

THE 3RD REGIONAL CIS CONFERENCE
**CIS for Innovation and Financial
Inclusion "Mikopo Kisasa"**
FEBRUARY 23-24, 2016
www.ciskenya.co.ke/conference



**CHAIRMAN'S WELCOME REMARKS AT THE OPENING OF THE 3RD
REGIONAL CIS CONFERENCE
23RD-24TH FEBRUARY 2016 AT THE HILTON HOTEL NAIROBI**

Dr. Patrick Njoroge, Governor, Central Bank of Kenya,

Dr. Luis Kasekende, Deputy Governor, Bank of Uganda,

Mr. Wagara Melchior, 1st Vice Governor, Bank of Burundi

Dr. Charity Dhliwayo, Deputy Governor, Reserve Bank of Zimbabwe,

Representatives of the Bank of Mexico, Bank of Zambia, Central Bank of West African States, Bank of Tanzania, Bank of Mozambique

Representatives of the World Bank and International Finance Corporation (IFC)

- **Ms. Mehnaz Safavian**
- **Ms. Luz Maria Salamina**

Mr. Joshua Oigara, CEO KCB Group and Chair (KBA)

Mr. Habil Olaka, CEO, Kenya Bankers Association

Mr. James Kashangaki, Head, Inclusive Growth Financial Sector Deepening Trust (FSD Kenya)

Members of CIS Kenya Governing Council.....

Distinguished guests, ladies and gentlemen,

I take this opportunity to welcome all of you to the 3rd CIS Regional Conference under the theme – *CIS for*

innovation and Financial Inclusion – Mikopo Kisasa. With the support of the National Treasury, World Bank and Financial Sector Deepening Trust Kenya, this conference has been put together by the Credit Information Sharing in Kenya (CIS-Kenya). CIS Kenya, to which I am privileged to have started as the founder chairman is composed of all entities providing credit in one form or the other in the Kenyan Market. Ladies and gentlemen of you look at the current membership of CIS Kenya; you note members comes from small to large ticket credit providers. My own institution – the Higher Education Loans Board, provide an average loan of USD 500 per annum to thousands of students pursuing higher education culminating into the current total portfolio of over Kshs. 45B. This is the financial inclusion we yearned for two and half years when we started CIS Kenya. The 3rd Regional CIS Conference coming hot on the heels of the release of the 2016 FinAccess household survey where, the number of Kenyans formally included by the financial system has grown by 50% in the last ten years with **over three-quarters** (75.3%) of Kenyans now formally included, up from 66.8% in 2013 implies that financial exclusion, is now down to 17.4%. CIS Kenya has been operational for the last two and a half years, during which period it has established itself as the centerpiece in the puzzle for deepening and broadening affordable credit market is indeed excited to be part of this transformation.

When the then Governor of the Central Bank of Kenya (Dr. Njuguna Ndung'u) launched the Association (then, the Association of Kenya Credit Providers) right here in this room at the 2nd Regional CIS Conference in September 2013, we had no structures in place. We only had in our hands an interim secretariat and a big vision. And yes, three key stakeholders who believed in us: Kenya Bankers Association had hosted the secretariat for a while and was willing to see it grow, the Central Bank of Kenya which had seconded the then interim CEO and FSD Kenya who were willing to continue providing funding support. At that time, the Secretariat had done an excellent job in managing a project that saw the licensed commercial banks successfully exchange information on their bad debts through the two licensed credit bureaus. The next task ahead was enormous. We needed to expand the mechanism to more players in the credit market as well as introduce positive information sharing. This was necessary to effectively remove the information asymmetry that was affecting credit risk management and the high cost of credit.

Ladies and Gentlemen, in forming CIS Kenya, we needed an establishment that could devote its time to mobilize credit providers who are not licensed by the Central Bank of Kenya, and whose data is relevant for the enrichment and completeness of the bureau databases. We also needed to monitor application of best practices in data transmission and data quality that is exchanged by these entities. The Association would also

take up the role of public awareness and consumer protection. Finally, there was a need for lobbying for legal reform. As Council we therefore set ourselves on a strategic plan resonating around 5 growth pillars;

1. **Institution Building** - *To build an organisation that is adequately resourced and networked to deliver value to stakeholders;*
2. **Legal Reform** - *To champion the continuous review of the legal and regulatory framework for CIS;*
3. **Capacity Building** - *To enhance risk management and product innovation by empowering credit providers to share and use accurate credit information;*
4. **Communication** - *To develop communication messages aimed at educating and empowering the credit consumer to access and use their credit scores;*
5. **Knowledge Generation** - *To drive the CIS research agenda in collaboration with experts and stakeholders in order to inform implementation of strategy.*

Ladies and Gentlemen, I am proud to advise that CIS Kenya has ensured high standards of professionalism in the first 24 months of active operations. **In the first instance,** under the institutional building pillar, a foundation in the observance of strict corporate governance practices has been laid, including establishment of a broad-based, multi-sectoral Governing Council that is composed of lenders representing DFIs, State lenders, SACCOs, Utilities companies, Commercial banks, and Microfinance institutions. The Governing Council has met diligently every quarter as per

constitution, dutiful reporting to scheduled Annual General Meetings, overseen a competitive recruitment of a Chief Executive Officer, set up operational structures and put in place a staff team, approved appointment of external auditors, ensured accountability to FSD Kenya, and launched its first 5-year strategic plan.

