



DECEMBER 11, 2023

Haile Selassie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 340192

BANKING CIRCULAR NO. 16 OF 2023

TO: ALL CHIEF EXECUTIVE OFFICERS OF COMMERCIAL BANKS

INTRODUCTION OF ELECTRONIC MATCHING SYSTEMS (EMS) IN THE INTERBANK FOREIGN EXCHANGE MARKET.

To streamline and improve operations in the interbank foreign exchange (FX) market, the Central Bank of Kenya (CBK) announced changes to operations in the interbank foreign exchange market vide Banking Circular No 7 of 2023 dated August 29, 2023. These changes were on the limit on tenor for swaps, use of electronic brokerage systems and minimum interbank traded amount.

To further enhance the efficiency and smooth operation of the FX market, CBK announces the implementation of electronic trading in the interbank foreign exchange market via Electronic Matching Systems.

The CBK in close engagement with market participants has developed a set of *Rules for Electronic Matching Systems (EMS)* and re-affirms the market making obligation of commercial banks to create an efficient market clearing exchange rate. Minimum amounts that can be traded in the interbank FX market will now be maintained via future updates to the EMS rules.

Following these developments, the maximum spread between indicative two-way quotes set at Kes 20 cents vide Banking Circular No. 10 of 2015 is hereby withdrawn. Firm, tradeable prices will now be available via the EMS. Market participants should buy and sell FX with their clients and among themselves at freely negotiated rates and should adjust their quotes as necessary for prudent management of their FX risk within prudential limits.

These changes take effect immediately.

DAVID LUUSA
DIRECTOR, FINANCIAL MARKETS DEPARTMENT

cc.: Mr. Habil Olaka
Chief Executive Officer
Kenya Bankers Association
International Life House, Mama Ngina Street
NAIROBI