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**Fostering Systems of Financial Supervision for an Evolving and Uncertain Macroeconomic Environment**

**Digitization of Financial Services**

By

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At the

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# 1. Kenya's Digital Ecosystem

- Financial inclusion increased from 26.7 percent in 2006, to 83.7 percent in 2021;
  - On the back of digitalization, and more specifically the introduction of mobile money in Kenya.



General	
Population (2019)	<b>47.6 million</b>
Population below 34 years	<b>75%</b>
Gross domestic product	<b>\$101 billion</b>
Financial inclusion	
Financial access (2021)	<b>83.7%</b>
Mobile money accounts	<b>81%</b>
Traditional bank accounts	<b>44%</b>
Mobile phone penetration	<b>132%</b>

Source: CBK FinAccess Report 2021

## Renewable energy:

**M-KOPA**

## Education: Lipa Karo

**SOMA NA SHUPAVU 291**

## Gov't payments:

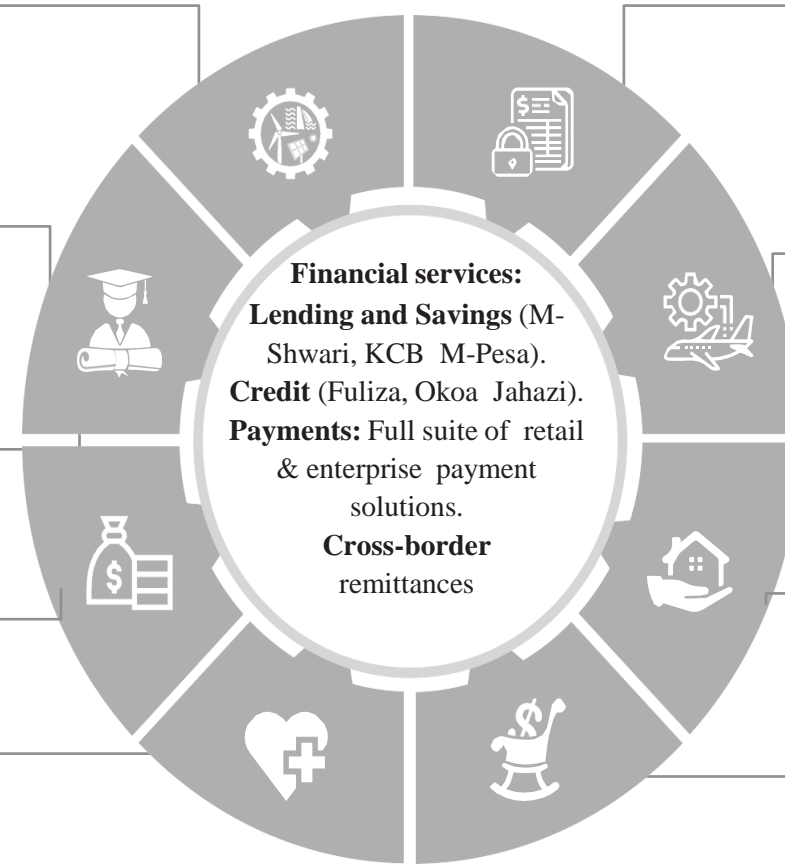
**eCitizen**  
fast. Secure. Convenient

## E-commerce:

**MA SOKO**  
BY SAFARICOM

## Health:

**m-tiba**



## Securities:

M-Akiba;  
Dividend payments

**M-AKIBA**

## Aviation:

M-Ticketing

## Real estate:

Lipa kodi

## Agriculture:

**Digi Farm**  
BY SAFARICOM

## Pensions:

“Mbao” plan



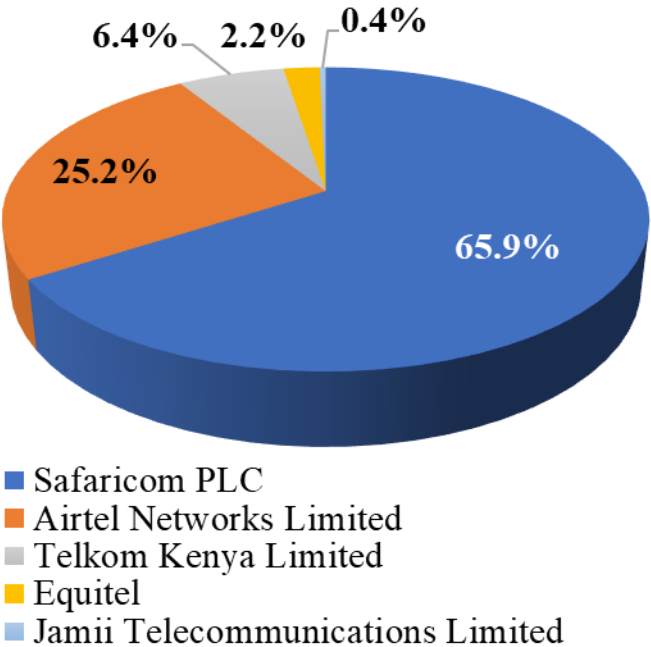
## 2. Big Tech – Kenyan Experience

- **Globally**, Big Techs have entrenched their dominance during the COVID-19 pandemic.
- **In Kenya**, Big Techs like Safaricom.
- Safaricom’s current market capitalization is 57 percent of all the listed companies in the Nairobi Securities Exchange (NSE), displacing traditional blue-chip companies in financial services and manufacturing sectors.

*Top 5 companies by market capitalisation on NSE*



*Market share by Telecom Operators*



Source: Communications Authority, Second Quarter Sector Statistics Report For The Financial Year 2021/2022



### 3. Current Regulatory Framework

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#### Current regulatory objectives...

- *Safety and security.*
- *Financial sector and payments stability.*
- *Financial sector access and affordability.*

#### Constraints in the current framework...

- *Legacy regulations vs risk-based regulations.*
- *Regulatory arbitrage from cross-border fintech operations.*
- *Rapid changes of business models and technologies - Culture.*
- *Cross-sector fintech players - new risks emerging from combination of fin and tech activities.*
- *Inadequate conduct and anti-competition regulations.*



## 4. Focus of the Regulatory Framework in the New Digital Age (1)

- Regulatory objectives remain broadly the same, but with a sharper focus on...

Regulatory focus area	Central Bank of Kenya / Government of Kenya initiatives
