

LEGAL NOTICE NO.
THE CENTRAL BANK OF KENYA ACT
(Cap. 491)

IN EXERCISE of the powers conferred by section 33Y of the Central Bank of Kenya Act, the Bank makes the following Regulations—

**THE CENTRAL BANK OF KENYA (CREDIT GUARANTEE BUSINESS)
REGULATIONS, 2025**

PART I — PRELIMINARY

Citation.

These Regulations may be cited as the Central Bank of Kenya (Credit Guarantee Business) Regulations, 2025.

Interpretation.

In these Regulations, unless the context otherwise requires—

“Act” means the Central Bank of Kenya Act;

“associate” means—

- (a) in relation to a company or other body corporate—
 - (i) its holding company or its subsidiary;
 - (ii) a subsidiary of its holding company;
 - (iii) a holding company of its subsidiary;
 - (iv) its non-operating holding company as its subsidiary;
 - (v) a subsidiary of a non-operating holding company;
 - (vi) a significant shareholder to that company; and
 - (vii) any person who controls the company or body corporate whether alone or with his associates or with its associates;
- (b) in relation to an individual—
 - (i) any member of the individual’s family:

Provided that a person shall be deemed to be a member of a family if the person is the parent, spouse, brother, sister, child, uncle, aunt, nephew, niece, stepfather, stepmother, stepchild and adopted child of the person concerned, and in case of an adopted child the adopter or adopters of the person;

- (ii) any company or other body corporate controlled directly or indirectly by the individual whether alone or with the associates of the individual;

“Bank” means the Central Bank of Kenya;

“borrower” means a person in whose favour a credit facility has been granted by a lender guaranteed under these Regulations;

“board” means the board of directors of a credit guarantee company;

“capital” means paid-up share capital of a credit guarantee company;

“credit guarantee business” has the meaning assigned to it in the Act;

“credit guarantee company” has the meaning assigned to it in the Act;

“credit guarantee provider” means a person registered by the Bank under Part III of these Regulations to carry on credit guarantee business in Kenya, and includes any of the following

—

- (a) a company owned by a foreign government which has entered into an agreement with the Government to support access to financial services in Kenya;
- (b) a company owned or supported by international financial institutions which has entered into an agreement with the Government to provide credit guarantee business to targeted groups, sectors or regions in Kenya for a specified period of time;
- (c) a company registered outside Kenya which has entered into a partnership with a financial institution in Kenya to provide credit guarantee business;
- (d) any other person specified by the Bank from time to time;

Provided that institutions licensed under the Banking Act carrying on credit guarantee business as part of their regular business shall not be required to be required to be registered under these Regulations.

“core capital” means permanent shareholders equity in the form of issued and fully paid-up shares of common stock plus all disclosed reserves, less goodwill or any other intangible assets of a credit guarantee company;

“chief executive officer” means the chief executive officer of a credit guarantee company;

“control” includes—

- (a) the ability to influence, whether directly or indirectly, the composition of the board of a company or any other body corporate; or
- (b) holding, directly or indirectly, whether personally or through a holding company or subsidiaries thereof, or in any other way, an aggregate of twenty per centum or

more of the voting power of a company or body corporate, whether alone, with associates or with other associates of the company or body corporate;

“guarantee” means a guarantee provided to a lender as part of the credit guarantee business under these Regulations;

“lender” includes a non-deposit taking credit provider regulated under the Act, institutions licensed under the Banking Act, institutions licensed under the Microfinance Act, institutions licensed under the Sacco Societies Act, institutions registered under the Co-operative Societies Act, and any other institution which grants loans in the ordinary course of business under any written law as the Bank may specify from time to time;

“loan” means any advance or credit facility granted by a lender to a borrower which is guaranteed under these Regulations;

“public entity” means the Government, or any public body specified by the Cabinet Secretary for the time being responsible for finance, on the recommendation of the Bank, as a public entity under the Act for the purpose of these Regulations;

“significant shareholder” means a person, other than the Government or a public entity, who holds, directly or indirectly, or otherwise has a beneficial interest amounting to ten per cent or more of the share capital of a credit guarantee company;

“senior officer” means a person who manages or controls a credit guarantee company, and includes—

- (a) the chief executive officer, deputy chief executive officer, chief operating officer, chief financial officer, secretary to the board of directors, treasurer, chief internal auditor, or manager;
- (b) a person with a similar level of position or responsibilities as a person described in paragraph (a);

“subordinated debt” includes issued and paid-in unsecured subordinated debt instruments, such as debt equity, lines of credit, bonds, commercial paper or loan capital, having an original maturity of at least five years and—

- (a) principal should be repayable after at least five years;
- (b) during the last five years to maturity, a cumulative discount or amortization factor of twenty per cent per annum will be applied to reflect the diminishing value of these instruments as a continuing source of strength;
- (c) the amount included for capital adequacy calculations is limited to fifty per cent of the core capital of the credit guarantee company;

“supplementary capital” means subordinated debt, general provisions which are held against future and presently unidentified losses which are freely available to meet losses which may subsequently materialize, and revaluation reserves on business premises which arise periodically from independent valuation of such premises, and any other form of capital as may be determined from time to time by the Bank; and

“total capital” means the total sum of core capital and supplementary capital.

