



Central Bank of Kenya

PROCEDURES FOR AUTHORIZATION OF A PAYMENT SERVICE PROVIDER (APPLICANT GUIDE)

The CBK authorizes Payment Service Providers (PSPs) as per the following procedures:

STAGE 1:

PRELIMINARY ENGAGEMENT

- a. Contact the Central Bank of Kenya (CBK) at an early stage to seek authorization requirements. Prospective applicants may contact CBK via a letter addressed to:
Assistant Director,
Digital Payment Services Division
Central Bank of Kenya
P.O BOX 60000 – 00200
NAIROBI
or Tel: 2863112/3113/3107/3117 or email: nps@centralbank.go.ke
- b. CBK will respond within seven (7) working/business days of receiving the enquiry/letter, acknowledging receipt via email (a hard copy can also be made available upon request). The acknowledgement shall provide the following information:
 - i. Link to the NPS Act 2011;
 - ii. Link to the NPS Regulations 2014;
 - iii. A-Z Checklist;
 - iv. Procedures for Authorization of a PSP
- c. After the applicant has gone through the requirements as per the NPS Act and Regulations together with the guidelines for authorization and the documentation checklist, the applicant may seek a meeting with CBK for any clarification. CBK on its part may also request a meeting to better understand the applicant's business plan. The outcome of the meeting will be communicated to the client within 7 working days.

STAGE 2:

COMPANY AND PRODUCT NAME APPROVAL

- a. New PSPs are required to propose and book at least three business names with the Registrar of Companies.
- b. Submit the proposed names to the CBK in descending order of preference accompanied by the following preliminary documents for review:
 - i. Business model of the proposed payment service solution including the scope of proposed business activities and marketing strategy;
 - ii. Proposed objects of the company;
 - iii. Ownership structure and governance of the company;
 - iv. Availability and evidence of capital;
 - v. Proposed financial projections for 3 years;
 - vi. Legal and regulatory compliance function;
 - vii. Proposed infrastructure and internal controls;
 - viii. High level outlines of the proposed risk management policies and procedures and internal

	control systems manual;
c.	The name, if approved, will be valid for 12 months from the date approval is granted by the CBK within which the applicant should have received an authorization to carry out PSP services.

STAGE 3: APPLICATION FOR AUTHORIZATION CERTIFICATE

Once the applicant receives confirmation of approval for the proposed company and product name, the applicant should submit a certified Application Form (Form 1 of the First Schedule of the NPS Regulations 2014) together with the non-refundable Application Fee of Kshs. 5,000.00 and all the requisite documents (refer to A-Z checklist as document guide) as required under Regulation 4(1) and 5 of the NPS Regulations, 2014. This information includes but is not limited to;

a.	Verified official notification of the company's registered place of business, including the prospective places of business (Head Office, branches, agency and outlets, if any).
b.	A certified copy of valid license from the Communication Authority of Kenya for a mobile payment service provider.
c.	Information on the business plan guideline as set out in Annex 2 of the First Schedule to the NPS Regulations, 2014 including but not limited to; <ul style="list-style-type: none"> i. An indicative budget and projected financial statements for the first three financial years which demonstrates that the applicant is able to operate efficiently. ii. The business concept and the list and/or type of services to be offered. iii. The structural organization of the applicant including, where applicable, its intended use of agents, cash merchants, branches and outsourcing arrangements, and its participation in a national or international payment ecosystem; iv. Settlement - Description of how the payment service provider shall settle the payment obligations arising from its provision of electronic retail transfers;
d.	Certified copy of the Management Agreement and Trust Deed where a custodial Trust relationship exists.
e.	Audited financial statements, where applicable for at least three years;
f.	Identity of directors and persons responsible for the management of the payment service provider;
g.	Terms and conditions that will apply to its customers, agents and cash merchants;
h.	Proposed structure and internal controls: <ul style="list-style-type: none"> i. The proposed risk management policies and procedures and internal systems manual, and ii. The governance arrangements of the applicant and internal control mechanisms, including administrative, and accounting procedures, which demonstrate that these governance arrangements and control are proportionate, appropriate, sound and adequate; iii. The internal control mechanisms which the applicant has established to comply with its anti-money laundering obligations as set out in the Proceeds of Crime and Anti-Money Laundering Act, the Prevention of Terrorism Act and the relevant Regulations and guidelines;
i.	Evidence that the PSP holds the initial capital set out in the First Schedule of Kshs. 5 Million. <ul style="list-style-type: none"> i. Evidence should be reflected in a bank statement of a licensed bank or microfinance institution indicating the isolated funds and/or Government of Kenya Treasury Bills and Bonds not under lien; ii. Evidence should either be in the name of the company and/ or the promoters/ shareholders of the company; iii. The promoters/ shareholders should give the Central Bank authority to verify the authenticity