<i>Regulatory perimeter.</i>	<ul style="list-style-type: none"><li>• Digital Credit Providers Regulations, 2022, for previously unregulated digital lenders.</li></ul>
<i>Data governance and privacy.</i>	<ul style="list-style-type: none"><li>• The Data Protection Act, 2019.</li></ul>
<i>Prevention of fraud &amp; online scams.</i>	<ul style="list-style-type: none"><li>• Guidance Note on Cybersecurity for the Banking Sector.</li><li>• Guidelines on Cybersecurity for PSPs.</li><li>• Computer Misuse and Cybercrimes Act, 2018.</li></ul>
<i>Resilience and agility of payments' rails.</i>	<ul style="list-style-type: none"><li>• The National Payments Strategy 2022-2025.</li><li>• Central Bank Digital Currency Discussion Paper.</li></ul>
<i>Risk-based and activity based supervision</i>	<ul style="list-style-type: none"><li>• <i>Test and Learn</i> approach in approval of Fintech solutions.</li><li>• Risk based supervision and activity based regulatory framework.</li><li>• Leveraging on data for supervision through the Enterprise Data Warehouse (EDW).</li></ul>



## 4. Focus of the Regulatory Framework in the New Digital Age (2)

Regulatory Focus Areas	Central Bank of Kenya / Government of Kenya initiatives
<i>AML/CFT risks and financial crime.</i>	<ul style="list-style-type: none"><li>• National AML/CFT Risk Assessment (NRA).</li><li>• Regional mutual evaluation.</li><li>• Participating in the activities of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).</li></ul>
<i>Competition in markets.</i>	<ul style="list-style-type: none"><li>• Kenya Banking Sector Charter, 2019.</li></ul>
<i>Role of Big Tech in financial stability.</i>	<ul style="list-style-type: none"><li>• Supporting Fintech innovations through a <i>Test and Learn</i> approach.</li></ul>
<i>National and Cross-border Co-operation.</i>	<ul style="list-style-type: none"><li>• Collaboration with Communications Authority, Office of the Data Protection Commissioner, and other regulators.</li><li>• Participation in the National Computer and Cybercrimes Coordination Committee (NC4).</li><li>• Innovation Functions Co-operation Partnership Agreement with the Monetary Authority of Singapore (MAS).</li><li>• Collaboration with other regional central banks and regulators.</li></ul>



## 5. Concluding Comments

- Embrace digital – It is the future (Access, inclusion, affordability, transparency).
- Build and review the infrastructure – Stable, resilient and growing.
- Allow for innovation – Do not be prescriptive.
- Risk focus - Known and unknown.
- Introduce laws and guidance to protect the financial markets.
- Closely monitor BigTech - Ascertain possible outcomes.
- Open your mind to tomorrow.

Thank  
you !



Central Bank of Kenya

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