



CENTRAL BANK OF KENYA MARKET OPERATIONS:

The Monetary Policy Committee at its Meeting on 1st November, 2011 made a number of decisions that will henceforth guide its market operations.

The Committee announced a new Monetary Policy Framework wherein all Central Bank Market Operations will be based on the Central Bank Rate (CBR) in order to enhance clarity and certainty. Henceforth therefore:

1. Whenever the Central Bank is injecting liquidity through Reverse Repo, the CBR will be lowest (floor) acceptable rate.
2. Likewise whenever the Bank wishes to withdraw liquidity through a Vertical Repo, the CBR will be the highest (ceiling) rate that it will pay on any bid received.
3. The Bank will continue to quote the amount that it proposes to inject into or mop up from the market in the process of managing liquidity.
4. Those banks utilising the CBK Overnight Window will be charged the CBR plus a high penalty. Banks making use of this facility more than twice in a week will be scrutinised to establish whether prompt corrective action is required.

3rd November, 2011