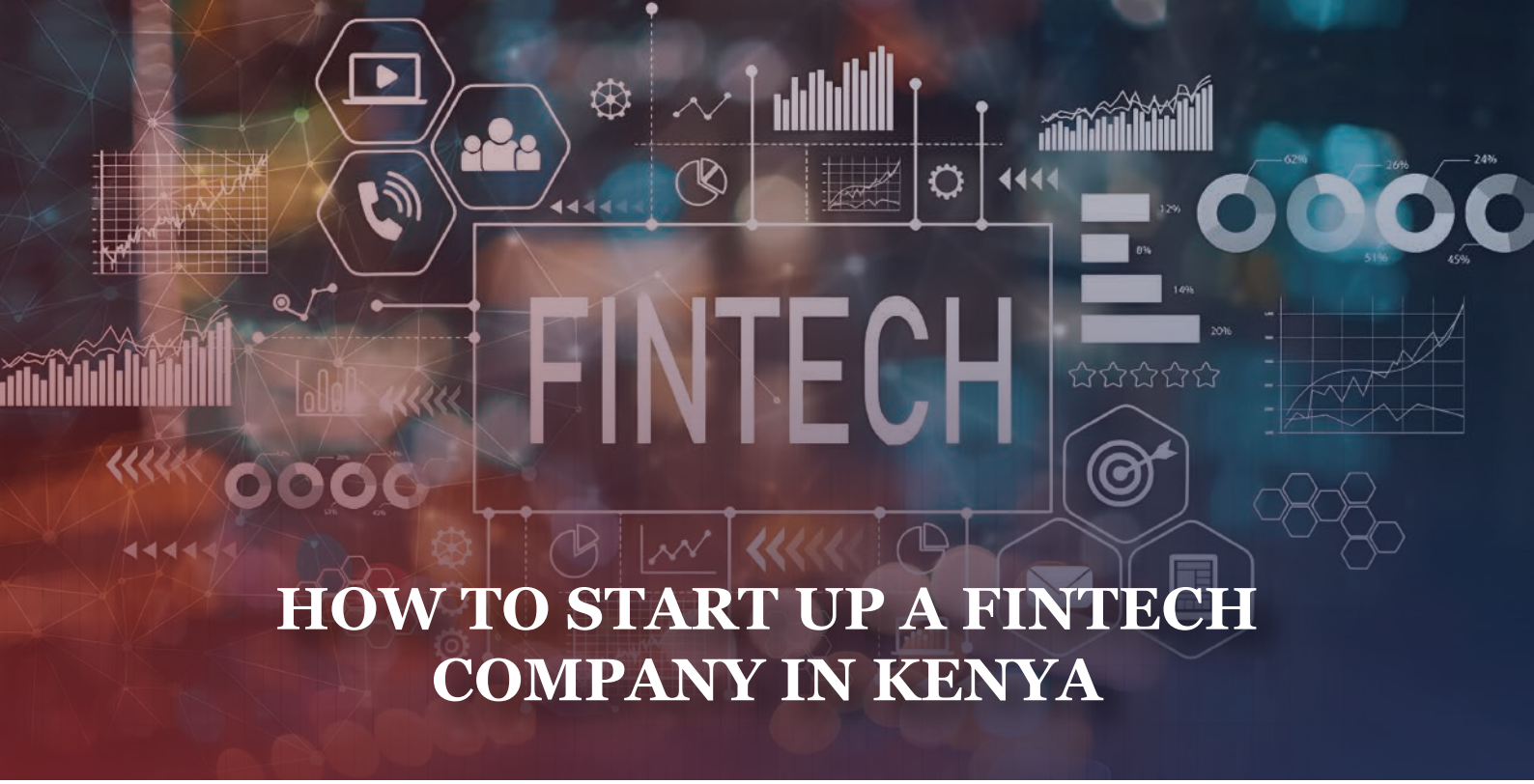


HOW TO START UP A FINTECH COMPANY IN KENYA

INTRODUCTION

Kenya has emerged as a leading financial technology (fintech) hub for innovation in Africa, driven by a wide digital payments ecosystem, a growing tech-savvy population, and progressive regulatory frameworks. The fintech sector in Kenya has been shaped immensely by mobile money, particularly M-Pesa, which laid the foundation for a dynamic fintech landscape.

Establishing a fintech company in Kenya requires careful consideration of legal and regulatory systems. Entrepreneurs and startups must navigate licensing requirements, compliance obligations and technological infrastructure to operate their businesses successfully.

The following are the key steps for setting up a fintech company in Kenya;

1. INCORPORATION OF A COMPANY

A fintech company should be duly incorporated under the Companies Act, 2015, obtain a PIN, register for tax compliance (VAT, PAYE, and corporate tax), and register with NSSF and SHIF if it is planning to hire employees.

2. OBTAINING REGULATORY APPROVALS AND LICENSES

The key regulators in the fintech sector in Kenya are the Central Bank of Kenya (CBK), the Capital Markets Authority (CMA), and the Communications Authority of Kenya (CA), which set guidelines for fintech operations, including digital lending, payments, mobile money payments, and blockchain technologies/virtual assets.

Recently, regulatory authorities in Kenya decided to embrace the use of virtual assets in Kenya by aiming to strike a balance between encouraging technological innovation and implementing strong regulatory frameworks to ensure financial stability, protect consumers, and uphold international standards. In line with this progressive spirit, the government drafted the National Policy on Virtual Assets and Virtual Asset Service Providers and the Virtual Asset Service Providers Bill, 2025.

Once the Bill is enacted into law, entities already offering virtual asset services must apply for a Virtual Asset license within six (6) months. During this period, they may

continue their operations until their license application is either approved or denied.

Other regulatory bodies may include the Insurance Regulatory Authority (IRA), which regulates fintechs dealing with insurance products and the ODPC which regulates fintechs that handle personal data.

The fintech company will then adhere to standards and requirements set by the CBK and relevant regulatory bodies. These include compliance with minimum capital requirements, governance standards, and consumer protection measures.

3. DEVELOP A STRONG COMPLIANCE AND RISK MANAGEMENT FRAMEWORK

This involves developing or acquiring a secure fintech financial services platform with strong cybersecurity features while ensuring compliance with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations. Additionally, fintech companies in Kenya must adopt measures to prevent fraud and counter the financing of terrorism (CFT). The Capital Markets Authority (CMA) supports innovation through its regulatory sandbox, which allows fintech companies in Kenya to test products in a controlled environment before market launch.

The company is also required to establish clear terms and conditions for customer transactions. Lastly, regular review of regulatory provisions is key to maintaining compliance.

4. OPENING A BANK ACCOUNT IN KENYA

This is important if a company intends to carry business in or from Kenya. There are banks with fintech-friendly services to facilitate transactions and financial operations. Some companies may also consider partnerships with banks or payment service providers (regulated by the Central Bank of Kenya) for financial infrastructure support.

5. COMPLY WITH ONGOING REPORTING OBLIGATIONS

Once a fintech company obtains a license from the CBK and other regulatory bodies, it must adhere to various ongoing and reporting obligations like submitting financial reports, changes to the company structure and annual renewal of licenses.

CONCLUSION

Setting up a fintech company in Kenya presents numerous opportunities due to the country's expansive digital economy. Companies that comply with the evolving regulatory framework coupled with innovation stand to have a competitive edge.

The Corporate and Commercial Business Unit at CM Advocates LLP is well versed in matters relating to business set-up advisory, fintech and related regulations. Our expertise includes registration and licensing of fintech companies, post-incorporation services, regulatory compliance, corporate governance, contract drafting and review.



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