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December 9, 2021

## **BANKING CIRCULAR No. 6 OF 2021**

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

### **ISSUANCE OF GUIDANCE ON LIBOR TRANSITION**

The Financial Conduct Authority (FCA), which regulates the London Interbank Offered Rate (LIBOR), announced in 2017 that it would no longer compel panel banks to continue submitting quotes for LIBOR after December 2021 following attempts to manipulate key global benchmark rates and in response to declining liquidity in underlying markets.

On 5 March 2021, the FCA clarified and confirmed that all LIBOR settings would either cease to be provided by any administrator or no longer be representative as follows:

- immediately after 31<sup>st</sup> December 2021, in the case of all Sterling, Euro, Swiss Franc and Japanese Yen settings, and the 1-week and 2-month US Dollar settings; and
- immediately after 30<sup>th</sup> June 2023, in the case of the remaining US Dollar settings.

Representative LIBOR rates will thus not be available beyond the dates set out above, and publication of LIBOR settings will cease immediately after these dates. It is thus essential for market participants to take the requisite steps to be ready for the cessation of LIBOR publication by December 31, 2021.

Noting that this is a significant event in the global financial markets, the Central Bank of Kenya (CBK) sees it opportune to draw the attention of the banking sector players to the need to ensure that the transition is carried out in an orderly fashion for the benefit of its clients and shareholders. In view of this, CBK has developed the attached [Guidance on LIBOR Transition](#) focusing on four main areas: (I) Governance, (II) Monitoring, Communications and Training, (III) Risks and Mitigations, (IV) Systems Changes, Testing and Preparedness.

The purpose of this circular is to issue *Guidance* to institutions on the LIBOR transition. This *Guidance* provides commercial banks with the framework that they must consider for purposes of ensuring that the transition is well managed, and that all risks are appropriately identified, assessed and managed.

Given that the transition will only fully end in 2023, banks are required to submit information to the CBK on a monthly basis.

Yours faithfully,

A handwritten signature in black ink, consisting of a large, stylized loop on the left and a long horizontal line extending to the right.

**DAVID LUUSA**  
**DIRECTOR, FINANCIAL MARKETS**

*Attachments*

cc: Dr. Habil Olaka  
Chief Executive Officer  
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