

## THE A-Z OF LICENSING A DIGITAL CREDIT PROVIDER

The following are the key steps to be followed in applying for a licence to operate as a DCP: -

**Note:** New potential DCPs will start at **stage 1:** Approval of Name, whereas existing DCPs (already incorporated) will start with **Stage 2:** Application for Licence.

### Stage 1: Approval of Name

The following are the key steps to be followed in applying for a licence to operate as a DCP: -

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### STAGE 1: APPROVAL OF NAME

1. Promoters of a proposed DCP to familiarize themselves with the licensing requirements of the Central Bank of Kenya (Digital Credit Providers) Regulations, 2022, (**Part II: Licensing of Digital Credit Providers**). The Regulations can be accessed on the Central Bank of Kenya (CBK) website: [here](#)
2. Propose and reserve, in order of preference, **at least three** business names with the Registrar of Companies; and obtain the reservation document.
3. Submit the proposed names to CBK for approval, in order of preference through the online portal (<https://gdi.centralbank.go.ke/ui/nameapproval/>), together with the following supporting documents: -
  - i. Name reservation document obtained from Registrar of Companies.
  - ii. Names and addresses of the proposed shareholders, including a copy of requisite identification documents.
  - iii. A high-level brief/ summary providing information on the business covering:
    - Detailed company profile of the company, which should include the organisational and governance structure, nature of business and business model (including the delivery channels and platforms used).
    - Target market, clearly bringing out the gap that the proposed entity intends to fill in the market.
    - The customer base, size of the current loan book/loan portfolio, names of your products, including the names of apps they have, where applicable.
    - Brief background on the shareholders' and their business or economic activities.
  - iv. The initial capital that the shareholders intend to inject in the proposed DCP business, disclosure, and documentary evidence of the sources of funds.
    - Provide information on the proposed shareholders, how much they are each investing, where their capital and sources of funds are sourced from, evidence and disclosure of funds, in form of 12-month bank statements.
    - Where there are corporate significant shareholders, to unpack to the ultimate beneficial owner.

- v. A declaration by the individual shareholders on the sources of funds. The declaration should be certified by an Advocate or a Commissioner of Oaths.
4. Obtain a letter of no objection from the Kenya Industrial Property Institute on use of the proposed business name (s).
5. Proceed to incorporate a limited liability company with the Registrar of Companies using the approved name.

## **Stage 2: Application for Licence**

1. Create an online user profile and set a username and password through an online portal. <https://gdi.centralbank.go.ke/ui/submitdcprequest>. **Note:** A notification email will be sent to the enrolled email address for verification.
2. Complete an online licence application form (FORM CBK DCP 1), then print and sign the form.
3. Download the fit and proper forms (FORM CBK DCP 2 and 3) for Directors, Chief Executive Officer, Senior Officers and Significant Shareholders ([Form-CBK-DCP-2](#) and [Form-CBKDCP-3](#)). Complete and execute the forms.
4. Scan and upload the duly completed application form and fit and proper forms on the online portal, together with the following supporting documentation: -

**(Note:** Items i - iii are applicable to existing DCPs that start with **Stage 2: Application for Licence**)

- i. A high-level brief (approximately 3-5 pages) detailing the proposed DCP's.
  - a. Nature of business and business model, including the delivery channels used and platforms to be deployed by the applicant.
  - b. Brief background on the shareholders' business or economic activities; and
  - c. Target market, clearly bringing out the gap that the entity fills in the market.
- ii. The current level of capital that the shareholders have injected in the DCP business, disclosure, and documentary evidence of the sources of funds.
- iii. For proposed DCPs that are already carrying on business, provide audited financial statements for at least one year or since inception if the business has been carried on for less than one year, where applicable.
- iv. A certified copy of the certificate of incorporation of the applicant.
- v. A certified copy of the Memorandum and Articles of Association of the applicant.
- vi. A certified copy of the Memorandum and Articles of Association of any corporate body that has a significant shareholding in the applicant.
- vii. A certified copy of the constitutive documents of an unincorporated body that has a significant shareholding in the applicant.
- viii. Description of the information and communication technology system to be used in the applicant's operations and an independent assurance on the systems.

- ix. Description of, and terms and conditions of credit products and services which the applicant intends to provide.
- x. Agreement with a telecommunication or other service provider for provision of channel or platform for the provision of digital credit.
- xi. The applicant's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) policies and procedures.
- xii. The applicant's data protection policies and procedures.
- xiii. The applicant's consumer redress mechanisms, policies, and procedures.
- xiv. Credit policy, code of ethics and market conduct.
- xv. The applicant's pricing model and parameters.
- xvi. Corporate governance policy.
- xvii. Certificate of good conduct, tax compliance certificate and a recent (i.e. not more than three months since issuance) credit reference bureau report for each of the digital credit provider's individual significant shareholders, directors and senior officers from a licensed credit reference bureau.

**Note:** Provide the following additional documents for vetting of significant shareholders, directors, and senior officers:

**For individual natural persons:**

- i. Curriculum Vitae and certified copies of academic and professional certificates.
- ii. Certified copies of National Identity Card and Personal Identification Number (PIN) certificate.
- iii. Total number and the percentage of shares to be acquired and evidence of the consideration given or to be given for the same.
- iv. For shareholders, provide a declaration witnessed by an advocate indicating that none of the funds the shareholder seeks to invest are from proceeds of crime as required in Section 4.6 (a) of the Application Form (Significant shareholders).
- v. An affidavit that none of the proposed directors or significant shareholders holds or owns a similar position in any other Digital Credit Provider in Kenya (Directors) licensed under the Digital Credit Providers Act, 2021.

**For Companies, Firms or Other Corporate Entities Incorporated in Kenya:**

- i. Certified copies of the organization's personal identification number (PIN) certificate.
- ii. Resolution of the Board of Directors or general meeting authorizing the investment.
- iii. 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.
- iv. For entities that are already carrying on business other than that of a Digital Credit Provider, audited financial statements for at least the last one year or since inception if the business has been carried on for less than one year.
- v. Total number of, and the percentage of, shares to be acquired and the consideration for the same.
- vi. Ultimate beneficiaries of shares to be acquired.

5. The original documents should be submitted to CBK together with a *non-refundable application fee* of Ksh.5,000, payable by banker's cheque in favour of the Central Bank of Kenya, Real Time Gross Settlement system or other mode of payment as the CBK may specify.
6. CBK will assess the submitted documents for completeness and compliance with the DCP regulations.

### **Stage 3: Data Submission Testing and Licencing**

7. Once CBK, is satisfied with the assessment, the applicant will be required to test their 'data submission' capability (*Regulatory reporting*) using Application Programming Interfaces (APIs) with guidance from CBK.
8. Applicant pays the prescribed licence fees as specified under the fourth schedule of DCP regulations once they are notified by CBK. The licence fee is currently Ksh.20,000. The prescribed annual licence fees are payable *in full* for the year during which the licence is initially issued and shall not be prorated for validity periods less than 12 months.
9. Upon fulfilment of all the licencing requirements and successful data submission testing, CBK issues a licence to the DCP.
10. CBK shall cause the name of the licensed digital credit provider to be published in the Kenya Gazette and in the Bank's website.