed in the A-Z of the authorisation matrix, including, among other things:

- details of the payment services business you will conduct.
- the governance arrangements and internal procedures in place.
- how you will meet the capital requirements.
- details of the individuals responsible for the management of the proposed payment service provider.

### **Forms**

If your firm meets these conditions and wants to apply, please fill out the Application for authorisation as set out in the NPS Regulations, 2014 in Form 1 as set out in the First and Second Schedules.

### **Submit the Application form to:**

**DIRECTOR,  
BANKING SERVICES, NPS & RISK MANAGEMENT DEPARTMENT  
CENTRAL BANK OF KENYA  
HAILE SELASSIE AVENUE  
P.O BOX 60000 – 00200  
NAIROBI**

### **Application Process**

If you still cannot find the information you need, then please call our National Payments System Division on 2861127, who will be able to provide advice and guidance.

### **Documentations**

To ensure your application is processed in good time, please make sure to submit all the required documentations as specified in the NPS Regulations, 2014.

### **How long will the application take?**

As stated in the NPS Regulations, 2014 Section 5 of the Application process, the Central Bank will make a decision on a complete application (i.e. where enough information/evidence has been received for a decision to be made) within 7 days of receipt of authorisation fees, will issue an authorisation certificate.

### **How much will it cost to apply?**

Please note that the appropriate application fees as set out in the First Schedule should be submitted with your application. The application fee is non-refundable.

## **GUIDELINES OF AUTHORISING A PAYMENT SERVICE PROVIDER**

The following are the key steps to follow in applying for authorisation of a payment service provider under the NPS Act, 2011 and Regulations issued thereunder;-

A person seeking to be authorised as a payment service provider shall apply in writing to the Bank for an authorization

The Bank may, within thirty days of receiving an application request for additional information from the applicant if the information submitted is not complete or if the Bank considers it necessary.

### **Stage 1: Approval of Name**

#### **A. Company Name Approval**

- I. Contact the Central Bank of Kenya at an early stage for a preliminary meeting to discuss authorisation requirements and related issues.
- II. Submit to the Central Bank of Kenya at least three (3) proposed names in order of preference.
- III. The applicant will reserve the acceptable name with the Registrar of companies.
- IV. Any name approved by the Bank shall not be used for any purpose unless and until the Bank has granted the applicant an authorisation.
- V. The name approved is valid for 12 months from the date approval is granted by the Central Bank within which the applicant should have received an authorization to carry out payment service business

#### **B. Product Name Approval**

- I. Submit to the Central Bank of Kenya the proposed product name in order of subject to any intellectual property rights that may be in existence but unknown to the Bank.
- II. Any name approved by the Bank shall not be used for any purpose unless and until the Bank has granted the applicant an authorisation.

## **Stage 2: Application for Authorisation**

- (a) Complete and submit a certified Application Form 1 as set out in the First Schedule of the National Payment System Regulations, 2014 to CBK accompanied by all supporting documents, including;
- i. Certified copy of the Certificate of Incorporation and the memorandum and articles of association indicating core capital as per the First Schedule.
  - ii. Certified copy of the Tax Personal Identification Number (PIN) Certificate
  - iii. For a mobile payment service provider,
    - i. a certified copy of valid license from the Communication Commission of Kenya.
    - ii. Certified copy of the management agreement where a custodial Trust relationship exists with the mobile payment service provider.
  - iv. The type of services to be offered as well as the program of operations to offer these services.
  - v. A business plan (*with details as specified in Annex 1 of the First Schedule*) including an indicative budget for the first three financial years which demonstrates that the applicant is able to operate efficiently and safely. Submit the business plan covering the following but not limited to;
    - i. Background
    - ii. Governance structure including ownership;
    - iii. Audited financial statements for at least three years;
    - iv. Identity of directors and persons responsible for the management of the payment service provider, the custodial trustee.
    - v. Proposed structure and internal controls
    - vi. The proposed Risk Management Policies and Procedures and internal systems manual, and
    - vii. Legal and regulatory compliance function.

