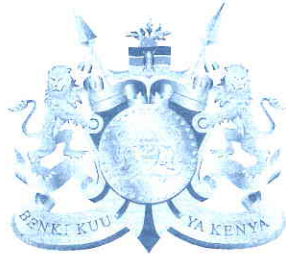


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**26<sup>th</sup> August, 2011**

## **BANKING CIRCULAR NO. 9 OF 2011**

### **TO ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS**

### **GUIDELINES ON THE MANAGEMENT OF LIQUIDITY THROUGH THE CBK DISCOUNT WINDOW AND CASH RESERVE RATIO**

Further to Banking Circular No 8 of 2011, it has now become necessary to revise the Circular on the basis of prevailing market conditions. Firstly, in the previous circular, the differential between the interbank and the CBR was either fully incorporated or excluded. This means that the weight given to the differential in the first place was one while being zero in the second case. However, this weight will henceforth vary between zero and one according to the specific liquidity conditions in the interbank market. Secondly, while the interbank rate which was being used in the computation of the differential as specified in the Circular was the previous day's average rate, it is now going to be computed as a moving average over a longer period.

With respect to the Cash Reserves Ratio (CRR), commercial banks will now be required to maintain their CRR based on a monthly average basis. This means that banks are free to deviate from the 4.75% requirement on any given day, but not to fall below 3%, provided that the overall average for the month will be at least 4.75%. Failure to observe the required average will lead to penalization by the Central Bank at the current penalty rate.

These changes will take effect from Monday, 29<sup>th</sup> August 2011.

  
**JACKSON M. KITILI**

**DIRECTOR, BANKING SERVICES, NATIONAL PAYMENTS SYSTEMS &  
RISK MANAGEMENT DEPARTMENT**