



PRESS RELEASE

TRANSFER OF KSH.4 BILLION FROM CBK'S GENERAL RESERVE FUND TO THE GOVERNMENT CONSOLIDATED FUND AND INCREASE IN CBK'S PAID-UP CAPITAL

The Central Bank of Kenya (CBK) announces that on September 16, 2019, it transferred to the Government Consolidated Fund Ksh.4 billion as distribution from CBK's General Reserve Fund (GRF) as at end FY2018/19. This is in accordance with Sections 9 and 51 of the CBK Act, relating to the treatment of CBK's net annual profits, and following approval by the CBK Board. The transfer (loosely known as "remitting of dividends") was executed by crediting the Ministry of Finance's Deposit Account at CBK. Concurrently, CBK increased its paid-up capital from Ksh.20 billion to Ksh.35 billion, in accordance with Section 8(3) of the CBK Act and implemented through a transfer of funds from the GRF.

In the context of its discussion of the *Financial Statements 2018/2019*, and having weighed the various factors as stipulated by law, the CBK Board authorized the transfer of Ksh.4 billion to the Government Consolidated Fund from the CBK's GRF. In making its determination, the CBK Board also considered CBK's financial needs with the objective of ensuring CBK is well-resourced to deliver on its mandate. In particular, GRF resources are needed for:

- *Modernizing CBK's facilities and infrastructure in keeping with its mandate.* The completion of the identified projects will play an important role in CBK's long-term health and viability, strengthening its operations in line with its responsibilities and changes in the financial sector.
- *Provision of new generation currency in line with the 2010 Constitution.* CBK is mandated to issue new generation currency, with an expected cost of Ksh.15 billion.
- *Strengthening CBK's financial position to make it more resilient to shocks.* Despite the substantial growth of the financial sector, CBK's paid-up capital had remained at Ksh.5 billion from 2009 to June 2019, when a previously approved increase to Ksh.20 billion was implemented. To accommodate increases in paid-up capital, CBK's authorized capital was increased from Ksh.5 billion to Ksh.50 billion with effect from June 26, 2019.

CBK's paid-up capital had remained at Ksh.5 billion since 2009, even as its monetary liabilities had grown in excess of Ksh.400 billion. The increased paid-up capital strengthens CBK's financial position, enabling it to pursue its functions even in times of stress and sustaining its financial independence. Specifically, CBK will be better able to absorb losses that may arise from discharge of its functions; provide confidence that it will meet its domestic obligations; and cushion against shocks arising from price and exchange rate movements. This is aligned to global best practices of central banks.

CENTRAL BANK OF KENYA

November 21, 2019