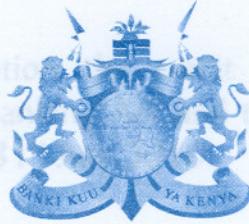


**BANKI  
KUU YA  
KENYA**



**CENTRAL  
BANK OF  
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## **BANKING CIRCULAR NO. 3 OF 2010**

**TO CHIEF EXECUTIVES OF COMMERCIAL BANKS, NON-BANK FINANCIAL INSTITUTIONS AND MORTGAGE FINANCE COMPANIES**

### **ROLL OUT OF CREDIT INFORMATION SHARING UNDER THE BANKING ACT**

The Banking (Credit Reference Bureau) Regulations, 2008 (CRB Regulations) were gazetted on 11<sup>th</sup> July 2008 and came into operation on 2<sup>nd</sup> February 2009. The CRB Regulations amongst others provide for the establishment, licensing and operations of banking sector Credit Reference Bureaus (CRBs); oversight by the Central Bank on the operations of CRBs and provide for the responsibilities of institutions and CRBs in the credit information sharing mechanism. Consequently, the Central Bank has so far licensed one credit reference bureau while three other applications are at various stages of processing. Licensed CRBs will collect, collate and share credit information with institutions licensed under the Banking Act.

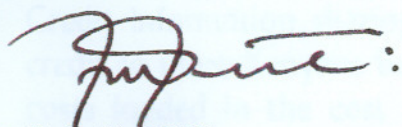
Credit information sharing offers Kenya an opportunity to promote access to affordable credit to more Kenyans because information symmetry lowers the risk premium and search costs loaded in the cost of credit. In the past, banks have loaded a "risk premium" to borrowers because of lack of information. It is therefore the Central Bank's expectation that savings arising from the sharing of credit information shall translate to lower cost of credit and in turn, more Kenyans will be able to access credit from institutions.

Credit information sharing will also facilitate the development of information capital. The information capital will support credit growth and financial development in Kenya in line with Vision 2030. The existing state of information asymmetry between borrowers and banks is a constraint to innovation and financial intermediation.

In line with Regulation 14(4) of the CRB Regulations, the banking industry under the aegis of the Kenya Bankers Association has developed and agreed on a Data Specification Document and Data Standards Manual (standardised reporting template) for submission of customer information to licensed CRBs. The requisite information technology system has already been developed to enable transmission of data by institutions to the CRBs.

The purpose of this Circular is therefore:-

1. To formally bring into operation the credit information sharing mechanism for institutions licensed under the Banking Act and to notify you that the effective rollout date for the mechanism shall be 31<sup>st</sup> July 2010.
2. To inform you that effective 31<sup>st</sup> July 2010, all institutions shall be required to submit to all licensed CRBs, credit information described in Regulation 14(1) of the Banking (Credit Reference Bureau) Regulations, 2008. Institutions may also submit from 31<sup>st</sup> July 2010 to all licensed CRBs, credit information that may be exchanged pursuant to Regulation 14(2) of the Banking (Credit Reference Bureau) Regulations, 2008.
3. To notify you that the reporting date for all non-performing loans shall be the last date of each month effective 31<sup>st</sup> July 2010. Institutions shall submit customer information on all non-performing loans in their books as at 31<sup>st</sup> July 2010 to all licensed CRBs. Such information should be submitted to the licensed CRBs not later than 10<sup>th</sup> August 2010 and thereafter incremental data on non-performing loans and other information that may be exchanged pursuant to the Banking (Credit Reference Bureau) Regulations, 2008 shall be submitted on a monthly basis on or before the 10<sup>th</sup> day of each succeeding month.
4. To require institutions to submit customer information to the CRBs using the agreed Data Specification Document, a copy of which is currently available on the Central Bank of Kenya website at <http://www.centralbank.go.ke>.
5. Inform you that failure to comply with the reporting requirements or any other provision of the CRB Regulations will attract remedial action as specified under the Banking Act and the Banking (Credit Reference Bureau) Regulations, 2008.



**F. P. K. PERE**  
**DIRECTOR, BANK SUPERVISION**

12<sup>th</sup> July 2010

cc. **Chief Executive Officer**  
Kenya Bankers Association  
Transnational Plaza  
**NAIROBI.**

**Managing Director**  
Credit Reference Bureau Africa Ltd.  
Prosperity House, Westlands Road  
**NAIROBI**