



## RECENT MEDIA REPORTS AND QUERIES ON THE CENTRAL BANK OF KENYA (CBK) AND MOBILE PHONE FINANCIAL SERVICES

---

The attention of the Central Bank has been drawn to recent media reports and queries on a mobile phone banking and payment product proposed to be rolled out by commercial banks in conjunction with Zain, a mobile phone services provider. The reports and queries relate to the approval of the product by CBK. Accordingly, the Central Bank wishes to clarify as follows:-

1. **CBK DOES NOT REGULATE MOBILE PHONE PROVIDERS SUCH AS ZAIN**, as they are licensed by the Communications Commission of Kenya (CCK). The interface between mobile phone financial services and CBK is via the commercial bank they use as a platform. *Therefore, contrary to media reports, the issue of a dispute between CBK and Zain does not arise, CBK has no direct relationship whatsoever.* The factual position is that Zain in the last quarter of 2008 approached banks under the regulatory purview of the Central Bank to partner in rolling out a mobile phone based banking and payments solution.

Meetings were held on this initiative and one of the banks formally applied to the Central Bank of Kenya for approval to launch this mobile banking product in October 2008. The bank's application was then subjected to a comprehensive

review to ensure that it complies with prudential and statutory requirements as stipulated by the Banking Act and CBK Act and guidelines issued there-under. The Central Bank's review also focused on the safety, reliability and efficiency of the product to ensure that the public interest is safeguarded. Issues that were required to be addressed before the product could be rolled out were then identified. The bank and CBK held several successive meetings where the issues were brought to the attention of the former. The matters raised by the Central Bank are still being addressed by the bank.

2. It is the responsibility of the Central Bank to ensure that any product introduced in the market by a bank is safe, efficient and reliable and the public interest is safeguarded. It therefore follows that the proposed mobile phone product can only be rolled out after the issues raised by the Central Bank are addressed by the applicant bank.
  
3. The Central Bank of Kenya underscores its' commitment to the development of Kenya's financial system to enhance its' stability, efficiency and accessibility. The Bank therefore welcomes innovations that will act as a catalyst towards this end. The Bank also remains cognizant of the tremendous potential that the mobile phone offers in pushing forward Kenya's financial access frontier. In this regard, the National Payments System (NPS) Bill is currently under discussions by relevant players. Once enacted, the Bill will further strengthen the functioning of payments systems. The Central Bank is also open to constructive engagement with market players who are interested in providing safe, sound and reliable financial services to Kenyans. *Further, the Central Bank assures the public that it supports innovations in the market that will promote a stable, efficient but safe and reliable financial system.*

**CENTRAL BANK OF KENYA**

**26<sup>TH</sup> JANUARY 2009**