



PRESS RELEASE

ISSUANCE OF A CONSULTATIVE PAPER ON THE REVIEW OF THE RISK-BASED CREDIT PRICING MODEL

The Central Bank of Kenya (CBK) announces the issuance of a **consultative paper** on the Review of the Risk-Based Credit Pricing Model for public comments.

The Risk-Based Credit Pricing Model (RBCPM), introduced in 2019, was a collaborative strategic initiative by the CBK and the banking sector. The initiative was within the broader reform agenda to address persistent challenges in the credit market, including high lending rates and opaque pricing mechanisms, by creating a market-driven framework for pricing credit risk.

With the lapse of five years, a reassessment of RBCPM was deemed necessary to determine if it still effectively complements the ongoing reforms in the banking sector.

CBK proposes the use of the **policy rate (Central Bank Rate)** as the common reference rate for determining lending rates in the Kenyan banking sector. The Central Bank Rate (CBR), as the common reference rate, reflects the cost of funding to the banks. The lending rates will be determined by adding a premium (“K”) to the CBR. CBK will publish the components of each bank’s lending rate premium (“K”) on its website, the Total Cost of Credit (TCC) website, and in two newspapers of nationwide circulation.

Accordingly, CBK requests all interested stakeholders to share their comments on the paper that can be downloaded from <https://www.centralbank.go.ke/2025/04/22/cbks-consultative-paper-on-risk-based-credit-pricing-model/>. We would appreciate receiving your comments or feedback on or before **May 2, 2025**. Please share your comments via e-mail to fin@centralbank.go.ke with the subject: **COMMENTS – CONSULTATIVE PAPER ON THE REVIEW OF THE RISK-BASED CREDIT PRICING MODEL**.

CENTRAL BANK OF KENYA
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