vi. a description of-

- (i) the governance arrangements of the applicant and internal control mechanisms, including administrative, risk management and accounting procedures, which demonstrates that these governance arrangements, control mechanisms and procedures are proportionate, appropriate, sound and adequate;
  - (ii) the internal control mechanisms which the applicant has established to comply with its anti-money laundering obligations as set out in the Proceeds of Crime and Anti-Money Laundering Act, the Prevention of Terrorism Act and the relevant Regulations and guidelines;
  - (iii) the structural organisation of the applicant including, where applicable, its intended use of agents, cash merchants, branches and outsourcing arrangements, and its participation in a national or international payment
- (b) Description of how the payment service provider shall settle the payment obligations arising from its provision of electronic retail transfers;
  - (c) Verified official notification of the company's registered place of business, including the prospective places of business (Head Office, branches, agency and outlets, if any)
  - (d) Terms and conditions that will apply to its customers, agents and cash merchants;
  - (e) Current tax compliance certificate from the Kenya Revenue Authority;
  - (f) Latest report from the Credit Reference Bureau;
  - (g) Where the applicant is a subsidiary of a foreign company, a letter of no objection from the home regulatory authority recommending them to establish a payment system in Kenya should be obtained;
  - (h) Provide evidence that the payment service provider holds the initial capital set out in the First Schedule;
    - i. Evidence should be reflected in a bank statement of a licensed bank or microfinance institution indicating the isolated funds and/or Government of Kenya Treasury Bills and Bonds not under lien

- ii. Evidence should either be in the name of the company and/ or the promoters/ shareholders of the company
  - iii. The promoters/ shareholders should give the Central Bank authority to verify the authenticity of the bank statement directly from the bank or microfinance institution.
  - iv. The promoters/ shareholders should provide the distribution or allocation (ultimate beneficiaries, citizenship, amount and percentage) of core capital to each individual promoter/ shareholder and/ or company, indicating significant shareholders/ promoters (owning at least 5% of the share capital)
- (i) Pay a non-refundable application fee of Kshs. 5,000 to the Central Bank by Bankers cheque or by such other mode of payment as the Central Bank may prescribe.
  - (j) Any other documents or information as the Bank may require.
  - (k) Duly completed and submit the “Fit and Proper Forms” for all significant shareholders, Trustees, Directors and Managers in control of payment service provider.

For individual natural persons

- i. Curriculum Vitae and certified copies of academic and professional certificates.
- ii. Evidence and disclosure of the source of funds e.g certified copies of bank statements, fixed deposits and or government securities.
- iii. Certified copies of National Identity Card and Personal Identification Number (PIN) certificate.
- iv. Four recent colour passport size photographs, of which at least one must be certified.
- v. Names of three independent referees who have known the proposed shareholder/officer for at least 5 years, giving detailed contacts including postal addresses, e-mail and telephone numbers.
- vi. A recent (not more than three months since issuance) credit report from a licensed credit reference bureau.

For Companies, Firms or Other Corporate Entities:

- i. Certified copy of the Certificate of Incorporation of the company or Certificate of Registration of Business or other entity
- ii. Certified copy of the Memorandum and Articles of Association, Partnership Agreements or Constitution of the Association/body
- iii. Certified copy of the organization's Personal Identification Number (PIN) certificate
- iv. Resolution of the Board of Directors or General Meeting authorizing the investment
- v. Where the entity is regulated, the name and addresses of the Regulator and a certified copy of licence to operate
- vi. Audited Financial Statements for at least the last three years
- vii. Evidence of, and disclose source of funds e.g. certified copies of bank statements, fixed deposit receipt, government securities
- viii. Total number of and the percentage of shares to be acquired
- ix. Ultimate beneficiaries of shares to be acquired
- x. A credit report from a licensed credit reference bureau

Foreign Companies

Foreign companies intending to set up a local subsidiaries will be required to submit further information including but not limited to –

- i. A copy of the board resolution authorizing the entity to invest in the business of payment service in Kenya,
- ii. Historical background of the foreign entity
- iii. Letter of no Objection from the Home Supervisory Authority.

- iv. Signed declaration by the board of directors to adhere to the NPS Act and Regulations issued thereunder and other relevant Kenyan Laws at all times during the validity of the authorisation.
- v. List of all countries they operate from including the details of respective regulators.

### **Stage 3: Authorisation**

Upon assessment and fulfillment of all the requirements in stage two, and three;

- i. Where the Central Bank is satisfied that the applicant has met all the application requirements, the Bank shall within seven days of receipt of authorisation fees, issue an authorisation permitting the applicant to commence business of payment services.
- ii. Where the Bank rejects an application for authorisation, the Bank shall communicate the reasons for its decision to the applicant within seven days.
- iv. The Bank may, where the Bank rejects an application impose conditions to be complied with by the applicant before the applicant can re-submit the application for consideration.
- v. The Bank may approve an application which has previously been rejected, if the Bank is satisfied that the applicant has complied with all conditions imposed under paragraph

### **Stage 4: Renewal**

An application for renewal of authorisation as a payment service provider shall be made to the Bank at least two months prior to the expiry of authorisation and shall be;

- i. in Form 2 as set out in the First Schedule;
- ii. accompanied by any other information as the Bank may require;
- iii. submitted with annual renewal fees as set out in the First Schedule;