	<p>of the bank statement directly from the bank or microfinance institution;</p> <p>iv. The promoters/ shareholders should provide the distribution or allocation (ultimate beneficiaries, citizenship, amount and percentage) of core capital to each individual promoter/ shareholder and/ or company, indicating significant shareholders/ promoters (owning at least 5% of the share capital);</p> <p>v. Certified statements indicating that the entity and each of the shareholders and officers are tax compliant. The current Tax Compliance Certificate should be provided.</p>
j.	<p>Duly complete and submit the “Fit and Proper Forms” for all significant shareholders (owning at least 5% shareholding) and proposed Directors, Senior Manager and Custodial Trustees accompanied by supporting documentation (certified) including: -</p> <p>i. Tax Compliance Certificate;</p> <p>ii. Police Clearance Certificate;</p> <p>iii. CRB Clearance Certificate;</p> <p>iv. Copy of ID;</p> <p>v. Up to date CV;</p> <p>vi. 2 Recent Passport size photo one of which must be certified</p>
k.	<p>For Companies, Firms or Other Corporate Entities Incorporated in Kenya:</p> <p>i. Certified copy of the Certificate of Incorporation of the company;</p> <p>ii. Certified copy of the Memorandum and Articles of Association, Partnership Agreements or Constitution of the Association/body;</p> <p>iii. Certified copies of the organization’s Personal Identification Number (PIN) certificate;</p> <p>iv. Resolution of the Board of Directors or General Meeting authorizing the entity to invest in the business of payment service in Kenya;</p> <p>v. Signed declaration by the board of directors to adhere to the NPS Act and Regulations issued thereunder and other relevant Kenyan Laws at all times during the validity of the authorization;</p> <p>vi. List of all countries they operate from including the details of respective regulators;</p> <p>vii. For entities that are already carrying on business other than that of a payment service provider, audited financial statements for at least the last three years, or since inception if the business has been carried on for less than three years.</p> <p>viii. Latest report from the Credit Reference Bureau;</p> <p>ix. Tax Compliance Certificate.</p>
l.	<p>Foreign companies intending to set up a local subsidiary will be required to submit further information including but not limited to:</p> <p>i. A copy of the board resolution authorizing the entity to invest in the business of payment service in Kenya and the designated persons who will represent the business in connection therewith;</p> <p>ii. Historical background of the foreign entity;</p> <p>iii. Signed declaration by the board of directors to adhere to the NPS Act and Regulations issued thereunder and other relevant Kenyan Laws at all times during the validity of the authorization;</p> <p>iv. Endorsement letter (or a letter of no objection) from the home supervisory authority;</p> <p>v. List of all countries they operate from including the details of respective regulators;</p> <p>vi. Where the entity is regulated, the name and full contact details of the Regulator; Letter of no objection from the Regulator and a certified copy of license to operate. Letter of no objection from the Home Supervisory Authority;</p> <p>vii. An undertaking by the board or other oversight body of the foreign company to maintain minimum assigned capital in Kenya throughout the business period;</p> <p>viii. Where the applicant is a subsidiary of a foreign company, a letter of no objection from the home regulatory authority recommending them to establish a payment system in Kenya should</p>

be obtained.

STAGE 4: ISSUANCE OF AUTHORIZATION CERTIFICATE

Upon assessment and fulfilment of all the requirements in stage two, and three and where the CBK is satisfied that the applicant has met all the application requirements, the Bank shall;

- i. Issue a letter of intent requiring the applicant to pay Authorization fee of Kshs. 100,000.00.
- ii. Thereafter, an Authorization Certificate will be issued to the applicant thereby legally permitting the applicant to commence business of payment services.

Where the CBK rejects an application for authorization, the decision shall be communicated to applicant citing the reasons for its decision. The CBK may upon rejection of an application, impose conditions to be complied with by the applicant before the applicant can re-submit the application for consideration. The Bank may also approve an application which has previously been rejected, if the Bank is satisfied that the applicant has complied with all conditions imposed upon the applicant.

STAGE 5: RENEWAL OF AUTHORIZATION CERTIFICATE

An application for renewal of the Authorization Certificate as a Payment Service Provider shall be made to the CBK at least two months prior to the expiry of current authorization and shall be;

- i. Done on Form 2 as set out in the First Schedule;
- ii. Accompanied by any other information as the CBK may require;
- iii. Submitted with annual renewal fees as set out in the First Schedule (Table B on Annual Renewal Fees for PSPs).