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BANKING CIRCULAR NO. 6 OF 2022

TO: ALL CHIEF EXECUTIVE OFFICERS OF COMMERCIAL BANKS AND MORTGAGE FINANCE COMPANIES

RESUMPTION OF CHARGES FOR TRANSFERS BETWEEN MOBILE MONEY WALLETS AND BANK ACCOUNTS

1.0 Background

On March 16, 2020, the Central Bank of Kenya (CBK) announced emergency measures to facilitate increased use of mobile money transactions instead of cash, in the context of the COVID-19 pandemic. The measures included increased wallet and transaction limits, elimination of charges for person to person transfers of up to Ksh.100 and for transfers between mobile money wallets and bank accounts. These measures run until June 30, 2020, and were extended until December 31, 2020, after a review. However, the measure on elimination of charges for transfers between mobile money wallets and bank accounts has continued to date.

CBK notes that these measures were timely and highly effective in facilitating official and personal transfers at a time of great need. Further, CBK assesses that the increased wallet and transactions limits have led to increased usage at higher amounts and greater convenience. Consequently, Kenya's payments eco-system has expanded significantly between March 2020 and October 2022.

- The number of Kenyans actively using mobile money increased by over 6.2 million.
- The monthly number and value of Person to Person (P2P) transactions increased from 162 million transactions worth Ksh. 234 billion, to 440 million transactions worth Ksh. 399 billion, an increase of 172 percent and 71 percent, respectively.
- Monthly volume and value of transactions between PSPs and banks increased from 18 million transactions worth about Ksh.157 billion, to over 113 million transactions worth Ksh.800 billion, an increase of 528 percent and 410 percent, respectively.

For the banking sector, there has been a general increase in transactions outside branches during the pandemic.

- Pre-Pandemic, 91.7 percent and 36.4 percent of transactions by number and value respectively were conducted outside branches.
- During the pandemic, 96.6 percent and 46.5 percent of transactions by number and value respectively were conducted outside branches.

- Transactions number and value on digital channels (mobile phone and internet) have increased from 57.7 percent and 26.9 percent pre-pandemic to 80.3 percent and 38.9 percent respectively during the pandemic.
- Transactions on the mobile phone have increased from 56 percent pre-pandemic to 77 percent during the pandemic, with the value increasing from 9 percent pre-pandemic to 16 percent during the pandemic.

2.0 Resumption of Charges

In light of the significant expansion of Kenya's payments ecosystem since March 2020, CBK has reassessed the remaining emergency measure. This is with the objective of consolidating the gains made so far and also facilitate a transition towards sustainable growth of the mobile-money ecosystem. Following consultations with commercial banks and PSPs, a revised maximum pricing structure will be implemented from **January 1, 2023**, with the following elements.

1. There will be no charge for transfers between PSPs and banks of up to Ksh.100.
2. Revised maximum charges for transfers from bank accounts to mobile wallets will be reduced by up to 61 percent, and mobile wallet to bank accounts by up to 47 percent from pre-pandemic levels.
3. Tariffs for pay bills that are used to collect and disburse funds by businesses, companies and institutions such as schools and utilities will be reduced by up to 43 percent.
4. Bank charges for bank to mobile wallet transactions will be reduced by on average 45 percent from pre-pandemic levels.
5. The revised maximum charges for these transfers will be announced by respective PSPs and banks, and will be effective from **January 1, 2023**.

Additionally, the revised pricing structure is aligned to the *Pricing Principles*¹. The objective of the *Principles* is to support the development of an efficient, safe and stable payments and mobile money ecosystem where the customer and public interests are adequately protected.

CBK has separately communicated to PSPs regarding the maximum charge for bank to wallet transactions. Consequently, any arrangements that PSPs enter into with banks should ensure that the aggregate cost to customers does not exceed the total maximum cost approved by CBK as indicated in the **Annex**.

