

# Forum on Integrity in Mobile Money Lima, Peru

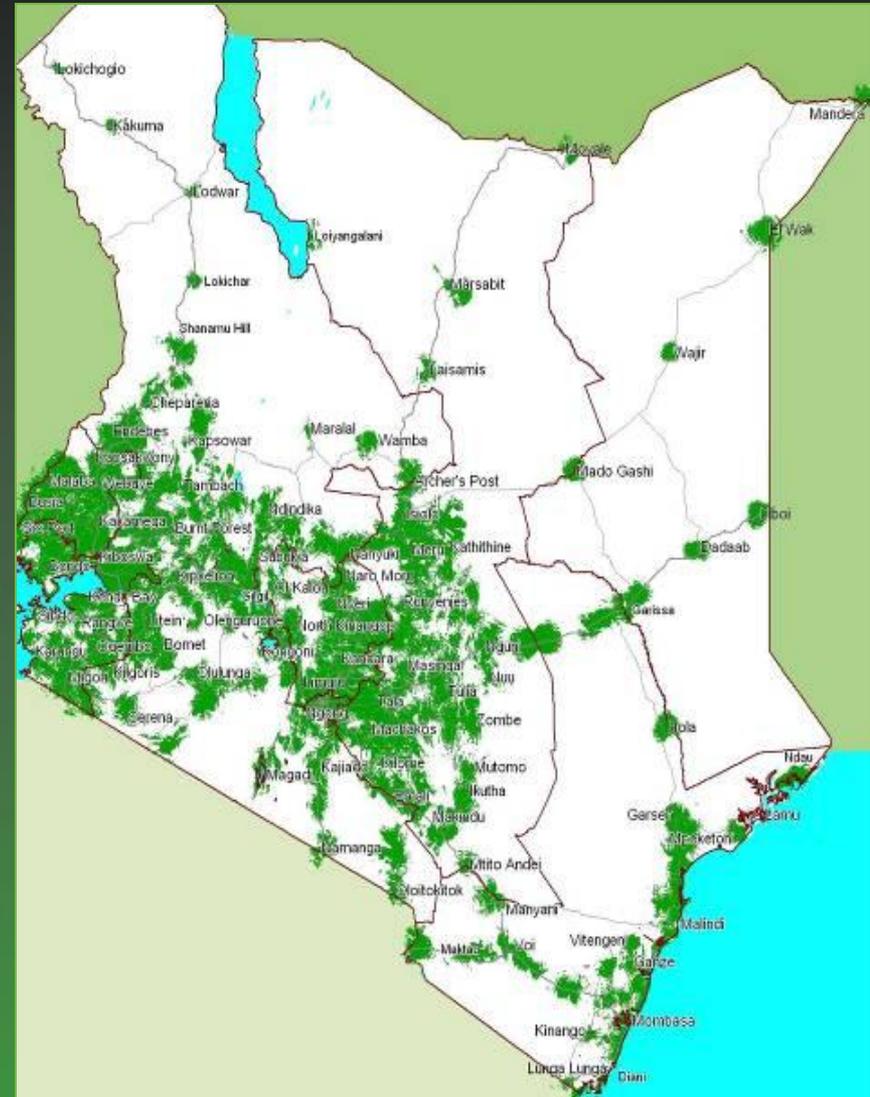
## Implementation of AML/CFT Monitoring and Controls : The Kenyan Experience

Mercy Buku  
Senior Manager  
Money Laundering Reporting  
Safaricom Limited



# Kenya at a Glance

- Population approximately 39 Million
- Over 42% are under the age of 14
- 78% of the population is rural
- 22.6 % adults have a formal Bank Account
- Literacy at 85 %
- 80% have access to a mobile phone
- 40% of Kenyans unemployed while 17.94 million constitute the labor force in Kenya

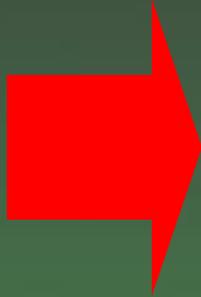


# Our Journey

---

2000

- 17,000 Customers
- 50 Employees
- Coverage: Nairobi, Mombasa
- ETACS, 2G
- 20 Base Stations
- 2 prefixes
- 2 Shareholders
- Voice only

