

## **Njuguna Ndung’u: Promoting financial integrity and financial inclusion – lessons from the Kenyan experience**

Opening remarks by Prof Njuguna Ndung’u, Governor of the Central Bank of Kenya, at a convening co-hosted by the Bill & Melinda Gates Foundation, the Central Bank of Kenya, and the Financial Services Volunteer Corps, Nairobi, 30 January 2012.

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**Mr. Joseph Kinyua, CBS, Permanent Secretary, Ministry of Finance;**

**Mr. Andrew Spindler, President and CEO, Financial Services Volunteer Corps;**

**Ms. Claire Alexandre, Senior Program Officer, Bill & Melinda Gates Foundation;**

**Distinguished Guests and Colleagues;**

**Ladies and Gentlemen;**

1. I am happy to participate at this important conference, as one of the organizers, jointly with Financial Services Volunteer Corps (FSVC) and the Bill and Melinda Gates Foundation.
2. But this morning I have a simple task, to welcome our Chief Guest, the Permanent Secretary, Ministry of Finance to make the keynote address and to officially open the conference. But before I ask him to come to the podium, let me make a few remarks.
3. Let me begin by extending a very warm welcome to all the conference participants. To the participants who are drawn from beyond our borders, it is my sincere hope that your stay with us shall be enjoyable and that you will carry with you pleasant memories of Kenya when you return to your respective countries.
4. **Ladies and Gentlemen**, The theme of this conference; “**Promoting Financial Integrity and Financial Inclusion: Lessons from the Kenyan Experience**” is quite timely. It touches upon issues that are key to the mandate of the Central Bank of Kenya of ensuring financial access, and the stability and integrity of the financial system.
5. This conference has been organized to further the FSVC’s objective of developing sound financial systems in emerging economies. The FSVC recently launched a program to support the development of an Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime in Kenya that is both effective and compatible with the objectives of financial inclusion. Under this program, it is envisaged that the FSVC will undertake AML/CFT training and capacity building programs in consultation with the Central Bank, Ministry of Finance and other players in the financial sector.

### **Financial inclusion**

6. **Ladies and Gentlemen**; The Central Bank of Kenya, in recognition of the critical role that financial inclusion plays in fighting poverty, promoting savings-investment cycles and economic development, has been at the fore-front of pushing the financial inclusion agenda. The support we have received from the Bill and Melinda Gates Foundation and AFI has been enormous on these initiatives.
7. The critical mandate of the Central Bank is to ensure that the financial sector is stable, efficient and accessible. In this regard, the Central Bank of Kenya, jointly with other players, has undertaken several initiatives and reforms aimed at boosting

financial inclusion through an appropriate financial infrastructure that includes: licensing of deposit taking microfinance institutions (DTMs) and credit reference bureaus (CRBs); mobile phone financial services and the agency banking model.

8. ***Ladies and Gentlemen***; these initiatives and reforms have led to notable improvements in the levels, reach and depth of access to financial services especially among the lower population segments. The results in terms of numbers are astounding with deposit accounts growing tremendously over the years. But such a vibrant sector requires to be safeguarded; that is why financial integrity becomes important.

### **Financial integrity**

9. ***Ladies and Gentlemen***; success in financial inclusion has to go hand in hand with financial integrity. The Central Bank of Kenya continually seeks to enhance the regulation and supervision of the financial system in order to improve its integrity. As part of our efforts in ensuring appropriate and effective oversight, we first issued AML Guidelines in 2000. These Guidelines were revised in 2006 and are currently in the process of being reviewed to reflect the prevailing international best practice and to align them with the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA).
10. Over the last 2 years, the Central Bank has issued regular AML/CFT guidelines to financial institutions to further support and enhance the implementation of the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA). The guidelines have covered the operationalization of the AML Act, Suspicious Transaction Reporting, and measures to be adopted by financial institutions to combat the financing of terrorism. The Central Bank has also revised the Forex Bureau Guidelines so as to align these guidelines to the AML Act. We are also working on Hawala system to formalize and issued guidelines. On the microfinance front, the Microfinance Regulations and the Agency Guidelines require Deposit Taking Microfinance Institutions and their agents to implement AML/CFT measures.
11. These measures demonstrate that as we push the frontiers of financial inclusion, we are also taking the requisite steps to ensure that the measures put in place take into account the need to safeguard the integrity of the financial system.
12. In November 2011, Parliament enacted the National Payments System Act. This Act provides CBK with oversight of the national payments system. It aims to bring all payment service providers including mobile phone service providers offering money transfer services, within one regulatory framework. Going forward, the inclusion of these mobile phone service providers within the supervisory and regulatory scope of CBK will no doubt enhance the country's AML/CFT measures.
13. It is my hope therefore, that this conference and the initiative being launched by the Financial Services Volunteer Corps will contribute to a greater understanding of the subject and will generate frontier ideas of enforcing and enhancing AML/CFT measures.
14. It is now my pleasure to invite the Permanent Secretary, Ministry of Finance, Bw. Joseph Kinyua, to officially open this conference.

**THANK YOU**