

CBK denies Zain's money transfer service

The Kenyan mobile services sector is in the headlines again, this time for all the wrong reasons. A war of words has emerged between the Central Bank of Kenya and the second largest mobile services provider, Zain. It's all about the failure by the bank to give a nod to Zain's much anticipated money transfer services under the brand name, Zap.

By [Titus Kaloki](#) 30 Jan 2009

This is actually spoiling the mood of the market considering that a similar service, a first in the world that got Bill Gates attention has been in operation for more than two years now with five million subscribers to date called M-Pesa by Safaricom.

Zap claims to be the upgraded version of M-Pesa, offering a wider range of services yet it failed to get the green light. In the absence of regulatory guidelines to guide the provision of such services, CBK opted to use M-Pesa as a yardstick to deny Zain approval for its yet to be launched service. Partners that had come together with Zain for the project are reportedly getting cold feet and discontent could stall the enormous ambition behind it. The Treasury may have been spooked by the sheer scope of services to be offered by Zap.

Early this month the Treasury raised fears over M-Pesa taking over banking services share of the market as things going awry because of the lack of legal regulations to control it. The service handled about 16.5 billion shillings last year. With Zap promising even more services the CBK's worry is not as far fetched. Under M-Pesa the money is not under Safaricom's control, rather in a trust account with the Commercial Bank of Africa. Since the money is not held in an account but only transferred, it does not contravene the Banking Act, says CBK. Whether Zap will have accounts is yet to be established.

Interestingly Zain has even added to all the safeguards its rival has but couldn't pass CBK's test. Zain partnered with Standard Chartered Bank as its trustee for the service. A meeting scheduled between Zain and CBK was met with disapproval from Professor Njuguna, the CBK governor. He said he was unaware of any scheduled meeting and that the bank has never dealt with Zain rather it deals with the partner, Standard Chartered Bank.

The Kenyan market is abuzz with rumours that competition from partly government-owned Safaricom might be behind the move to deny Zap's entry into the market.

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