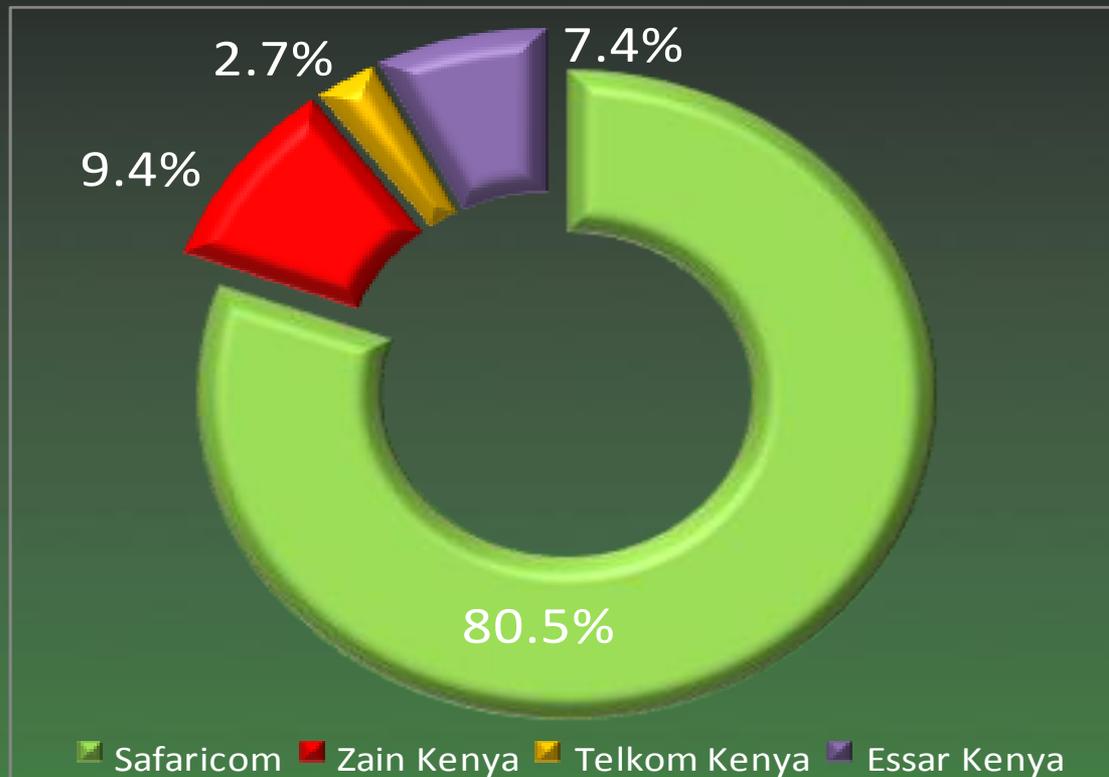


2011

- Over 16 Million Customers
- 3000 Employees
- Coverage: 75% of Kenyan population
- 2.5G, GPRS/EDGE, 3G, 4G
- Over 2600 Base Stations
- 18 prefixes
- 750,000 Shareholders
- Multiple Services

# Market Share - June 2010

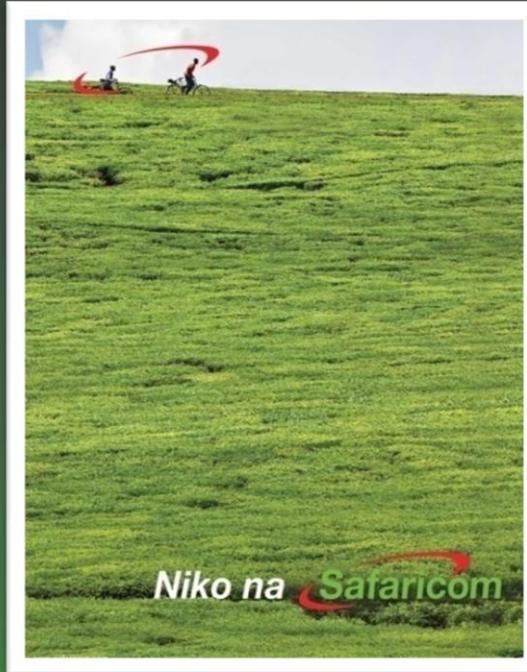
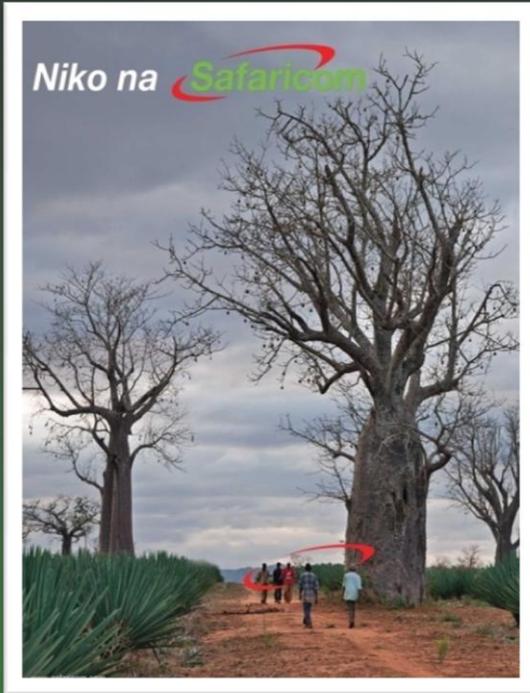
---



Market Share continues to grow despite increased competition

# The Brand ..... Safaricom

In 10 years we have achieved enormous brand recognition,  
not only locally but also internationally



100% Kenyan Brand  
Enormous Brand Recognition locally and internationally

# Challenges over the last 10 years

---

- 54% mobile penetration (2006) as compared to 80% currently\*
- Fewer Base Stations for rural coverage
- Relatively low Literacy levels
- Low Income levels vs cost of devices
- Slow pace of rural electrification
- Low Internet Penetration



\* Finaccess 2009

# Catering for the larger Population

## Beba Bamba!

Tunakuletea kadi mpya **za bei nafuu zaidi** hapa Kenya!



Low Denomination Vouchers

Per Second Billing



Rural Expansion



# Driving innovation through product offering

Diverse Product Portfolio

Low End Handsets

Airtime Credit Facilities



**Stima si lazima...  
pata Simu ya Solar**

Get the 1st ever Solar powered phone in Kenya  
for just **Kshs. 2,999/-** exclusive to Safaricom.

**Safaricom**

Phone can be charged with other solar or electricity.  
Phone can charge from other source of energy.  
Not available at all Safaricom Retail and Service Centres.



Need to make a call but have no credit?

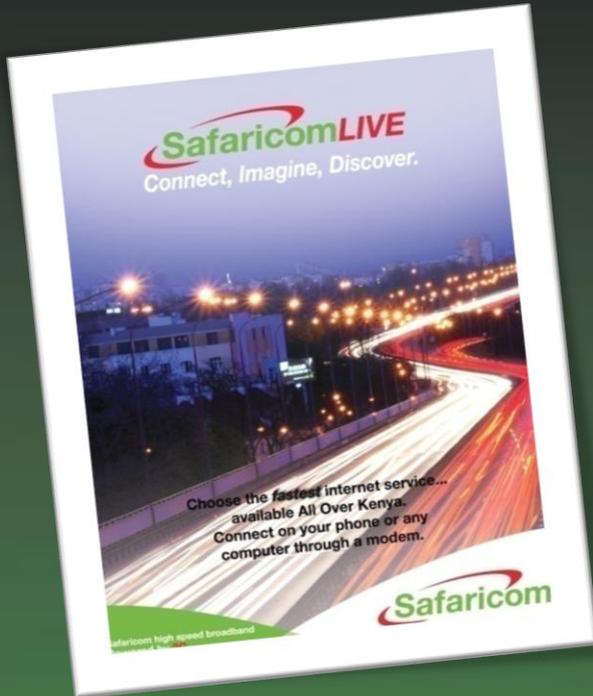
**OKOA JAHAZI**

Dial  
**\*131#**  
to receive 50/- credit advance from Safaricom.