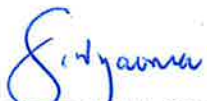
¹ The **Pricing Principles** were issued by CBK on December 17, 2020, as the guiding framework for setting tariffs and charges for mobile money services. The Pricing principles relate to; *customer centricity, transparency and disclosure, fairness and equity, choice and competition and affordability*.

3.0 Purpose of this Circular

The purpose of this circular is to advise commercial banks and mortgage finance institutions.

- (a) On the expiry of the emergency measure on *Elimination of Charges for Transfers Between Mobile Money Wallets and Bank Accounts* on **December 31, 2022**.
- (b) On the resumption of revised maximum pricing structures by banks on transfers from bank accounts to mobile wallets from **January 1, 2023**. This is in accordance with the elements laid out in 2.0 above and to a maximum amount as indicated in the **Annex**.
- (c) To apply to CBK for resumption of charges on transfers from bank accounts to mobile wallets pursuant to the *Banking (Increase of Rate of Banking and Other Charges) Regulations, 2006*.
- (d) To notify their customers of the charges once approved by CBK pursuant to the *Prudential Guideline on Consumer Protection (CBK/PG/22)*.
- (e) To display the charges at their branches and disclose them in other communication channels pursuant to the *Prudential Guideline on Consumer Protection (CBK/PG/22)*.

Yours faithfully,


GERALD NYAOMA
DIRECTOR, BANK SUPERVISION

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Chief Executive Officer
Kenya Bankers Association
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NAIROBI

ANNEX

MAXIMUM BANK CHARGES FOR TRANSACTION BETWEEN BANKS AND PAYMENT SERVICE PROVIDERS (MOBILE WALLETS)

| Amount transferred Ksh. | | Bank to Mobile Wallet | | | Mobile Wallet to Bank | | |
|-------------------------|---------|-----------------------|-----------------|-------------------------------|-----------------------|-----------------|-------------------------------|
| | | Bank charge Ksh. | PSP charge KSh. | Total charge to customer Ksh. | Bank charge Ksh. | PSP charge KSh. | Total charge to customer Ksh. |
| | | 0 | 0 | 0 | 0 | 0 | 0 |
| 1 | 100 | 0 | 0 | 0 | 0 | 0 | 0 |
| 101 | 500 | 6 | 5 | 11 | 0 | 6 | 6 |
| 501 | 1,000 | 8 | 7 | 15 | 0 | 12 | 12 |
| 1,001 | 1,500 | 10 | 8 | 18 | 0 | 22 | 22 |
| 1,501 | 2,500 | 15 | 10 | 25 | 0 | 28 | 28 |
| 2,501 | 3,500 | 25 | 10 | 35 | 0 | 34 | 34 |
| 3,501 | 5,000 | 35 | 12 | 47 | 0 | 40 | 40 |
| 5,001 | 7,500 | 45 | 12 | 57 | 0 | 45 | 45 |
| 7,501 | 10,000 | 55 | 12 | 67 | 0 | 50 | 50 |
| 10,001 | 15,000 | 55 | 12 | 67 | 0 | 57 | 57 |
| 15,001 | 20,000 | 55 | 12 | 67 | 0 | 60 | 60 |
| 20,001 | 25,000 | 55 | 15 | 70 | 0 | 69 | 69 |
| 25,001 | 30,000 | 55 | 15 | 70 | 0 | 78 | 78 |
| 30,001 | 35,000 | 55 | 15 | 70 | 0 | 87 | 87 |
| 35,001 | 40,000 | 55 | 15 | 70 | 0 | 96 | 96 |
| 40,001 | 45,000 | 55 | 15 | 70 | 0 | 105 | 105 |
| 45,001 | 50,000 | 55 | 15 | 70 | 0 | 105 | 105 |
| 50,001 | 70,000 | 55 | 15 | 70 | 0 | 105 | 105 |
| 70,001 | 150,000 | 55 | 15 | 70 | 0 | 105 | 105 |