

Rules for Electronic Matching Systems (EMS)

Article 1. General Provisions

1. These rules will regulate FX trading using Electronic Matching Systems (hereinafter referred to as “EMS”) in the Kenyan Interbank Foreign Exchange Market.
2. The Purpose of these rules is to determine unified terms and conditions for all entities using EMS.
3. Compliance with these rules is mandatory for all EMS participants. By signing up to use EMS, participants agree to abide by these rules.

Article 2. Definitions

The terms in the rules have the following meanings:

1. Commercial Bank means a Company which is licensed by the Central Bank of Kenya to carry on Banking Business in Kenya.
2. Dealing Code – is a code that is assigned to a System Participant as an identifier with which the System Participant performs activities for their own needs within EMS.
3. EMS – is a rule-based Electronic Matching System, through which System Participants can place buy/sell orders or match bids/offers in the system to facilitate foreign exchange trade.
4. Market Making – the act of continuously providing two-way quotes, good for the minimum tradeable amount.
5. RFQ – Request for Quote is a process through which market participants obtain bids and/or offers from counterparties for a particular asset, through chat based electronic platform.
6. System Participant – All entities who successfully apply to be users of the EMS. These may include authorized dealers as defined in the Central Bank of Kenya Act and who transact in the wholesale foreign exchange market in Kenya as part of their licensed business; and any other entity that the Central Bank of Kenya may deem fit to participate in the EMS.
7. Working day – Any day between Monday and Friday, except days declared as public holidays.
8. All other definitions in this document are as articulated in the Applicable laws, rules, regulations, and standards related to the wholesale foreign exchange in Kenya.

Article 3. Authorization of trading platform participants

1. All Commercial Banks are automatically System Participants.
2. All non-bank legal entities that wish to be System Participants, will address their request to the Central Bank of Kenya via email to “Directorfmd@centralbank.go.ke” for approval prior to engaging the EMS service provider for access to the EMS.
3. A Commercial Bank that is no longer carrying on Banking Business in Kenya automatically ceases to be a System Participant. Any non-bank legal entities that no longer wish to be System Participants will give a three (3) month notice to the Central Bank of Kenya via email to “Directorfmd@centralbank.go.ke”
4. Access to EMS is granted based on the approval from the Central Bank of Kenya and agreement between the EMS service provider and the entity seeking access.
5. The EMS service provider will assign a Dealing Code to the System Participants. System Participants are responsible for the use of their assigned Dealing Code. Any action in the EMS originating from a Dealing Code is deemed to originate from the System Participant who has been assigned that Dealing Code.

6. The EMS service provider will avail an information page that will contain relevant information on all System Participants including their names, Dealing Codes, and contact information. It will be the responsibility of the System Participant to ensure that their information contained in this page is accurate. Any changes in the information must be communicated to the EMS service provider and other System Participants at the earliest opportunity
7. In case of change of status of a System Participant's legal status, the new status must be communicated in writing to the Central Bank of Kenya and the EMS service provider.

Article 4. Publication of Quotes and Execution of Deals

1. The EMS will be utilized to place purchase/sell orders; or match orders already in the system for US dollars (USD) against Kenya shillings (KES) for spot value.
2. Unless otherwise agreed between parties, spot value means the transaction to which it is referred is to be executed two working days from the date it is contracted or agreed.
3. To execute deals, System Participants mutually grant each other the status of a counterparty in the EMS and allocate credit or settlement limits for all other System Participants.
4. All quotes in EMS will remain anonymous. Counterparties to a trade will be revealed once matched to enable settlement.
5. Trade deals matched in EMS are considered binding on the participants. A matched trade may be rescinded only if the two counterparties to the trade agree to rescind.
6. Confirmation and settlement of matched transactions will be achieved via established confirmation and settlement arrangements that already exist between the participants.
7. Minimum tradable amount in EMS will be US\$100,000 with additional lot sizes of US\$50,000. System Participants may transact amounts outside the minimum tradeable amount via RFQ. Trades concluded between banks on telephone and broker systems, MUST be confirmed on RFQ.
8. Trading sessions will be between 09.00hrs and 16.00hrs East African Time on working days. All unmatched orders at the closing time will automatically expire. Participants may place such orders at the beginning of the next trading session.
9. All commercial Banks that are participants in the EMS are expected to adhere to the foreign exchange requirements contained in the Kenya FX Code and all other applicable guidelines issued by the Central Bank of Kenya
10. Market Making: The 10 leading Commercial Banks ranked according to volume of foreign exchange trading in the country will act as market makers in the EMS. These banks are Absa Bank Kenya Plc, Citibank N.A. Kenya, Diamond Trust Bank Kenya Limited, Equity Bank Kenya Ltd, I M Bank Limited, KCB Bank Kenya Limited, NCBA Bank Kenya PLC, Stanbic Bank Kenya Ltd, Standard Chartered Bank (K) Ltd and The Co-operative Bank of Kenya Ltd. The market makers will be expected to continuously provide two-way quotes in the EMS, good for the minimum tradeable amount. All other banks can provide two-way quotes in the EMS, good for the minimum tradeable amount, at their discretion.