Application of these Regulations

These Regulations shall apply to credit guarantee providers, credit guarantee companies, lenders participating in credit guarantee business, or any person who conducts credit guarantee business as may be determined from time to time by the Bank.

Purpose of these Regulations

These Regulations shall provide for the registration, licensing, regulation, supervision, and oversight of credit guarantee business.

PART II — CREDIT GUARANTEE BUSINESS

Authorised activities.

(1) Credit guarantee business shall include the following activities—

- (a) financing of borrowers by wholly or partially guaranteeing loans advanced to the borrowers; and
- (b) any other activity approved by the Bank from time to time.

Provided that where a credit guarantee company intends to carry out any investment or activity which is incidental to credit guarantee business it shall seek the prior approval of the Bank.

- (2) A credit guarantee company which contravenes this Regulation shall be liable to such administrative sanction as may be prescribed by the Bank.

Prohibited Activities.

(1) Credit guarantee business shall not include—

- (a) Inviting or collecting deposits in any form, including the taking of cash collateral as security for loans;
- (b) granting or advancing any credit facilities;
- (c) engaging in wholesale or retail trade including the import or export trade whether alone or with others, except in the course of the satisfaction of debts due to it;
- (d) acquire or hold, directly or indirectly, any part of the share capital of, or otherwise have a beneficial interest in, any financial, commercial, agricultural, industrial or other undertaking where the value of the credit guarantee company's interest would exceed in the aggregate twenty-five per cent of the core capital of that credit guarantee company:

Provided that an institution may take an interest in such an undertaking in satisfaction of a debt due to it and such interest shall be disposed of within such time as the Bank may allow;

- (e) purchase or acquire or hold any land or any interest or right therein except such land or interest as may be reasonably necessary for the purpose of conducting its business, or for housing or providing amenities for its staff, where the total amount of such investment does not exceed such proportion of its core capital as the Bank may prescribe:

Provided that a credit guarantee company may let or lease part of any building which is used for the purpose of conducting business;

- (f) activities that may lead it to incur foreign exchange, commodity or equity risks, or use financial derivatives except as hedging instruments;
- (g) activities involving the management of pension funds, except for staff pension programs;
- (h) collection of third-party cheques and other instruments for clearing; and
- (i) any other activity that is not expressly permitted by the Bank.

PART III— REGISTRATION OF CREDIT GUARANTEE PROVIDERS

Application for registration.

- (1) A person who intends to conduct credit guarantee business in Kenya shall apply to the Bank for registration.
- (2) An application for registration shall be made in the form specified by the Bank.
- (3) An application under sub-regulation (2) shall be accompanied by—
 - (a) a certified copy of certificate of incorporation or registration of the applicant or any other relevant document issued by the Registrar of Companies;
 - (b) certified copies of the memorandum and articles of association or constitution of the applicant;
 - (c) a notarized copy of the foreign company's certificate of incorporation or registration or a document of similar effect;
 - (d) a notarized copy of the foreign company's constitution or a document of similar effect;
 - (e) board resolution supporting the applicant's decision to conduct credit guarantee business, where applicable;
 - (f) the registered physical address of the company or name of the country of origin in the case of a foreign company;
 - (g) total capital for the credit guarantee business;
 - (h) business strategy of the applicant;
 - (i) a description of the product and the proposed limits of the guarantees to be provided;
 - (j) evidence of availability and amount of capital to be invested in the proposed business;
 - (k) information on source of capital;
 - (l) a brief on the applicant's anti-money laundering, combating the financing of terrorism and countering proliferation financing policies and procedures;
 - (m) a brief of the applicant's data protection policies and procedures;
 - (n) a business strategy paper;
 - (o) proof of payment of non-refundable application fees set out in the **Third Schedule**; and
 - (p) any other information required by the Bank.
- (4) In assessing the application for registration, the Bank shall consider the following factors—
 - (a) the financial condition and earning prospects of the applicant;

- (b) adequacy of the business strategy of the applicant;
 - (c) the applicant's anti-money laundering, combating the financing of terrorism and countering proliferation financing policies and procedures;
 - (d) the applicant's data protection policies and procedures; and
 - (e) the public interest which shall be served by the granting of the registration.
- (5) A person who contravenes paragraph (1) shall be liable to the penalty prescribed in section 33W of the Act.

