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## **BANKING CIRCULAR NO. 5 OF 2020**

**TO ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS, MICROFINANCE BANKS AND MORTGAGE FINANCE COMPANIES:**

### **ISSUANCE OF A GUIDANCE NOTE ON PANDEMIC PLANNING FOR THE BANKING SECTOR**

As you are aware, the world is facing an unprecedented health threat from the spread of the novel Coronavirus (Covid-19) which has affected multiple countries globally. Consequently, the World Health Organization (WHO) declared the virus a global pandemic on March 11, 2020. Governments have taken unprecedented actions to contain the spread of the virus and protect their citizens by placing restrictions on the movement of people and in extreme cases ordering complete lockdown of nations. The negative impact on the global economy as well as the local economy is likely to be significant.

The first case in Kenya was reported on March 12, 2020 and the number has increased following confirmation of additional cases. The Government of Kenya announced a raft of measures meant to contain the spread of the virus. In order to limit the impact of Covid-19, institutions are required to review their Business Continuity Plans (BCPs) and consider what actions can be taken to enhance preparedness and minimize the potential adverse effects of the spread of Covid-19.

BCPs have proved to be inadequate in the case of a pandemic. Pandemics represent a paradigm shift to the continuity of business operations. BCPs traditionally focus on the technology and available of recovery sites. However, some pandemic mitigation measures can cause significant social disruption due to absenteeism of staff over significant periods, which may arise from the illness itself, from containment measures to limit its spread or impact, or from widespread panic.

In this regard, the Central Bank of Kenya (CBK) has issued the attached Guidance Note on Pandemic Planning for the Banking Sector. The Guidance Note provides minimum standards to ensure that institutions have resilient frameworks to effectively address emerging pandemic risks in the banking sector.

The Guidance Note is issued to supplement the existing business continuity plans as required under CBK Prudential Guideline on Business Continuity Management (CBK/PG/14). The

Guidance Note does not replace nor supersede existing legislation, regulations and guidelines that institutions must comply with as part of their regulatory obligations, particularly in the areas of risk management, corporate governance and business continuity management. The Guidance Note further requires all commercial banks, microfinance banks and mortgage finance companies to:

- i. Update their Business Continuity Plans, strategies and frameworks to include planning for pandemics such as Covid-19.
- ii. Formulate pandemic response plans for close monitoring of the implementation of the Business Continuity Plans.
- iii. Conduct self-risk assessment of the risks posed by a pandemic such as Covid-19 to the institution itself, the financial sector based on critical services being provided and the significance to the financial system.
- iv. Notify CBK of any pandemic incidences in the format set out and within the timelines prescribed in the Guidance Note.
- v. Submit the Pandemic Response Plan and Self- Risk Assessment to CBK by April 6, 2020.

The purpose of this circular therefore is to issue the Guidance Note on Pandemic Planning for the Banking Sector.

Yours faithfully,



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