

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

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BANKING CIRCULAR NO. 1 OF 2023

TO: ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS

ISSUANCE OF THE KENYA FOREIGN EXCHANGE CODE

Globally, the foreign exchange market (FX market) is one of the most important components of the financial system. Through a diverse ecosystem of participants including banks and corporates, it *inter alia* supports global trade, investment and flow of remittances. Accordingly, a well-functioning FX market is in the interest of all market participants. While the FX market has broadly played a positive role in the global financial system, there have been instances of market weaknesses. This has adversely impacted on trust and effective functioning of the FX market.

To help restore trust and promote the effective functioning of the FX market, the Bank for International Settlements (BIS) spearheaded the development of the Global Foreign Exchange Code (Global Code). In developing the Global Code, BIS worked with various market participants from various jurisdictions including Central Banks, banks, asset management firms and corporates. The Global Code provides a common set of guidance to participants to underpin effective functioning of the FX market. Additionally, it provides a set of principles universally recognized as best practices.

Kenya's FX market has expanded significantly over the years in tandem with global developments. It is an important enabler of trade, investments, and remittances into and out of the Kenyan economy. Progressively, the Central Bank of Kenya (CBK) in its oversight role over the FX market has enhanced the regulation and surveillance of the market. CBK continues to closely monitor the market considering its growing complexity and emerging risks to fair and effective trading. In view of this, CBK has developed the [Kenya Foreign Exchange Code \(The FX Code\)](#). The FX Code focuses on six leading principles: **Ethics, Governance, Execution, Information Sharing, Risk Management and Compliance, and Confirmation and Settlement Processes.**

The FX Code draws from the Global Code customized for the Kenyan context. It sets out standards that aim to strengthen and promote the integrity and effective functioning of the wholesale foreign exchange market in Kenya. It will facilitate better functioning of the market, reinforcing Kenya's flexible exchange rate regime for greater resilience of the economy.

The purpose of this circular is to issue the *Kenya Foreign Exchange Code (FX Code)* to commercial banks.

The *FX Code* will take effect from **March 23, 2023**. Banks are required to conduct a self-assessment and submit to the CBK a report on their level of compliance with the *FX Code* by April 30, 2023. Implementation plans as required by the *FX Code* and approved by the institution's Board should be submitted to CBK by June 30, 2023. Updates to be submitted within 14 days after the end of every calendar quarter, with the first report due by July 14, 2023. Institutions should be in full compliance with the *FX Code* by **December 31, 2023** and should engage CBK as needed, as they develop their implementation plans.

Yours faithfully,



DAVID LUUSA
DIRECTOR, FINANCIAL MARKETS

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