

REGULATION OF MONEY REMITTANCE PROVIDERS IN KENYA

The growth of global mobility and cross-border trade has increased the need for reliable and efficient channels for sending and receiving money. In Kenya, Money Remittance Providers (MRPs) play a crucial role in this process, acting as intermediaries that enable individuals and businesses to transfer funds both into and out of the country.

With remittances contributing significantly to Kenya's economy especially from the diaspora, the Central Bank of Kenya (CBK) has taken a proactive role in establishing a regulatory environment that promotes trust, consumer safety and financial stability. MRPs must operate under a licence issued by the CBK and comply with strict operational, financial, and governance requirements.

This article outlines the key stages in the licensing journey for MRPs in Kenya. It explores what is required from prospective applicants, from name reservation and capital requirements to governance standards and due diligence. It is intended to guide investors, fintechs and other stakeholders who are considering venturing into the money remittance space within the Kenyan legal and regulatory framework.

Establishing MRPs requires strict adherence to the regulatory framework set by the Central Bank of Kenya (CBK) under the Central Bank of Kenya Act and the Money Remittance Regulations, 2013.

LICENSING BY THE CENTRAL BANK OF KENYA

It is essential to understand the process of applying for a CBK licence as highlighted below;

1. Business Name Approval

The first step is to propose and reserve at least three (3) business names with the Registrar of Companies, ensuring they include terms like "money remittance" or "money transfer". The proposed names should be forwarded to the CBK for approval in the order of priority before incorporation.

2. Licence Application Submission

After incorporating the company as a private limited entity, fill out and submit the certified

application form and attach the required documents which include the certificate of incorporation, evidence of the minimum core capital, a comprehensive feasibility study and business plan.

3. Application Fee Payment

Submit a non-refundable application fee of KES 20,000 to the CBK via banker's cheque or RTGS.

4. Fit and Proper Assessment

Complete and submit the Fit and Proper Forms for all significant shareholders and proposed directors, accompanied by supporting documents including evidence of the source of funds, and credit references from a licensed credit reference bureau.

5. Letter of Intent

The CBK will issue a letter of intent indicating approval after it has satisfactorily reviewed the application for a licence, after which the company is required to pay a licence fee of KES 100,000, provide a security instrument of at least KES 5 million or 1% of projected first year turnover, submit the fit and proper forms for key senior officers among others.

6. Licence Issuance

After meeting all stipulated requirements, the CBK will conduct a final assessment of the Company's management information systems, internal controls and institutional structures. If satisfied, the CBK will issue a licence authorizing the Company to commence money remittance operations.

CONCLUSION

Kenya's regulatory environment for money remittance is robust and transparent, designed to protect consumers and ensure stability.

For support in navigating the licensing process, including corporate structuring, regulatory liaison and compliance advisory, feel free to reach out to our team at CM Advocates LLP.

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