

## Njuguna Ndung'u: Regulation and supervision of the forex bureau industry in Kenya

Talking notes of Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, for the meeting with the Kenya Forex Bureaus Association (KFBA), Nairobi, 22 August 2007.

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The chairman, KFBA;  
Distinguished Guests;  
Ladies and Gentlemen;

1. Let me take this opportunity to invite you all to the CBK during this very important occasion to meet the forex bureau industry representatives as part of our partnership and to discuss and share experiences on industry matters.

2. Before I proceed, let me thank the association for honouring our invitation and my staff for the presentation, which has clearly laid down the industry landscape and set the stage for our meeting. I hope this does form a platform through which we share experiences as well as challenges.

3. Ladies and Gentlemen, first and foremost, let me emphasize the role of regulation and supervision of the forex bureaus in Kenya, which aims to:

- develop a strong, stable and viable forex bureau industry;
- inculcate good corporate governance practices in forex bureaus;
- ensure there is adequate internal control and management information systems in forex bureaus; and
- ensure forex bureaus to comply with the Act and Guidelines.

All these factors enhance healthy developments for any firm in business.

But since bureaus are special, we shall continue to attach a lot of importance to compliance and enforce the Act and Guidelines including suspension and revocation of licences.

4. However, we expect forex bureaus to cooperate and partner with the Central Bank in the development of the forex bureau industry.

5. Let me now turn to specific matters that touches on certain specific issues on the industry. These include:

- a) **Moratorium:** As you are aware, the Central Bank had in the past imposed a moratorium on licensing new forex bureaus. This was done in order to:
- allow newly established forex bureau industry to grow and individual bureaus to consolidate
  - ensure market discipline in the foreign exchange market by developing appropriate frameworks for regulation and supervision; and
  - enforce Government concerns on money laundering and related financial crimes.

After a careful assessment, the Central Bank has lifted the moratorium on licensing of new forex bureaus including those to be located in the Nairobi and Mombasa Central Business Districts.

- b) **Industry image:** The continued existence of the moratorium can have negative implications on the industry image and the Bank, including creating opportunities for

“rent seeking” and corrupt practices. This has tended to create a screen between the licensing authority and potential investors in this market.

- c) **Licensing procedures:** On licensing of new bureaus, you note that the Bank has introduced new licensing procedures that involve a two stage process, which include:
- i) In the first stage, applicants are expected to submit application documents including:
    - Certified copy of Certificate of Incorporation and Memorandum and Articles of Association;
    - A feasibility study of the proposed forex bureau;
    - Particulars and “fit and proper forms” of proposed shareholders and directors;
    - Declaration and confirmation that no shareholder and/or director has a similar position or role in any other forex bureau in Kenya; and
    - Provide evidence of non-interest bearing deposit of US\$ 30,000 and core capital of US\$ 30,000.
  - ii) In the second stage, the Central Bank will issue a Letter of Intent to prospective bureaus to enable them commit funds by paying the requisite fees and deposits, and prepare premises for inspection before issuance of licence and approval to commence operations.

The Central Bank has cleaned up the process and I do promise you an efficient licensing procedure.

- d) **Compliance:** let me take this opportunity to once again urge the industry to ensure that they have sound and effective internal control and management information systems to enable prompt and accurate submission of returns.

6. In conclusion, Ladies and Gentlemen, let me take this opportunity to invite the industry association chairman/ representative to make some remarks. Thereafter, we shall have a short discussion on industry concerns. I also urge you to continue to work together with my staff in development of the industry and in seeking solutions to the various challenges that will arise from time to time.

Thank you.