



Central Bank of Kenya

How the Kenyan Payment System is enabling cross-border payments and international remittances

National Remittance Stakeholder Network (NRSN)

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1. Mandate of CBK

2. Kenya's payment and remittance landscape

3. Challenges of cross-border payments

4. Aim of regulatory and International bodies and other stakeholders

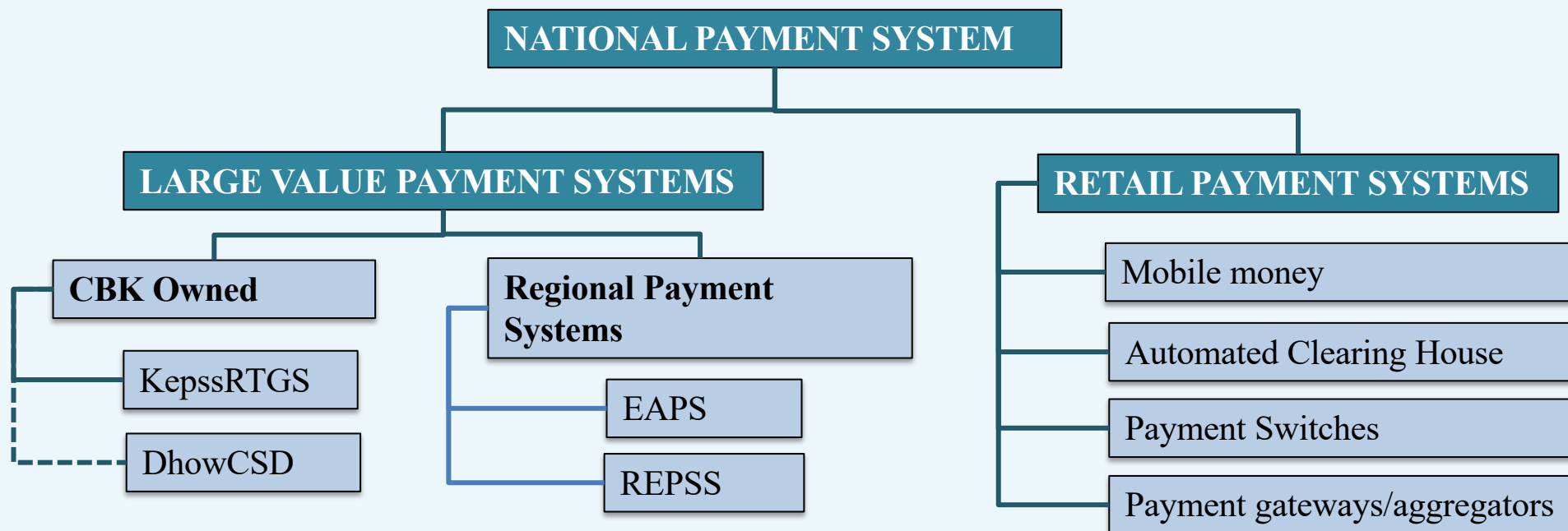
5. The General Principles for International Remittance Services

6. Initiatives to improve the payments & remittance landscape

1. Mandate -Legal and Regulatory Framework

- 1. The Constitution of Kenya, 2010 Article 231**
- 2. Central Bank of Kenya Act, Section 4 A (i)d)**
 - Mandate to formulate and implement such policies as to best promote the establishment, regulation and supervision of efficient, effective payment, clearing and settlement systems.
- 3. National Payments System (NPS) Act, 2011 & Regulations (2014)**
 - Make provision for the regulation and supervision of payment systems and payment service providers.
- 4. CBK Act Section 57 – Power to Issue Regulations – Money Remittance Regulations 2013**
 - Makes provisions for licensing and supervision of money remittance business in Kenya
- 5. Other – Guidelines and Directives**
- 6. International Standards - examples**
 - CPMI – Principles of Financial Market Infrastructures (PFMI)
 - General Principles for International Remittance Services (GPIRS)
 - FATF Recommendations on AML/CFT