Issuance of certificate of registration

- (1) The Bank may, if satisfied that the applicant meets the requirements under these Regulations, issue a certificate of registration to the applicant.
- (2) The Bank may endorse on the certificate of registration under this Regulation such conditions as the Bank considers necessary and may, from time to time, add, vary or substitute such conditions as the Bank deems appropriate.
- (3) The Bank may decline to grant a certificate of registration if the applicant fails to meet the requirements under these Regulations.
- (4) An applicant whose application has been declined may apply to the Bank for review within fourteen days of such notification.
- (5) The Bank shall, in all cases, inform the applicant in writing on the declined application and give the applicant the opportunity to be heard.
- (6) Where the Bank declines to issue a certificate of registration under this Part, the applicant shall be required to cease carrying on credit guarantee business.
- (7) A certificate of registration shall remain valid unless suspended or revoked by the Bank in accordance with these Regulations.
- (8) The Bank shall cause the name of a registered credit guarantee provider to be published in the Gazette within thirty days.
- (9) A certificate of registration granted under these Regulations shall not be transferred, assigned or encumbered in any way.

Suspension or revocation of a certificate of registration.

- (1) The Bank may suspend or revoke a certificate of registration of a credit guarantee provider where the credit guarantee provider—
 - (a) fails to meet the conditions endorsed on the certificate of registration by the Bank;
 - (b) ceases to conduct credit guarantee business;
 - (c) conducts its business in a manner detrimental to its lender, borrowers or members of the public;
 - (d) contravenes any of the provisions of the Act or any other relevant written law;
 - (e) fails to pay a monetary penalty that is imposed by the Bank;
 - (f) fails to comply with any administrative sanction imposed on it;
 - (g) carries out activities prohibited in these Regulations;
 - (h) applies for a licence under section 33X of the Act and these Regulations;
 - (i) goes into liquidation; or
 - (j) has an order issued against it for its winding up.

Provided that—

- (a) the Bank shall specify the reasons for the suspension of a certificate of registration of a credit guarantee provider.
 - (b) a suspension of a of a certificate of registration of a credit guarantee provider under this Regulation shall not exceed a period of three months.
- (2) The Bank shall, in all cases, before suspending or revoking the certificate of registration, inform the credit guarantee provider in writing of the intended action and give the credit guarantee provider the opportunity to be heard.
 - (3) The Bank shall cause the name of every credit guarantee provider whose registration is revoked to be published in the Gazette within thirty days.

Reporting Requirements for credit guarantee providers.

- (4) The financial year of a credit guarantee provider shall be the period of twelve months ending on the 31st day of December in each year.
- (5) A credit guarantee provider shall submit periodic reports, at least semi-annually or annually, or for such period and in such form, as may be specified by the Bank from time to time.

PART IV—LICENSING OF CREDIT GUARANTEE COMPANIES

Application for licence.

- (1) A person registered under Part III who intends to carry on credit guarantee business in Kenya shall apply to the Bank for a licence in the prescribed form and on payment of the prescribed fee.

Provided that—

- (i) A person shall be required to apply for a licence before commencing credit guarantee business under these Regulations if they—
 - (a) incorporated or registered as a company under the Companies Act;
 - (b) intend to carrying on credit guarantee business in Kenya; and
 - (c) are not exempted from the requirements to apply for a license under section 33(X) (2) of the Act.
 - (ii) A credit guarantee company which is licensed and subsequently meets the requirements under section 33(X) (2) of the Act shall be required to apply for registration in the prescribed form and on payment of the prescribed fee.
- (2) An application for licensing shall be made in the prescribed form set out in **Form CGC 1-1** in the **Third Schedule**.
 - (3) An applicant under sub-regulation (1) shall meet the capital adequacy requirements set out in the **First Schedule**.
 - (4) In assessing the application, the Bank shall consider the following factors—
 - (a) the financial condition and history of the applicant;
 - (b) adequacy of the business strategy of the applicant;

