

Njuguna Ndung’u: The importance of digital identity to Kenya’s financial sector

Remarks by Professor Njuguna Ndung’u, Governor of the Central Bank of Kenya, at the National Digital Registry Service Financial Services Sector Consultation, Nairobi, 23 October 2014.

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Ms. Mwende Gatabaki, Director General, Kenya Citizens and Foreign Nationals Management Service;

Mr. Joshua Oigara, Chairman, Kenya Bankers Association;

Mr. Habil Olaka, Chief Executive Officer, Kenya Bankers Association;

Distinguished Ladies and Gentlemen;

I am delighted to be here today at this important consultative meeting on the National Digital Registry Service to the financial services sector. I am grateful for the invitation and at the outset let me register the Central Bank of Kenya’s support for this important initiative.

Ladies and Gentlemen: The national digital registry has three core objectives:-

- Strengthening national security, reducing crime and improving safety.
- Driving efficiency, effectiveness and accountability in service delivery.
- Providing citizen centric services that are easy to access, available and affordable.

More fundamentally, the register will capture details of people, land, assets and establishments. These are important objectives but of fundamental importance to the financial sector is the provision of a digital identity for individuals and corporate entities. Identity is a prerequisite for the stable, efficient, safe and inclusive financial sector that is envisaged pursuant to Vision 2030. It is the process of identification and a host of menu services that can be included that makes an assurance of safety and accessibility of financial services.

Without identity, individuals and corporate entities cannot access the financial sector. In Kenya, the use of the identification card has mitigated this challenge. However evolution in the financial sector and growth in fraud has posed serious challenges in the form of fraud perpetrated through identity theft. We need such a registry service as the repository institution for any verification and cross-checking.

Ladies and Gentlemen: Most businesses in Kenya thrive in the informal market and lack the formal identity that is required to in particular access credit. These are mainly the small and medium size enterprises that drive Kenya’s economic growth. These businesses lack the formal identity or track record that is required to access credit. For these businesses to grow to the next level, it is imperative that they acquire a formal identity and a documented track record. Only then, will they be able to access credit and grow their business. But how do we make it easier for them to register formally? I leave this to this Registry Service.

The Central Bank has in this regard been supportive of the Integrated Population Registry Service (IPRS). The IPRS has been a useful tool for financial institutions to validate the identity of their customers. We have asked all banks to utilise the IPRS in their Know Your Customer checks and mitigate fraud risk. The National Digital Registry will build on the IPRS and provide an even more powerful tool for the Financial Sector and especially for SMEs.

The Central Bank therefore stands ready to support this important initiative and work with the financial sector to utilise it. Through the register, financial institutions will be able to meet the statutory legal and regulatory requirements for Anti-Money Laundering (AML) and

Combatting the Financing of Terrorism (CFT) and the common frauds in banks that we see every day. AML/CFT has become an issue of global concern and mitigating measures are important to ensure the integrity of Kenya's financial sector.

Ladies and Gentlemen: Of importance also is the ease of access to credit. A central repository of personal and corporate information will facilitate banks in their credit risk appraisal. This should not only ease access to credit but also reduce the cost of credit given the lower search costs. Finally the register will also reduce the risk of fraud particularly identity theft and reduce the operational cost of fraud to the financial sector. These are but a few of the benefits of the national digital registry that I can enumerate and also stress that personal and corporate information and identification in the National Digital Registry Service is a major milestone in completing the financial infrastructure requirements in our country. I am sure that this will be a useful consultation forum and you can count on the Central Banks' support and together we develop a stable and vibrant financial sector.

Thank You.