

BANKI  
KUU YA  
KENYA



CENTRAL  
BANK OF  
KENYA

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## **BANKING CIRCULAR NO. 4 OF 2013**

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

### **ISSUANCE OF PRUDENTIAL GUIDELINES ON INCIDENTAL BUSINESS ACTIVITIES AND NON-OPERATING HOLDING COMPANIES**

Pursuant to its mandate of fostering the liquidity, solvency and proper functioning of a stable market-based financial system, the Central Bank of Kenya has formulated the following two new Prudential Guidelines:

1. **Incidental Business Activities (CBK/PG/23)** – This guideline enables licenced institutions to provide a distribution channel for authorized financial services as part of an initiative to offer Kenyans a “one-stop shopping experience” where licenced institutions can offer various financial services under one roof; and
2. **Non-Operating Holding Companies (CBK/PG/24)** – This guideline enables non-operating holding companies to obtain control of an institution as part of an initiative to strengthen capital requirements at the consolidated level, reduce complexity of structures to enable effective consolidated supervision and to manage risks within the groups.

#### **The purpose of this Circular is therefore to:**

Issue the Prudential Guidelines on Incidental Business Activities and Non-Operating Holding Companies to all commercial banks and mortgage finance companies and to advise that the Guidelines will be effective from **1<sup>st</sup> October, 2013**. The new Prudential Guidelines can be accessed on the Central Bank of Kenya website:<http://www.centralbank.go.ke/index.php/regulations-and-guidelines>.

The aforementioned Guidelines are issued under section 33(4) of the Banking Act, and all institutions which opt to undertake activities set out under the Guidelines

should note that a breach of any of the Guidelines attracts remedial actions as specified under the Banking Act and Regulations made thereunder.

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**MATU MUGO**  
**ASSISTANT DIRECTOR, BANK SUPERVISION**

27<sup>th</sup> September 2013

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