- (c) the professional and moral suitability of the persons proposed to manage or control the proposed credit guarantee company;
 - (d) the adequacy of its capital structure and earning prospects;
 - (e) the corporate governance framework;
 - (f) the certificate of good conduct, tax compliance certificate and Credit Reference Bureau report of the prospective directors, senior management and significant shareholders;
 - (g) the applicant's anti-money laundering, combating the financing of terrorism and countering proliferation financing policies and procedures;
 - (h) the sources and evidence of funds to be invested by the applicant;
 - (i) the applicant's data protection policies and procedures;
 - (j) a description and evidence of sources of funds to be invested in the applicant;
 - (k) the public interest which shall be served by the granting of the licence.
- (2) An application for a license under sub-regulation (2) shall be made in the **Form CBK CGC 1-1** set out in the **Third Schedule** and accompanied by—
- (a) a certified copy of certificate of registration issued by the Bank pursuant to Part III of these Regulations, where applicable.
 - (b) a certified copy of the certificate of incorporation or registration of the credit guarantee company from the Registrar of Companies, where applicable
 - (c) a certified copy of the Memorandum and Articles of Association of the credit guarantee company.
 - (d) a description of the product and the proposed limits of the guarantees to be provided.
 - (e) a duly completed "fit and proper" form for proposed significant shareholders, directors, chief executive officer and other senior officers in **Form CBK CGC 1-2** set out in the **Third Schedule**;
 - (f) names and addresses of the shareholders of the company in **Form CBK CGC 1-3** set out in the **Third Schedule**;
 - (g) physical registered address of the company;
 - (h) proof of payment of the application fee set out in the **Fourth Schedule**; and
 - (i) a certificate of good conduct, tax compliance certificate and Credit Reference Bureau report of the prospective directors, senior management and significant shareholders.
- (3) An applicant under this Regulation shall submit the following additional information—
- (a) a certified copy of the Memorandum and Articles of Association of any corporate body that proposes to have a significant shareholding in the credit guarantee company;
 - (b) a certified copy of the constitutive documents of an unincorporated person that proposes to have a significant shareholding in the credit guarantee company;
 - (c) valid registration certificate issued under the Data Protection Act;
 - (d) description of shareholders, board and senior officers and strategy for the successful operation of the applicant;
 - (e) a description of the accounting system and the information and communication technology to be used in the operations of the credit guarantee company;
 - (f) description of the risk management framework that the credit guarantee company shall implement;
 - (g) description of the risk management framework that the credit guarantee company shall implement;

- (h) description of the data protection and privacy framework that the credit guarantee company shall implement;
 - (i) a description of the pricing parameters that the credit guarantee company shall implement;
 - (j) the organization chart, staff establishment, number of employees, positions, job specifications and job descriptions of senior officers;
 - (k) description of internal control procedures that the credit guarantee company shall implement;
 - (l) description of the intended credit guarantee products which the proposed credit guarantee company intends to provide;
 - (m) a sworn declaration signed by every officer as specified in the application form;
 - (n) a business plan of the intended business with financial projections of at least three years;
 - (o) copies of annual audited financial statements for the last three years, where applicable;
 - (p) the applicant's anti-money laundering, combating the financing of terrorism and countering proliferation financing policies and procedures; and
 - (q) any other information required by the Bank.
- (4) A person who contravenes paragraph (1) shall be liable to the penalty prescribed in section 33X of the Act.

Issuance of licence.

- (1) The Bank may grant a licence to the applicant within sixty days of submission of a complete application if satisfied that the applicant meets the requirements under these Regulations.
- (2) The Bank may endorse on a licence granted under sub regulation (1), such conditions as it considers necessary and may, from time to time, vary or substitute such conditions.
- (3) The Bank may decline to grant a licence where the applicant fails to meet the requirements under these Regulations,
- (4) An applicant may apply to the Bank for review if the Bank declines to issue a licence under sub-regulation (3),
- (5) The Bank shall, in all cases, inform the credit guarantee company in writing on the declined application and give the credit guarantee company the opportunity to be heard.
- (6) An Applicant shall be required to cease carrying on credit guarantee business if the Bank declines to issue a licence under this Part.
- (7) A person granted a licence shall pay an annual fee to the Bank as set out in the **Fourth Schedule** at such time and in such manner as may be determined.
- (8) A person granted a licence under these Regulations who fails to commence business within twelve months, shall have the licence revoked.
- (9) The Bank shall cause the name of a licensed credit guarantee company to be published in the Gazette within thirty days upon grant of licence.
- (10) A licence granted under these Regulations shall not be transferred, assigned or encumbered in any way.

Suspension or revocation of licence.

- (1) A licence shall remain valid unless suspended or revoked by the Bank in accordance with these Regulations.
- (2) The Bank shall, in all cases before suspending or revoking the licence, inform the licensee in writing of the intended action and give the licensee an opportunity to be heard.
- (3) The Bank may suspend or revoke a licence of a credit guarantee company if the credit guarantee company—
 - (a) contravenes any of the provisions of the Act, Regulations thereunder, or any other relevant written law;
 - (b) ceases conducting credit guarantee business;
 - (c) contravenes any of the conditions endorsed on the licence;
 - (d) carries out activities prohibited in these Regulations;
 - (e) fails to pay annual fees or a monetary penalty that is imposed by the Bank;
 - (f) fails to comply with any administrative sanction imposed on the credit guarantee company;
 - (g) violates anti-money laundering laws or combating the financing of terrorism laws;
 - (h) fails to submit to the Bank an irrevocable bank guarantee of one million shillings from a bank duly licensed by the Bank, or an equivalent of ten percent of its outstanding credit exposures as at the end of each calendar year, in such form as may be specified by the Bank;
 - (i) conducts its business in a manner detrimental to its lenders, borrowers or members of the public; or
 - (j) goes into liquidation or an order is issued for its winding up.

Provided that the Bank shall specify the reasons for and the period of suspension of a licence of a credit guarantee company.

- (4) A suspension of a licence under this Regulation shall not exceed a period of three months.

Provided that the Bank may extend the suspension for a period not exceeding three months if it considers it necessary.