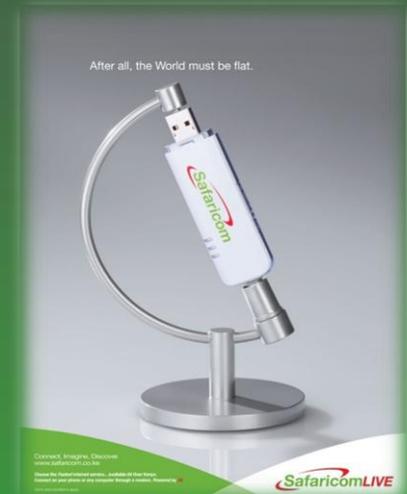
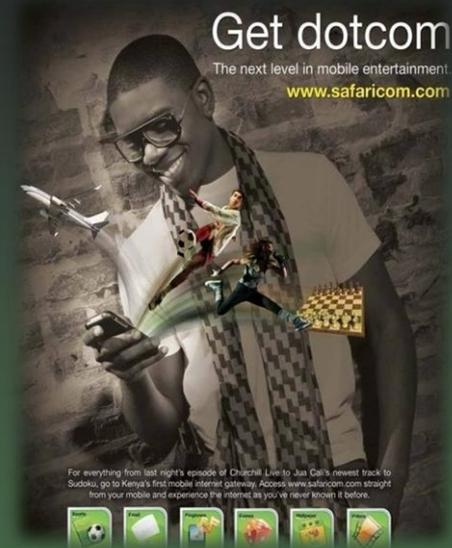
**Okoa Jahazi**

**Safaricom**

# Increased DATA usage



- Growth of Data Service
- Over 730 3G Base Stations
- Wimax rollout ongoing
- Sale of affordable modems, data enabled phones and laptops
- Competitive pricing



# Giving Back .....Social Investments



Attention is paid to diversity issues

- Gender balance
- Physically challenged
- Marginalised communities

# Giving Back .....Increasing literacy levels

---



➤ Construction of over 100 schools to increase literacy levels

➤ Provision of learning materials for blind, deaf and physically challenged students



# Innovation ..... M-PESA



Capitalising on Mobile Technology to deepen access to Financial Services

# M-PESA: Changing Lives

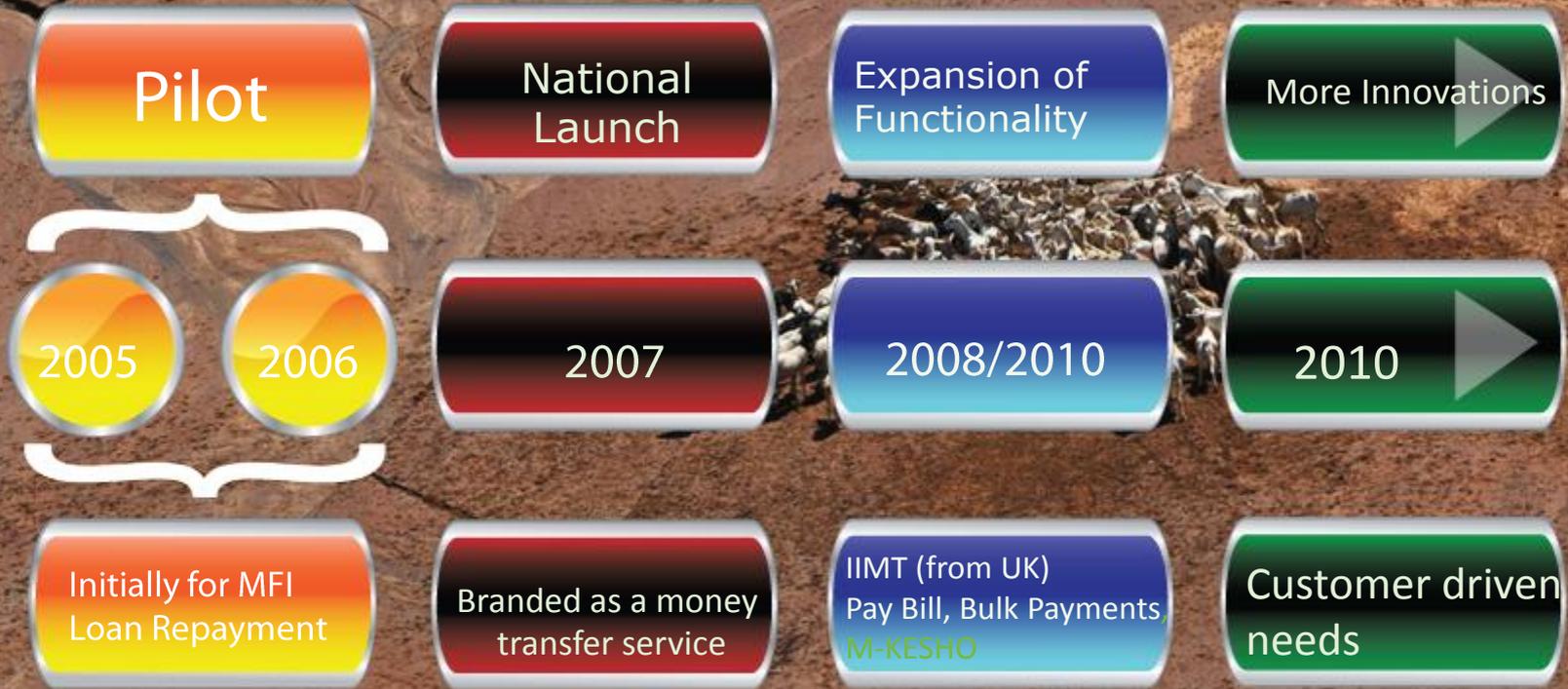
45% of Kenyans choose M-PESA as their primary means to send money