Article 5. Penalty Sanctions

Central Bank of Kenya may take appropriate enforcement and other administrative action including monetary penalties as provided for under the Banking Act, against any System Participant if it considers that the System Participant has violated the requirement of these

rules, applicable laws, regulations and standards or other guidelines issued by the Central bank of Kenya.

Article 6. Data Management

1. The CBK will retain sole custody and control of the data emanating from the use of EMS.
2. CBK may share aggregated market data from activity in EMS.

Article 7. Dispute Resolution

Any dispute that may arise from the use of EMS will be referred to the Association of Forex Dealers, Kenya Chapter (ACI Kenya) for resolution.

Article 8. Additional Guidelines for Non- Bank participants

1. Non-banking institutions approved to participate in the EMS will acquire the requisite infrastructure from the authorized service providers.
2. Non-bank System Participants will only be sellers of Foreign Currency in the EMS system and will not show two-way prices.
3. Non-bank System Participants should strive for the highest ethical and professional standards when transacting in the EMS.
4. Non-bank System Participants should identify and address conflicts of interest that may arise out of their activities in the EMS.
5. Non-bank System Participants should have appropriate policies and procedures to handle and respond to potentially improper practices and behaviors effectively
6. Non-bank System Participants should not request transactions, create orders, or provide prices with the intent of disrupting market functioning or hindering the price discovery process.
7. Non-bank System Participants should confirm trades as soon as practicable, and in a secure and efficient manner. Non-bank System Participants should identify and resolve trade discrepancies and resolve confirmation and settlement discrepancies as soon as practicable to contribute to a well-functioning FX Market. Each non-bank System Participant should have measures in place to resolve disputes.
8. Non-bank System Participants may actively choose to share their trading activity so long as that information does not reveal any other party's confidential information and the information is not shared to disrupt market function or hinder the price discovery process, or in furtherance of other manipulative or collusive practices. When determining whether to release confidential information, non-bank System Participants should consider Applicable Laws, as well as any agreed-to restrictions that may limit the release.
9. Non-bank System Participants involved in EMS should put in place appropriate and proportionate controls to reduce the likelihood of and mitigate any consequences of generating or acting upon electronic quotations that may result in erroneous transactions or market disruption such as off-market quotes or trades, fat finger errors, unintended or uncontrolled trading activity arising from technological failures, flaws in trading logic, and unexpected or extreme market conditions.
10. Non-bank System Participants should keep a timely, consistent, and accurate record of their market activity to facilitate appropriate levels of transparency and auditability and have processes in place designed to prevent unauthorized transactions.

11. Non-bank System Participants should perform “know-your-customer” (KYC) checks on their counterparties to ascertain that their transactions are not used to facilitate money laundering, terrorist financing, or other criminal activities.
12. Non-bank System Participants should have in place reasonable policies and procedures (or governance and controls) such that trading access, either direct or indirect to EMS, is limited to authorized personnel only

Article 9. Amendment of these Rules

The Central bank of Kenya in consultation with the System Participants may review these rules from time to time as deemed necessary.

**Central Bank of Kenya
December 2023**