2. Payments Landscape – NPS



EAPS - East African Payment System for the EAC

REPSS - Regional Electronic Payment Settlement System for COMESA

2. Payment Landscape Cont'd - Sample Authorized PSPs

E-Money Issuers



E-wallet Providers



Payment Switches



Payment Gateways & Aggregators



2. Payment Landscape cont'd .. Money Remittance Providers

- MRPs licensed after issuance of **MRP Regulations in 2013**
- As of September 2023, there were **20 licensed MRPs** in Kenya
- The MRPs outlets - **51 out of which 43 are in Nairobi and 4 each in Mombasa and Garissa**
- MRPs agents - **59 agents** that are distributed across the country - **46%** of the agents are licensed **forex bureaus** that provide remittance services on behalf of the MRPs.
- Key players are **commercial banks, MRPs** and **mobile money operators**.
- Remittance inflows continues to be a stable source of foreign exchange to the country's economy and amounted to **Kes 301 billion** in 2022, while outflows amounted to **Kes 70 billion**

3. Challenges of cross-border payments: Remittances

- a) **High Costs:** Cross-border transactions often involve high fees, especially for low-value payments, discouraging individuals and small businesses.
- b) **Low Speed:** The processing of cross-border payments can be slow, impacting the timely transfer of funds.
- c) **Limited Access:** Some individuals and businesses, particularly in unbanked or fragile regions, may struggle to access cross-border payment services.
- d) **Insufficient Transparency:** The lack of transparency in fees and exchange rates can lead to confusion and mistrust among users.

4. Aim of regulatory and International Bodies and other stakeholders

Making cross-border payments, including remittances;

- Faster
- Cheaper
- More transparent and inclusive,
while maintaining their safety and security

This would have widespread benefits for;

- Citizens
- Businesses
- Economies worldwide, supporting **economic growth, international trade, global development, and financial inclusion**

5. The General Principles on Remittance

Transparency and Consumer Protection. The market for remittance services should be transparent and have adequate consumer protection

Payment System Infrastructure. Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.

Legal and Regulatory Environment. Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions

Market Structure and Competition. Competitive market conditions, including appropriate access to domestic payment infrastructures, should be fostered in the remittance industry.

Governance and Risk Management. Remittance services should be supported by appropriate governance and risk management practices.

6. Kenya's efforts in improving the payments landscape

1. **Development of the National Payments Strategy 2022-2025.** The purpose of the strategy is providing a framework to guide the current and future payment services anchored on the vision, *‘ a secure, fast, efficient and collaborative payment s system that supports financial inclusion and innovations that benefits Kenyans*

Trust – A system which guarantees that payments will be made and received in a timely and reliable manner

Security – A resilient system that safeguards all payments and channels in an increasingly digital world

Usefulness – A system that meets customer needs, especially among the financially excluded, in a cost-effective manner.

Choice – Availability of feasible options resulting from collaboration among different players in the payments ecosystem.

Innovation – An ecosystem that produces customer-centric and value adding solutions which also compete on the global stage

Kenya's efforts in improving the payments landscape cont...

- 2. Upgrade of the Kenyan Real Time Gross Settlement System(RTGS)** with a 24/7 functionality and higher transaction capabilities. This will increase access time and the volume of transactions
- 3. Integrating the RTGS with the Regional Payment and Settlement Systems** i.e REPSS for COMESA and EAPS for EAC to enhance the intra-regional trade and Cross-Border Payments
- 4. Adoption of the ISO 20022 messaging standards** a global initiative, which aims to achieve harmonized standards for the exchange of high-value payment messages and model for payment data with enriched data sets and greater structure to promote end to end automation and tracking of transactions
- 5. Issuance of the “Pricing Principles” framework** to promote cost-effective payment services. The Pricing Principles include; customer centricity, transparency and disclosure, fairness and equity, choice and competition, and affordability

Kenya's efforts in improving the payments landscape cont...

6. Review of the NPS Law and Regulatory framework to align it *with the current developments and emerging realities in the payments sector, domestically and globally*

Diaspora Remittance Data Initiatives

1. The Central Bank of Kenya (CBK) in collaboration with the Ministry of Foreign Affairs **conducted Kenya's first Diaspora Remittances Survey between 19th March and 17th May 2021** to collect valuable information to improve the quality of remittance statistics.
2. The CBK is considering conducting a **follow up survey to determine the changes that have happened since the 2021 Remittances survey**, especially on the channels of remittance and the cost of remitting the funds.
3. Jointly with the Kenya National Bureau of Statistics and FSD Kenya, CBK is planning a, a cross-sectional household survey targeting households within **Remittance Household Survey the Kenyan border** that send or receive remittances from abroad

Thank You!

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