

BANKI  
KUU YA  
KENYA



CENTRAL  
BANK OF  
KENYA

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## **BANKING CIRCULAR NO. 1 OF 2015**

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

### **OPERATIONALISATION OF THE KENYA BANKS' REFERENCE RATE (KBRR)**

The Kenya Banks' Reference Rate (KBRR) framework was introduced in July 2014 to enhance transparency in the pricing of credit as well as improving the transmission of monetary policy signals into changes in banks' lending rates.

Following the Monetary Policy Committee meeting held on 14<sup>th</sup> January, 2015 which retained the CBR at 8.50 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 KBRR from 9.13 percent to 8.54 percent.

The purpose of this Circular is to operationalize the KBRR as follows:-

- 1. The KBRR of 8.54 percent shall be effective from, 14<sup>th</sup> January, 2015 and will remain at this level until its next review in July 2015, or earlier if market conditions change drastically.**
- 2. All banks and mortgage finance companies will price their flexible rate loans using the KBRR as the base rate.**
- 3. For individual banks, the interest rate they charge their customers will be KBRR + K. We expect banks and mortgage finance companies to vary their lending rates to be as close as possible to KBRR.**
- 4. Commercial banks and mortgage finance companies will disclose to their borrowers and to the Central Bank the breakdown of any deviation, K, from the KBRR, thereby enhancing transparency in pricing of credit and mortgage.**
- 5. All flexible/variable credit facilities applied for shall be priced using the KBRR framework.**

6. As indicated in the Banking Circular No. 4 of 2014, existing flexible/variable credit facilities shall be transitioned to the KBRR framework by 30<sup>th</sup> June 2015.

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

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**MATU MUGO**

**ASSISTANT DIRECTOR, BANK SUPERVISION**

14<sup>th</sup> January, 2015

Cc. **Mr. Habil Olaka**  
Chief Executive Officer  
Kenya Bankers Association  
International Life House  
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**NAIROBI**