

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

Haile Selassie Avenue
P. O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 340192

BANKING CIRCULAR NO. 2 OF 2010

TO CHIEF EXECUTIVES OF COMMERCIAL BANKS, NON-BANK FINANCIAL INSTITUTIONS AND MORTGAGE FINANCE COMPANIES

GUIDELINE ON AGENT BANKING

Pursuant to Vision 2030, Kenya aspires to be a middle income country by the year 2030. The financial services sector has been identified as key in mobilising funds to implement Vision 2030 flagship projects. It is expected that Kenya will have developed a stable, efficient and inclusive financial sector which will be an engine to the development of other economic sectors.

To achieve the Financial Services 2030 goal, there is compelling need to hasten financial penetration of the Kenyan populace. According to the 2009 National Financial Access Survey, 32% of Kenya's bankable population are totally excluded from the financial services orbit. This situation requires immediate attention.

Considering the impediments which lie in the way of institutions in establishing their outreach or presence in all corners of the country, the Government amended the Banking Act through the Finance Act, 2009, to permit institutions to contract third parties to provide certain banking services on their behalf in the manner prescribed by the Central Bank.

Outsourcing of some of the banking services in the manner allowed under the Banking Act carries with it risks which need to be mitigated by providing a clear regulatory framework within which agent banking business should be carried out.

In the exercise of the powers conferred by section 33(4) of the Banking Act which empowers the Central Bank to issue guidelines to be adhered to by institutions in order to maintain a stable and efficient banking and financial system and in accordance with the powers conferred by section 2(1) of the Banking Act (definition of "agency"), the Central Bank has formulated the Guideline on Agent Banking to prescribe the manner in which agent banking business should be carried out. This will ensure that the introduction of third parties into the banking business will not compromise the supervision, safety and soundness of the banking sector.

The purpose of this Circular is therefore to issue the Guideline on Agent Banking to all commercial banks, mortgage finance companies and non- bank financial institutions and advise that the Guideline will be effective from 1st May, 2010. This Guideline is currently available on the CBK website <http://www.centralbank.go.ke>.

The above Guideline is issued under Section 33(4) of the Banking Act and all institutions should note that a breach of this Guideline attracts remedial measures as specified under the Banking Act and Regulations there under.



F. P. K. PERE
DIRECTOR, BANK SUPERVISION

30th April 2010

cc: **Chief Executive Officer**
Kenya Bankers Association
Transnational Plaza
NAIROBI