Secondly, CIS Kenya has achieved tremendous success in the pillar of broadening its reach, having so far registered 67 active members to the Association. Interest in the CIS mechanism has grown significantly, with numerous third party credit providers seeking Central Bank approval to join the mechanism. The SACCO sector, the largest public utilities and the insurance sector are now in consultation with CIS Kenya to work out modalities of participation. **In the consumer awareness pillar**, the Association has launched a number of interactions with the public, including a radio campaign that is currently on-going, reaching millions of people, hundreds of whom are responding by contacting CIS Kenya offices for more information. This way we will empower and cause awareness to Kenyans to access and use their Credit scores to make credit more affordable to spur economic growth.

Listen to the social impact.



English CIS Kenya
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With this we want to cause a transformation effect in the mind of credit providers to think of the customer credit score as they price the credit.

The buzzword - *“be trusted by your shopkeeper”, “be trusted by your utility company”, “be trusted by your landlord”* OR *“be trusted by your bank/supplier”* should become a reality as the country’s credit information sharing market forms.

Thirdly, the Consumer Protection pillar has been hugely successful. A separate center for dispute resolution has been established, registered under the name Tatua Center;



Eglish Tatua center
.mp3

The center is actively receiving and addressing complaints and helping resolve disputes around accuracy of data at the credit bureaus. The Center has witnessed parties preferring to withdraw their matters from court following successful arbitration. You will be interested to know that an independent evaluation of the operations of Tatua Center has been undertaken by an expert in this field, the former Credit Ombud in South Africa, who will be presenting his findings and recommendations in the Session 8 tomorrow. You should not plan to miss that. We want to model the center as an ADR center of excellence globally to be a model to other ADRs. May the future for ADR should be having one ADR across the country to build capacity to tackle any kind of dispute rather than each sector concentrating in forming its own narrow Alternative Dispute Resolution center.

In the legal reform pillar, we submitted to the National Treasury a draft CIS Bill that seeks to define the operations of CIS at a broad credit market level. We however appreciate that, in the absence of a framework for broad market conduct regulation, this function cannot be anchored in any one specific government authority. We recognize Government effort in looking into appropriate reforms for oversight of the financial sector and as CIS Kenya, we await to be guided on how a more robust legal framework for CIS will best be anchored in the bigger financial sector legislative agenda.

Ladies and Gentlemen, we see a number of concerns that must be addressed in order to ensure that the gains achieved are not compromised. First is ensuring that the self-regulatory aspects of CIS are properly anchored in law. Related to this is the need to forge a strong working relationship with regulators in order to ensure that complete and accurate data on all loan products is furnished to the credit bureaus as a way of ensuring a 360 degree view of the borrower. Secondly, we see an urgent need for lenders to begin to invest in credit risk management infrastructure that draws from available scores and apply them in lending decisions.

With these basic conditions in place, we see the CIS framework playing its appropriate contribution to the resolution of the perennial interest rate spreads that facing our African economies, by minimizing inefficiencies in the assessment of credit risk, impacting

on cost of credit, financial intermediation and banking sector stability.

I wish to conclude my welcome remarks by thanking The National Treasury and Central Bank of Kenya for their support that has ensured the establishment of the CIS mechanism in Kenya. Of significance is the role by the Central Bank in providing office space for CIS Kenya at the Kenya School of Monetary Studies and seconding the first CEO of CIS Kenya recruited competitively; Mr. Jared Getenga has been instrumental in institutional and structural setup of CIS Kenya. On behalf of Council I want to thank Jared for the tireless effort he has put to the Association to bring it to what it is today. The Kenya Bankers Association has given invaluable support to the secretariat and has been the anchor member of the Association. I also wish to thank the World Bank and the Financial Sector Support Program for providing funding support for this conference.

Finally, I wish to thank FSD Kenya, which has remained a faithful companion in this journey whether financial support or knowledge generation. On that note, I wish to introduce **Mr. James Kashangaki, the Head of Inclusive Finance at FSD Kenya**, who has played a key role in starting and maintaining the strong linkages between CIS Kenya and FSD Kenya.

Let me thank the Chief Guests and other key note guest speakers for finding time in their busy schedules to join us and share their technical, legal, financial, policy and

operational thoughts on how we can make Credit Information Sharing the *next big thing in Africa*.
Thanks you and have fruitful engagements.