Per transaction customers save\*:

- 3 hours per transaction, ploughed back into economic productivity
- US\$ 3, spent mainly on food
- Transactional Limits : \$ 850 per day  
\$1700 per month



# Evolution of M-PESA

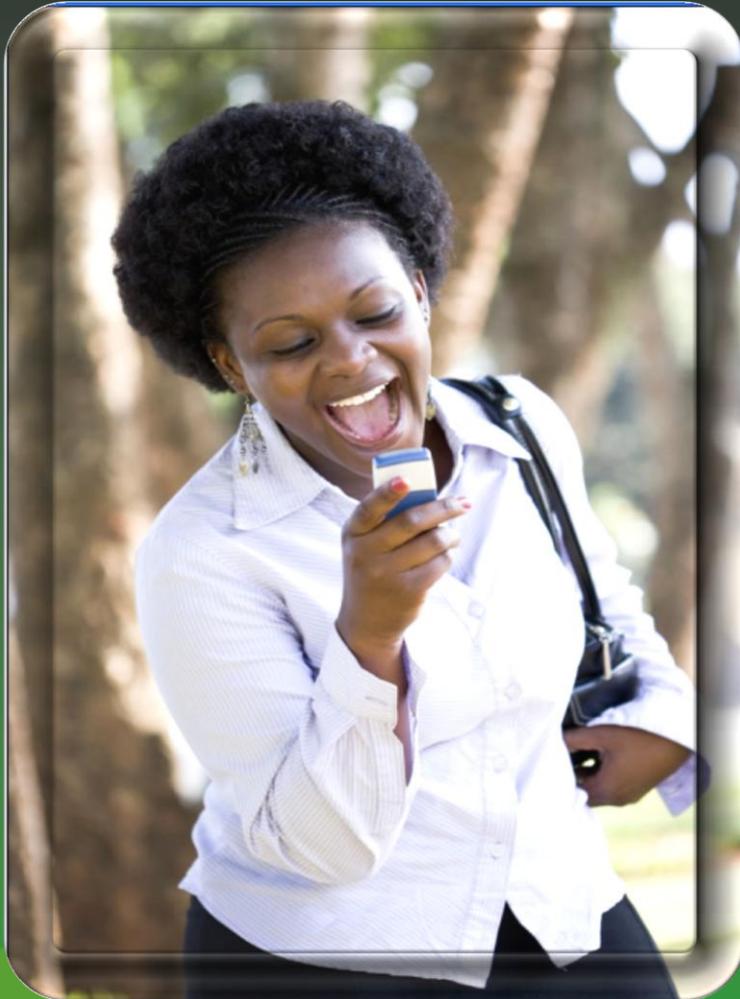


# M-PESA: Beyond money transfer.....

---

# Innovative uses of M-PESA

**Airtime Purchase - Top Up**  
anywhere any time

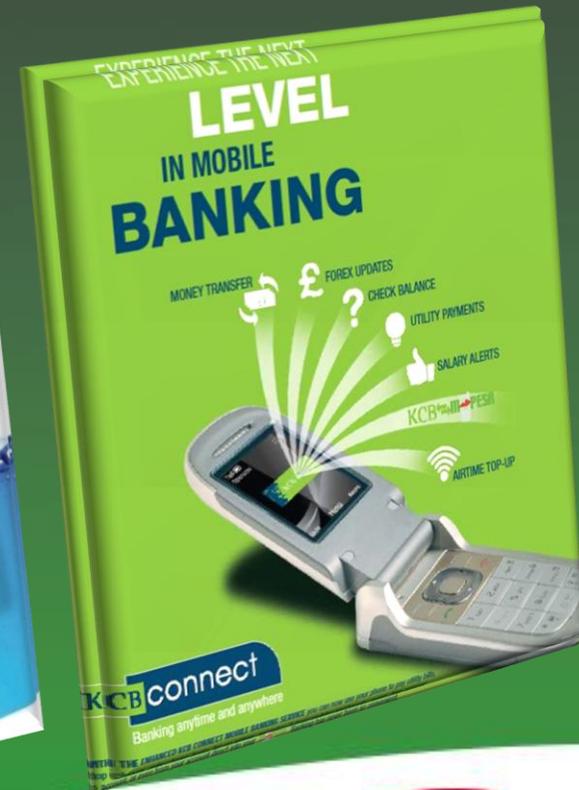
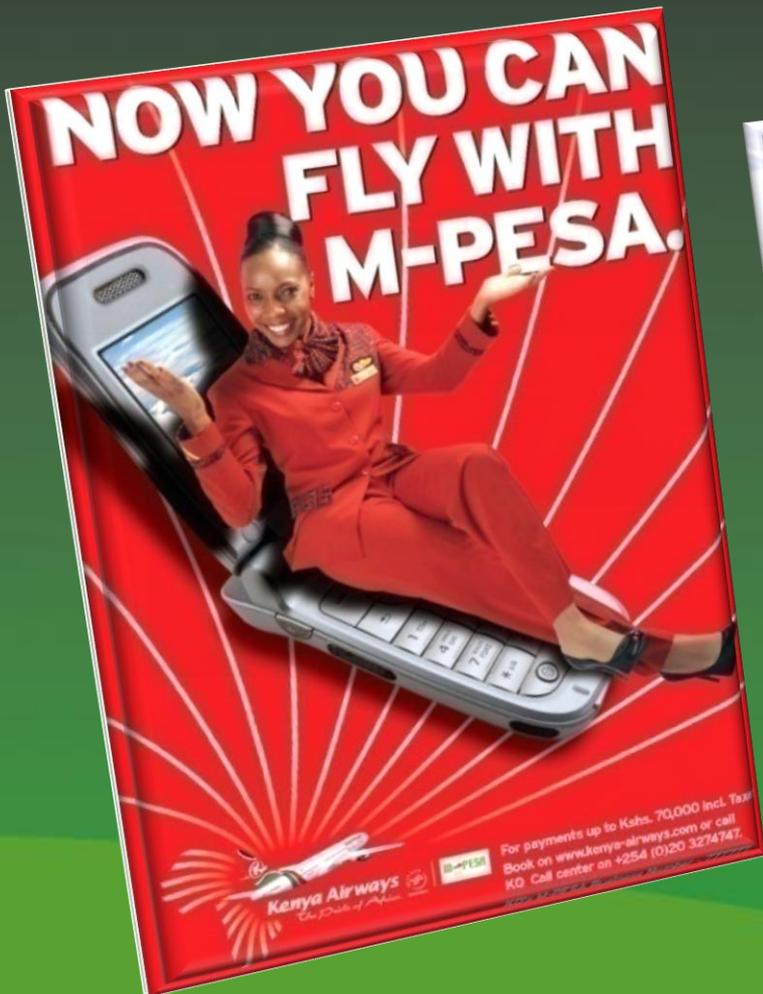


