



PRESS RELEASE

COMMERCIAL BANKS' MOU TO LOWER INTEREST RATES

At a Press Conference held this morning, the Central Bank of Kenya (CBK) received a seven-point Memorandum of Understanding (MOU) from the banking sector, through its umbrella body the Kenya Bankers Association (KBA). The MOU outlines certain steps that all banks commit to take in a bid to lower interest rates, consistent with the expectations of their customers. In particular, banks have committed under the MOU, to reduce their lending rates in line with the reductions in the CBR and the KBRR, announced in the recent meetings of the Monetary Policy Committee (MPC). Banks have also committed, *inter alia*, to eliminate some non-interest charges that hinder customers from gainfully benefiting from positive market developments. The MOU will be made available on the KBA website www.kba.co.ke.

The CBK welcomes this move. It is a step in the right direction, consistent with the CBK's stand on the importance of banks acting in the best interest of their customers and in line with prevailing market conditions. This step will also allow for interest rates to be more responsive to market conditions. The CBK will keenly monitor implementation of the MOU and communicate performance in a transparent manner.

Nonetheless, this is just the beginning of a long journey. More needs to be done as banks continue reviewing their business models and improving their products, in order to give rise to lower interest rates in the period ahead. The CBK will also spearhead additional reforms that will support a further reduction in the cost of credit.

CENTRAL BANK OF KENYA

www.centralbank.go.ke

August 10, 2016