- (5) The Bank shall at the expiry of the suspension period specified under paragraph (4) either lift the suspension or revoke the licence as may be appropriate.
- (6) The Bank shall cause the names of credit guarantee companies whose licences have been revoked to be published within thirty days in the Gazette.
- (7) A credit guarantee company whose license or registration has been revoked shall cease to conduct business forthwith.
- (8) Where a licence has been revoked, the Bank may, by notice in writing—
 - (a) require the credit guarantee company to transfer to the lender, records relating to the property of the lender or the affairs of the lender held at any time for the lender, in such manner, as the Bank may specify in the notice;
 - (b) permit the credit guarantee company subject to such conditions as the Bank may specify in the notice, to carry on business operations for the purpose of closing down the business connected with the revocation; or

- (c) require the credit guarantee company to make adequate provisions to honour any outstanding obligations arising from its agreements with lenders regarding credit facilities extended to borrowers.

Amalgamations and transfer of assets, liabilities, and shares.

- (1) A credit guarantee company licensed under this Part shall not enter into an amalgamation or an arrangement to transfer all or any part of its assets and liabilities to another credit guarantee company without the prior written approval of the Bank;
- (2) A credit guarantee company shall not transfer ten percent or more of its shareholding to another person without the prior approval of the Bank; and
- (3) The Bank may direct a credit guarantee company to submit such additional information and documents as it may consider necessary for purposes of considering any transaction, agreement, arrangement or transfer under this Regulation.

PART V— GOVERNANCE OF CREDIT GUARANTEE COMPANIES

Board and committees.

- (1) A credit guarantee company shall have a board to provide effective oversight into the management and affairs of the company.
- (2) Without prejudice to sub-regulation (1), a board shall have at least two thirds of its members being non-executive members.
- (3) A board shall have an appropriate number of directors that are commensurate with the complexity, the size, the scope and operations of the credit guarantee company.
- (4) Without prejudice to sub-regulation (3), a board shall have at least five members to be effective.
- (5) A board shall constitute at least an audit committee, a guarantee committee, a risk committee, an assets and liabilities committee, and such other committees as shall be necessary for the proper performance of the company's business.
- (6) A committee of the board shall consist of at least three members, two of whom shall be non-executive directors of the credit guarantee company and who are qualified in finance, audit, information technology, banking, economics or law.
- (7) The chairperson of a credit guarantee company shall not be a member of any board committee.

Provided that a chairperson of a credit guarantee company may only attend board committee meetings by invitation.

- (8) A person shall not hold the position of director in more than two credit guarantee companies unless the credit guarantee company is a subsidiary or holding company of the credit guarantee company.

Responsibilities of the board.

- (1) A board shall have the overall responsibility of the credit guarantee company, including approving and overseeing the implementation of the credit guarantee company's strategic objectives, risk strategy, corporate governance and corporate values.

- (2) The board shall have the following specific responsibilities—
- (a) provide oversight of senior management;
 - (b) provide strategic direction of the credit guarantee company;
 - (c) formulate a board charter which includes—
 - (i) the demarcation of the functions, responsibilities and powers of the board, various board committees and matters reserved for final decision-making or preapproval by the board;
 - (ii) the policies and practices of the board in respect of conflicts of interest and convening of board meetings.
 - (iii) declaration of interests that may give rise to a potential or perceived conflict or interfere with exercise of objective judgment; and
 - (iv) the policy on directorships in other entities by board members.
 - (d) develop an organizational structure that facilitates effective decision making and good governance;
 - (e) define the duties of management and appoint competent, qualified and experienced persons to manage the credit guarantee company;
 - (f) regularly review policies, processes, procedures and controls with senior management or internal control functions to determine areas needing improvement and address significant risks and issues;
 - (g) document and communicate the corporate values, professional standards or codes of conduct binding the credit guarantee company;
 - (h) review and approve the criteria for the issuance of credit guarantees for the company including guarantee fees, maximum loan sizes, guarantee coverage rates and standards defining eligible borrowers to be covered by the guarantee;
 - (i) review and approve performance reports of the company; and
 - (j) any other role ordinarily undertaken by a board.
- (3) Board members shall be and remain qualified, including through training and Continuous Professional Development, for their positions and shall have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the credit guarantee company.
- (4) The board shall establish and appoint such committees as the board may require.
- (5) The committees of the board may be appointed to deal with such matters as risk management, audit, finances, governance, human resources and such matters as the Board may deem necessary.
- (6) The board may establish such ad-hoc committees as may be necessary to deal with matters requiring specific attention.

Audit committee.