**ATM Withdrawals - 24/7 access**  
to cash at over 650 ATM's  
countrywide

# Enabling Payment Services

## Pay Bill Services (Customer to Business)

- ✓ Over 700 Pay Bill Partners
- ✓ Facilitating payment of regular & utility bills
- ✓ M-PESA to Bank Deposits and Transfers



# Purchase of goods and services made simpler



Shop and pay  
with M-PESA

Now whatever you are buying, wherever you are buying it,  
make sure that you pay for it with M-PESA!

It's CONVENIENT: you don't need to carry cash. It's SIMPLE: just go to the 'Buy Goods' option on your  
M-PESA menu and follow the instructions. It's the AFFORDABLE way to pay for goods and services.



Introducing "Nunua na M-PESA", the convenient way to pay for your shopping at all Deacons stores.

It's convenient and simple. Just go to the "Buy goods" option on your M-PESA menu.

DEACONS  
YOUR LIFESTYLE CHOICE  
[www.deacons.co.ke](http://www.deacons.co.ke)

Safaricom  
[www.safaricom.co.ke](http://www.safaricom.co.ke)

Payment of Goods & Services at M-PESA Partner Outlets

Safaricom

# International Money Transfer

Partnership with Western Union in  
over 45 countries worldwide  
Including UK, USA, Canada, UAE

Receive money from abroad through  
**M-PESA** at no extra charge.

Tell your friends and family abroad to send you money using the new M-PESA International Money Transfer Service. Simply ask the sender to transfer money as usual through participating Western Union agent locations, giving your Safaricom number as the recipient address. The service is available through Western Union in the countries below.

**M-PESA services are available to Safaricom subscribers only.**



AMERICAN SAMOA	NIGER
BAHRAIN	NORTHERN MARIANA ISLANDS
BELGIUM	NORWAY
BENIN	OMAN
BOTSWANA	PAKISTAN
BURKINA FASO	QATAR
CAMEROON	RUSSIA
CANADA	RWANDA
COTE D'IVOIRE	SAUDI ARABIA
DEMOCRATIC REPUBLIC OF CONGO	SENEGAL
DENMARK	SINGAPORE
FINLAND	SPAIN
FRANCE	SWEDEN
GREECE	SWITZERLAND
GUAM	TANZANIA
HONG KONG	UGANDA
IRELAND	UNITED ARAB EMIRATES
ITALY	UNITED KINGDOM
JORDAN	UNITED STATES OF AMERICA
KUWAIT	YEMEN
LEBANON	ZAMBIA
MALAYSIA	
MALI	
NETHERLANDS	

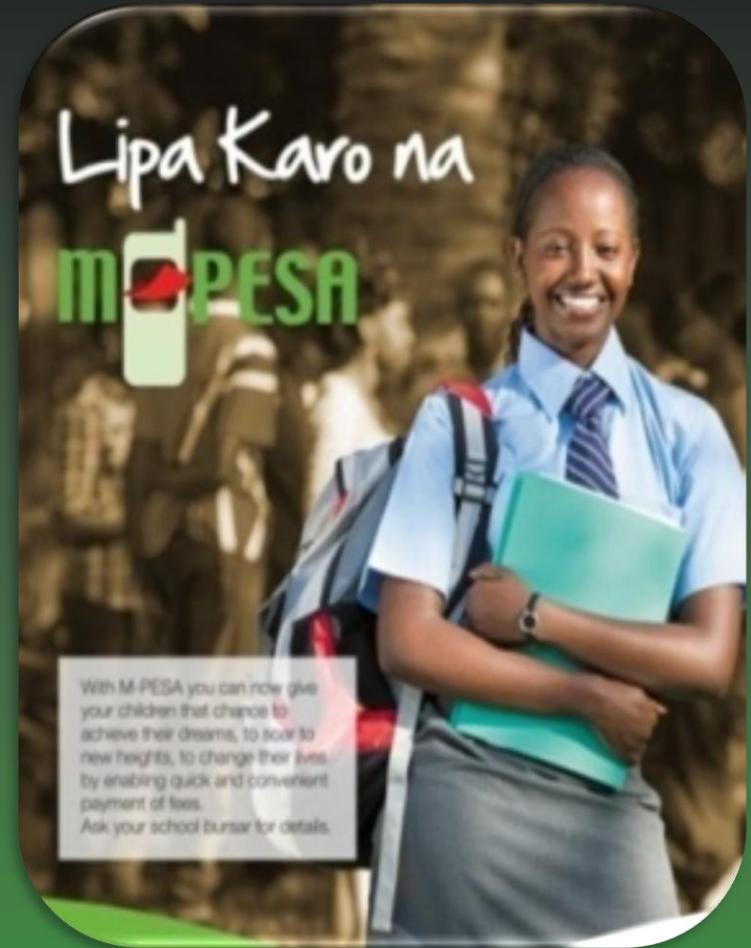
**WESTERN UNION** mobile

Standard M-PESA transaction fees and limits apply.

