

Deputy Governor

**BANKI  
KUU YA  
KENYA**



**CENTRAL  
BANK OF  
KENYA**

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**BANKING CIRCULAR NO 3 OF 2015**

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

**FOREIGN EXCHANGE DEALING WITH UNAUTHORISED DEALERS  
/BROKERS**

The Central Bank of Kenya has observed that some Banks are dealing in foreign exchange with unauthorized brokers/dealers within and outside foreign exchange trading hours. Only entities licensed by the Central Bank of Kenya under section 33B of the Central Bank of Kenya Act are authorized to engage in foreign exchange trading. All such trades /quotes **must be conducted within official trading hours** and supported by relevant documentation and underlying commercial activity in compliance with the prudential guidelines of December 2013 that provide for the following:

- Limiting the tenor of swaps and Kenya Shilling borrowing where offshore banks are involved, to a tenor of not less than one year;
- Limiting the tenor of swaps between residents to not less than seven days;
- Reduction of the foreign exchange exposure ratio of core capital from 20 percent to 10 percent;
- Local banks obtain supporting documents for all transactions in the Nostro accounts of offshore banks, and
- Suspension of the use of any Electronic Brokerage System by local banks.

The Central Bank of Kenya shall fully enforce the provisions of the law and prudential guidelines to foster transparency and safeguard the integrity of the financial market.

A handwritten signature in black ink, appearing to be 'JA' followed by a flourish.

**DR HARON SIRIMA, OGW**

4 May 2015