- (1) An audit committee shall assist the board raise the audit committee standards of corporate governance and internal controls.
- (2) Without prejudice to sub regulation (1), an audit committee shall—
- (a) ensure that financial and operational information are prepared in a timely and accurate manner;
 - (b) improve the quality of financial record keeping and reporting;
 - (c) strengthen the effectiveness of internal and external audit functions;

- (d) strengthen the internal control environment and risk management;
 - (e) enhancing public confidence in the credibility and stability of the credit guarantee company;
 - (f) monitor incidences of non-compliance with the Act or any other relevant legislation and advising the board on the best solutions; and
 - (g) monitor the ethical conduct of the credit guarantee company and developing the code of conduct and ethical standards and requirements, including effectiveness of procedures for handling and reporting complaints.
- (2) The external and internal auditors of a credit guarantee company shall have free and unfettered access to the audit committee.
 - (3) The external auditor may, upon request, attend and be heard at any meeting of the audit committee.
 - (4) Upon the request of the external auditors, the chairperson of the audit committee shall convene a meeting to consider any matter that the external auditor deems necessary to be brought to the attention of directors or shareholders.

Guarantee committee.

- (1) A guarantee committee shall—
 - (a) assist the board of directors in reviewing and overseeing the overall business of the credit guarantee company;
 - (b) review and oversee the overall implementation of policies relating to credit guarantees and risk;
 - (c) review guarantee practices and quality of loan portfolios;
 - (d) monitor and evaluate all issues that may materially impact on the present and future quality of the loan portfolio and risk management;
 - (e) ensure adequate provisions for guarantees, bad and doubtful debts and write offs; and
 - (f) ensure effective procedures and adequate resources to identify, assess, manage and mitigate risks.

Risk committee.

A risk committee shall be responsible for ensuring the quality, integrity and reliability of the risk management framework of a credit guarantee company.

Assets and liabilities committee.

- (1) The assets and liabilities committee shall drive the strategy for the credit guarantee company regarding the mix of assets and liabilities and its expectations of the future and the potential consequences of interest rate movements, liquidity constraints, and capital adequacy.
- (2) The assets and liabilities committee shall—
 - (a) review and assess the integrity of the internal and risk control systems;
 - (b) ensure that the risk policies and strategies are effectively managed;
 - (c) set out the nature, role, responsibility and authority of the risk management function of the credit guarantee company;
 - (d) monitor and recommend to the full board appropriate interventions to maintain adequate capital ratios;

- (e) monitor the limits on maximum and minimum maturities for all categories of assets and liabilities as set by the board;
 - (f) monitor the limits on minimum spread acceptable between costs and yields of liabilities and assets as set by the board;
 - (g) monitor the limits on minimum liquidity provision to be maintained to sustain operations while longer term adjustments are set by the board;
 - (h) monitor the sources of funding;
 - (i) monitor the credit guarantee company's policies, procedures and holding portfolio to ensure that it achieves its goals; and
 - (j) generally, implement the funds management policy of the credit guarantee company.
- (3) The assets and liabilities committee may access or obtain such professional advice as it may consider necessary to effectively perform its functions.
 - (4) The assets and liabilities committee shall have access to any information and records it needs to fulfil its duties and responsibilities.

Conduct of business.

- (1) The conduct of the business and affairs of a board shall be as set out in the **Fifth Schedule**.
- (2) The Board shall evaluate its performance and that of the management by developing and submitting to the Bank—
 - (a) a self-assessment questionnaire in the manner as may be prescribed; and
 - (b) an annual self-assessment evaluation, not later than three months after the end of each financial year.
- (3) A credit guarantee company which contravenes sub regulation (2) shall be liable to any of the sanctions provided for in these Regulations.

Fit and proper obligations.

- (1) A person shall not be a director, a senior officer or a significant shareholder of a credit guarantee company unless the Bank has certified the person as fit and proper to manage or control a credit guarantee company in accordance with the criteria set out in the **Second Schedule**.
- (2) The Bank may, from time to time, where it deems it necessary, carry out an assessment of the professional and moral suitability of a person managing or controlling a credit guarantee company.
- (3) Where the Bank determines that a significant shareholder does not fulfil the fit and proper criteria, the shareholder shall—
 - (a) cease to exercise all voting rights immediately upon the credit guarantee company being notified by the Bank in writing that the shareholder does not fulfil the fit and proper criteria; and
 - (b) reduce the holding of shares to below ten per centum of the share capital in the credit guarantee company within twelve months, or such other period as the Bank may determine.
- (4) The Bank may direct a significant shareholder who has been found not to be fulfilling the fit and proper criteria to dispose of all their shares in a credit guarantee company within such period as the Bank may direct.

- (5) The Bank may disqualify any director or senior officer from holding any office in a credit guarantee company if that person is determined not to meet the fit and proper criteria, or for any other good cause shown.

Appointment of chief executive officer.

- (1) A credit guarantee company shall have a chief executive officer appointed by the board, on such terms and conditions of service as shall be provided in the instrument of appointment.
- (2) A chief executive officer shall be a member of the board.
- (3) A person appointed as a chief executive officer of a credit guarantee company shall have experience in banking business, economics, law or finance at senior management level.
- (4) The board shall report to the Bank within seven days of the resignation or removal of the chief executive officer from office.

