

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
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MICROFINANCE BANKING CIRCULAR NO. 2 OF 2015

TO: ALL CHIEF EXECUTIVES OF MICROFINANCE BANKS

CHANGE OF THE KENYA BANKS' REFERENCE RATE

Following the Monetary Policy Committee meeting held on 7th July 2015 which raised the CBR from 10.0 percent to 11.50 percent, and considering the weighted 2-month moving average of the 91-day Treasury bill rate, the Central Bank of Kenya (CBK) has revised the Kenya Banks' Reference Rate (KBRR) from 8.54 percent to 9.87 percent.

The purpose of this Circular is to notify you of the following:-

1. **The revised KBRR of 9.87 percent is effective from 7th July 2015 until its next review.**
2. **All microfinance banks are required to price their flexible rate loans using the KBRR as the base rate.**
3. **For individual microfinance banks, the interest rate they charge their customers is KBRR + K.**
4. **As indicated in the Microfinance Banking Circular No. 1 of 2014, existing flexible/variable credit facilities were transitioned to the KBRR framework by 30th June 2015. As a result, all flexible/variable credit facilities are now subject to KBRR.**
5. **The obligations of microfinance banks to disclose to their customers and report to the Central Bank on their risk premiums (K) above KBRR stands.**

The CBK will continue working closely with the banks and other stakeholders to facilitate a smooth and effective implementation of the KBRR framework. It will also work with the stakeholders to facilitate the wide dissemination of information on the framework to the public.

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MATU MUGO

ASSISTANT DIRECTOR, BANK SUPERVISION

7th July, 2015

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