**Safaricom**

# M-Ticketing and School Fees Payments

**M-PESA Ticketing** – Customers can purchase tickets online through M-PESA Agent outlets



**Pay School fees** – Payment of school fees to partner schools and education institutions

# M-PEASA Prepay Visa Card

*Introducing the new M-PESA PrePay VISA Safari Card.  
The only VISA card that you can top up with your phone.*

*With this card you can now use M-PESA at  
over 28 million outlets worldwide and make payments for online shopping.*



*Simply walk into any Safaricom Shop or  
IBM Bank branch countrywide with  
your National ID and apply for your card today!*

**Safaricom**

- ✓ Prepay Visa card topped up by M-PESA.
- ✓ Facilitates electronic Commerce locally and internationally.
- ✓ Cash withdrawal at VISA enabled ATMs worldwide.
- ✓ Maximum balance of KShs.500,000 (USD 6000)

**Safaricom**

# Winning Partnerships: M-PESA for Organizations!



Over 300 Partners use M-PESA to pay

- ✓ Salary Disbursements
- ✓ Loan Disbursements
- ✓ Promotion cash prize payments
- ✓ Dividends Payments

# M-KESHO: Another World First - Over 700,000 customers!

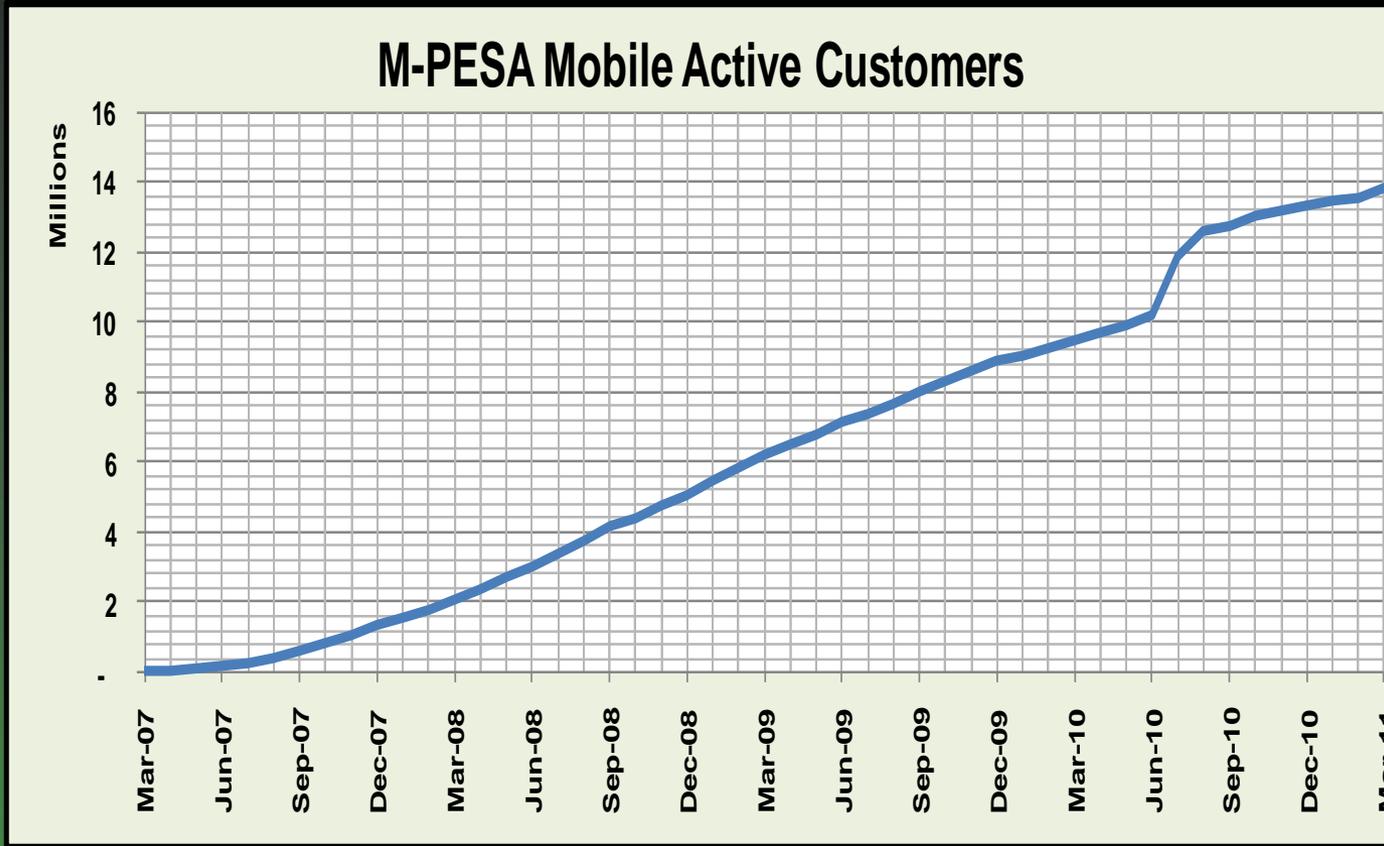


- Empowering the un-banked in partnership with Equity Bank
- Mobile centric banking service focused on driving savings
- Emergency Credit
- Personal Accident cover
- Free Deposits, No Ledger Fees, No minimum balance

# Phenomenal Growth!

---

# Kenyans Show Confidence in M-PESA



Over 13.8 Million Customers on M-PESA



# M-PESA Agents



- Over 24,000 Agent outlets countrywide
- Agents in diverse sectors such as Supermarkets, Banks, Fuel Stations, Pharmacies, Safaricom Dealers.