Responsibilities of the chief executive officer.

- (1) The chief executive officer shall—
 - (a) implement the policies developed by the board;
 - (b) identify and recommend to the board competent officers to manage the operations of the credit guarantee company;
 - (c) co-ordinate the operations of the various departments within the credit guarantee company;
 - (d) establish and maintain efficient and adequate internal control systems;
 - (e) design and implement the necessary management information systems to facilitate efficient and effective communication within the credit guarantee company; and
 - (f) apprise the board frequently on the operations of the credit guarantee company including—
 - (i) actual performance compared with the past performance and the budget together with explanations of all the variances;
 - (ii) capital structure and adequacy;
 - (iii) performance of advances including problem loans, losses, recoveries and provisions;
 - (iv) income and expenses;
 - (v) sources of funding and distribution profile;
 - (vi) all insider transactions that benefit directly or indirectly any officer or shareholder of the credit guarantee company;
 - (vii) any violation of laws and remedial activities undertaken to ensure compliance with the banking laws and Bank guidelines;
 - (viii) large exposures;
 - (ix) non-performing insider loans;
 - (x) reports on the activities of the committees of the board;
 - (xi) reports from the Bank, external and internal audit reports; and
 - (xii) any other area relevant to the company's operations;
 - (g) ensure that the credit guarantee company complies with all the relevant banking and other applicable laws in the execution of its operations; and
 - (h) undertake any other duties as may be assigned by the board from time to time.

Shareholder limits.

- (1) A shareholder of a credit guarantee company shall not, whether directly or indirectly, hold more than twenty-five per centum of the share capital of the credit guarantee company.

Provided that a public entity specified under the Act for the purposes of these Regulations, or a multilateral development bank may own more than twenty-five per centum of the share capital of the credit guarantee company.

- (2) Without prejudice to the generality of sub regulation (1), the Bank may in writing exempt a person from the provisions of this Regulation on such conditions as may be specified by the Bank.

Records.

- (1) A credit guarantee company shall maintain accurate and complete accounting records and reports.
- (2) The records and reports of a credit guarantee company shall be retained for a period of seven years.
- (3) An officer, employee or agent of a credit guarantee company shall not make entries. or allow entries to be made, on any account, record or document of the credit guarantee company that are false or mislead the true authorization limits or approval authority of such transactions.
- (4) All records and computer files or programs of the credit guarantee company, including personnel files, financial statements and information on the lender shall be accessed and used only for the purposes for which they were originally intended.

Confidentiality.

A director, chief executive officer, senior officer, employee or agent of a credit guarantee company shall—

- (a) protect the confidentiality of the information of the lender and customer of the lender;
- (b) not divulge or use any secrets, copyright material, or any correspondence, accounts of the credit guarantee company or its lenders, during, upon or after termination of their engagement or employment, except in the proper course of duty or with the written consent of the company; and
- (c) not use information so obtained for financial gain.

Reckless and fraudulent activities.

- (1) A credit guarantee company shall not conduct its business or part thereof, in a fraudulent or reckless manner that is detrimental to the interest of the company, its lenders or the general public.
- (2) In this Regulation—
“reckless” means—
 - (a) transacting the business beyond the limits set under the Act;
 - (b) offering facilities contrary to any guidelines or regulations issued by the Bank;

- (c) failing to observe the credit guarantee company's policies as approved by the board of directors; or
- (d) misuse of position or facilities of the credit guarantee company for personal gain; “fraudulent” means intentional deception, false and material misrepresentation, concealment or non-disclosure of a material fact or misleading conduct, device or contrivance that results in loss and injury to the credit guarantee company with an intended gain to the officer of the credit guarantee company or to a lender of the credit guarantee company.

Places of business.

- (1) A credit guarantee company shall be required to seek and obtain the prior written approval of the Bank before the opening, relocating or closing a branch.
- (2) The Bank may determine the manner in which a place of business may be opened, relocated or closed.

PART VI—RISK MANAGEMENT

Risk management.

- (1) A credit guarantee company shall put in place a risk management framework consistent with its size, business model and risk appetite that ensures that all relevant risks it faces are identified, assessed, understood and mitigated.
- (2) Without prejudice to sub-regulation (1), the risk management framework shall cover all relevant risks including—
 - (a) credit risk;
 - (b) operational risk;
 - (c) compliance risk;
 - (d) reputation risk;
 - (e) information and technology risk;
 - (f) liquidity risk; and
 - (g) any other risk relevant to the credit guarantee company.

PART VII— CREDIT GUARANTEES

Operation of Credit Guarantee Business.

