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CENTRAL
BANK OF
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BANKING CIRCULAR NO. 3 OF 2017

TO ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS

OPERATIONALISATION OF THE COST OF CREDIT WEBSITE INITIATIVE

Following the operationalization of the Prudential Guidelines on Consumer Protection - CBK/PG/22, which required banks to fully disclose the total cost of credit to the consumers, the Central Bank of Kenya (CBK), in collaboration with Kenya Bankers Association (KBA) have developed a 'cost of credit' website. The website provides standardized information on the total cost of credit (TCC) disclosure tools as provided for in the CBK/PG/22, which include the Annual Percentage Rate (APR) Loan calculator, the Repayment Schedule (RS) and the TCC. The culmination of this development process was on 23rd May 2017, when KBA held a training workshop with designated representatives from commercial banks and microfinance banks to train them on how to use the website portal in readiness for the full implementation of the initiative.

The purpose of this circular is to ask you to participate in the operationalisation of the 'cost of credit website' initiative as follows:

- i) This initiative will be rolled out in phases. For now, only three types of loans will be featured on the website: personal secured loans, personal unsecured loans and mortgage loans. Additional loan facilities will be added gradually.
- ii) All commercial banks will fully participate in this initiative.
- iii) All commercial banks will submit, update and upload their data on the three types of loans highlighted in point (i) above. The data submission and updates will be done on quarterly basis or as and when there is any change in the data input variables. The Chief Executive Officers and Heads of Credit of the respective banks shall be held responsible for the accuracy and timeliness of the data submitted.
- iv) All commercial banks will use the KBA's TCC template as a standard template to disclose all the total cost of credit of the loan products.

As you are aware, CBK considers transparency to be a key element of an effective, safe and sound banking system. Thus, to achieve the maximum benefits of transparency and public disclosure, it is in the interest of CBK to continue pursuing initiatives that promote comprehensiveness, relevance, reliability and timeliness of the information disclosed to enable customers make informed decisions. Thus, CBK believes that the 'cost of credit

website' initiative, with your support of course, will go a long way in promoting greater transparency in the banking sector. Your participation in this initiative is therefore critical to its success.

Yours faithfully,



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ASSISTANT DIRECTOR, BANK SUPERVISION

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