# M-PESA Continuously Changing Lives!

---

# Enhancing the Health of our People!



Collection of Health Insurance premiums

Payment for Inpatient and Outpatient services at Hospitals

Grundfos LifeLink : Clean & safe drinking water

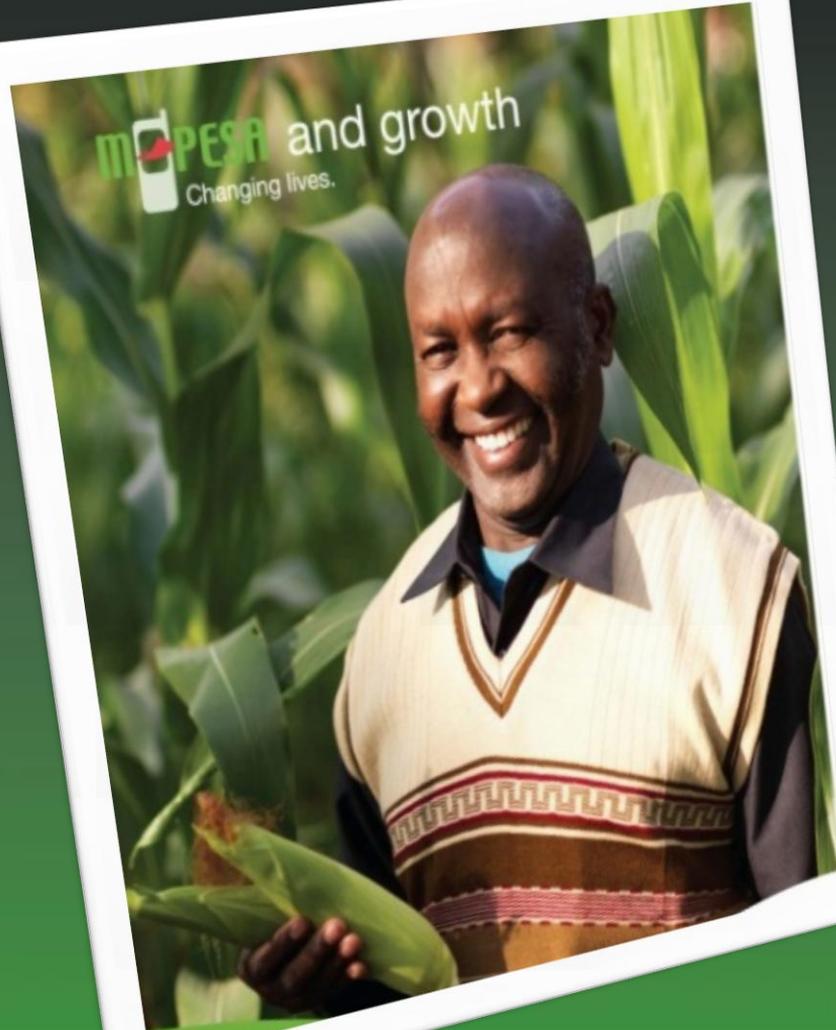


# Facilitating Social Collections & Disbursements!



- Resettlement of Post Election Violence IDPs
- National Famine Relief Fund
- Gender Violence Recovery Programmes
- Mater Heart Run – Open heart surgery for children from under privileged backgrounds

# M-PESA making a Mark in Agriculture!



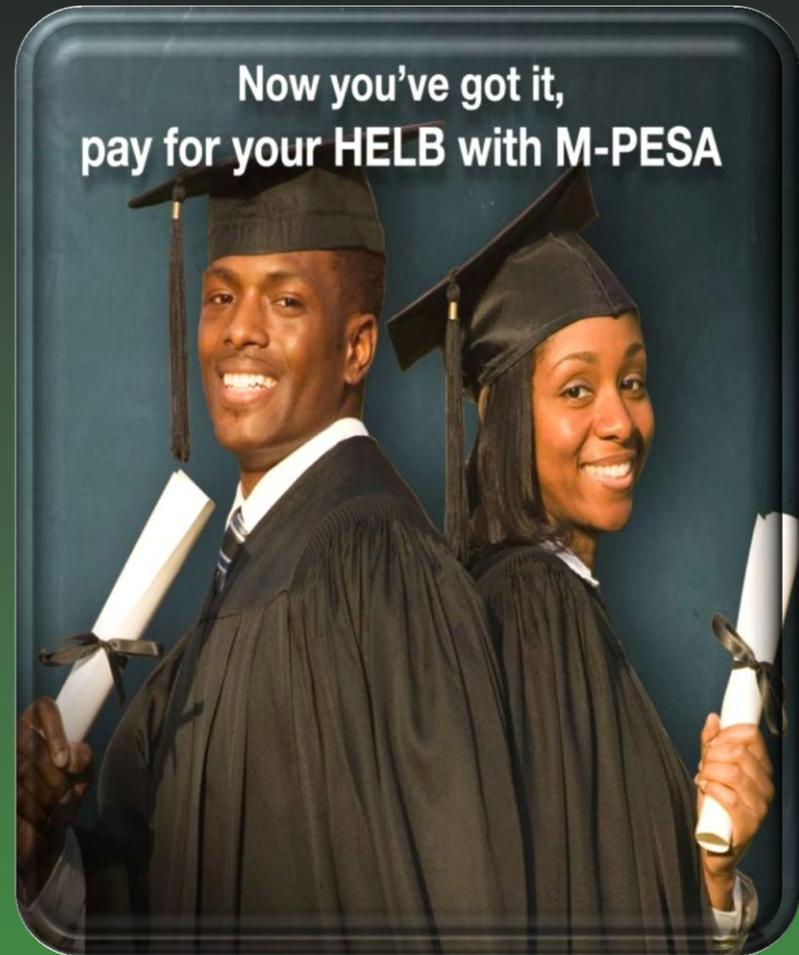
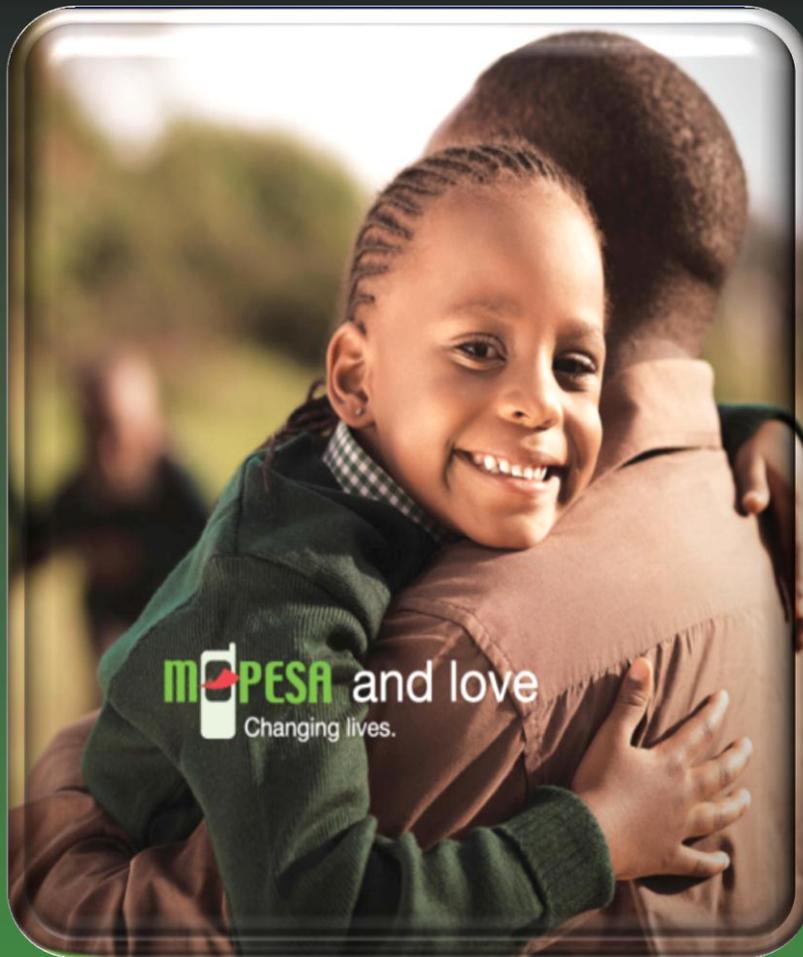
## Kilimo Salama Program

- ✓ Loans to farmers for purchase of seeds and fertilizers
- ✓ Premium collection and claims paid via M-PESA

## Lay Away Program

- ✓ Scheme allows farmers to save towards purchase of irrigation pumps
- ✓ Savings submitted via M-PESA

# M-PESA and Education!



- Repayment of Higher Education Loans.
- Payment of School Fees

# *M-PESA AND AML/CFT INITIATIVES:*



# Implementation of AML Controls

---

## *Challenges*

### **KYC and CDD**

➤ Difficulties in implementation of effective customer due diligence due to lack of proper documentation such as ID's, etc particularly in the remote areas

➤ Obtaining of Customer Information (photocopying, collection, quality checking, storage, retrieval)

➤ -

# Challenges

---

- Home address and utility account verification (not possible for majority of target market)
- ensuring the quality of KYC information collected (correct Names, ID and Date of Birth details etc) due to reliance on the agent staff

# Challenges

---

- Registration of multiple accounts and Lines to bypass transaction thresholds and defraud unsuspecting customers
  
- Engendering a culture of AML awareness and suspicious activity reporting among the agent staff

# Challenges

---

- - carrying out regular due diligence and compliance monitoring on large agent network (the balance between business need for large agent network and ensuring that all agents are vetted, trained and complying with AML requirements)

# Challenges

---

Lack of formal AML regulatory controls for telcos

➤- ensuring AML programme is risk based, with lower controls on domestic low level P2P and higher controls on IMT and business usage.

- the scale of mobile money in terms of customers, agents and transactions makes AML operations extremely resource intensive

# Challenges

---

- Non Compliance by Agents to KYC/AML guidelines
- Agent Due Diligence due to vast Agent network
- Emergence of Mobile Money Frauds such as Fake currency deposits, fraudulent transfers and other scams

## Meeting the Challenges

- Regular risk assessment of product functionality, customers, agents that drives AML systems and controls.
- Risk based Tiered KYC - no home address or ID copy requirement on accounts with low level transactions

# Implementation of AML Controls

---

## Meeting the Challenges

- - Technology to capture KYC copies on higher risk accounts scanners/ camera phones etc
- Comprehensive AML policy and procedures, training materials, ongoing agent and staff awareness campaigns (with focus on KYC and SARs - whistle blowing policies also in place)
- Sensitization of subscribers on various frauds and safeguard measures

# Implementation of AML Controls

---

## ➤ Meeting the Challenges

- Automated systems for screening customers and agents against sanction lists
- Authentication of customer data against National Registration Bureau Data Base
- Monitoring of transactions for suspicious activity
- Profiling, arrest and prosecution of suspects involved in mobile fraud

# Implementation of AML Controls

---

- -Blocking/suspension of accounts with poor or duplicated KYC or accounts/lines that appear linked or have been used for fraud
- risk based agent compliance monitoring programme focused on agents with high registrations, or in high risk locations
- agent penalties programme for non compliance, warnings, fines, suspension of operation, SAR, claw back of commissions

# Implementation of AML Controls

---

- archiving system to electronically store customer KYC, agent due diligence and staff AML training records
- Regular engagement and proactive representations with the financial regulator
- Senior management awareness of AML, support of the AML programme and adequate resources to meet the challenge

Niko na  Safaricom

**THANK YOU**  
*Asante sana*  
*Gracias!*