- (1) A credit guarantee company may extend guarantees to a lender if the lender—
 - (a) has not received a qualified opinion on its most recent audited financial statements
 - (b) meets the capital adequacy requirements determined by the Bank from time to time;
 - (c) complies with regulatory requirements; and
 - (d) meets any other conditions set by the Bank regarding credit guarantee business.
- (2) A credit guarantee company shall—
 - (a) evaluate applications for credit facilities by using prudent lending criteria;
 - (b) exercise business discretion and uses due diligence in approving eligible applications for credit facilities;

- (c) conduct the account of the borrowers with normal lending prudence;
 - (d) monitor the borrower account in line with the applicable lending procedures; and
 - (e) provide regular reports on the borrowers to the Company in the form and manner stipulated by the credit guarantee company.
- (3) A credit guarantee company shall furnish the lender with the terms and conditions of the guarantee including any limits, charges and fees.
 - (4) A change in the limits of the guarantees shall require the written prior approval of the Bank.

PART VIII—CLASSIFICATION AND PROVISIONING OF GUARANTEES

Classification of guarantees.

- (1) A credit guarantee company shall classify guarantees in a manner consistent with the classification of the loans guaranteed by the credit guarantee company and according to the criteria established by the relevant regulatory authority.

In this Part, unless the context otherwise requires—

“regulatory authority” includes the Bank, the SACCO Societies Regulatory Authority and any other body prescribed by the Bank for such purposes in these Regulations.

Provisioning of guarantees.

- (2) Without prejudice to sub-regulation (1), a credit guarantee company shall be guided, in determining the amount of potential loss of the loans guaranteed, by the following minimum provisioning percentages—
 - (a) for guarantees classified “Normal”, one per centum of the guarantee;
 - (b) for guarantees classified “Watch”, three per centum of the guarantee;
 - (c) for guarantees classified “Substandard”, twenty per centum of the guarantee;
 - (d) for guarantees classified “Doubtful”, one hundred per centum of the guarantee; and
 - (e) for guarantees classified “Loss”, one hundred per centum of the guarantee.
- (2) Where the impairment charges for guarantees computed under International Financial Reporting Standards are higher than provisions required under these Regulations, the International Financial Reporting Standards impairment charges shall be considered adequate for the purposes of these Regulations.
- (3) A credit guarantee company that contravenes this Regulation shall be liable to any of the sanctions provided for in these Regulations.
- (4) A credit guarantee company that contravenes this regulation is liable to such administrative sanction as may be prescribed by the Bank.

Guarantees and Enforcement.

- (1) Where a credit guarantee company is licensed under these Regulations, it shall, within thirty days of being granted a licence, submit to the Bank an irrevocable bank guarantee of one million shillings from a bank duly licensed by the Bank, or an equivalent of ten percent of

its outstanding credit exposures as at the end of each calendar year, whichever is higher, in such form as may be specified by the Bank.

- (2) For purposes of sub-regulation (1), the outstanding credit exposures at the end of each calendar year for a credit guarantee company licensed under these Regulations shall be determined from the credit guarantee company's annual audited financial statements for the calendar year, as approved by the Bank in every year.
- (3) Where a credit guarantee company is required to honour a guarantee or pay a penalty under these Regulations and fails to do so within the contractually agreed time, or within the specified by the Bank, the Bank may recover the amount due on the guarantee or penalty from the bank guarantee issued under sub-regulation (1).
- (4) Where a guarantee or penalty has been recovered from a bank guarantee in accordance with sub-regulation (3), the credit guarantee company shall, within thirty days of being notified, furnish the Bank with a new irrevocable bank guarantee of the amount required under sub-regulation (1) in such form as may be specified by the Bank.
- (5) Where a credit guarantee company fails to comply with the provisions of this Regulation, the Bank shall consider such sanctions as may apply under these Regulations, in increasing order of severity, up to and including suspension and revocation of the licence of a credit guarantee company.

PART IX —INVOKING OF GUARANTEES

Invoking a guarantee.

- (1) A lender may invoke a guarantee from the credit guarantee company, or credit guarantee provider as the case may be, in respect of a credit facility if the following conditions are met—
 - (a) the amount in default in respect of the credit facility is due and has not been paid;
 - (b) the credit facility has been classified as non-performing in accordance with any guidelines issued by the Bank; and
 - (c) the guarantee in respect of the credit facility was in force at the time the facility was classified as non-performing.
- (2) A credit guarantee company, or credit guarantee provider as the case may be, shall, within thirty days of receiving the necessary documents or information, and prior to payment of any claim—
 - (a) validate the authenticity of the claim; and
 - (b) notify the lender in writing of the approval or denial of the claim.

PART X—CAPITAL REQUIREMENTS AND LIQUIDITY MANAGEMENT

Capital Requirements.

- (1) A credit guarantee company shall maintain the capital requirements set out in the First Schedule.
- (2) A credit guarantee company shall require the prior written approval of the Bank to treat subordinated debt as supplementary capital.
- (3) A credit guarantee company shall—

- (a) adopt sound and prudent liquidity management and funding policies; and
- (b) maintain sufficient liquid assets for meeting its maturing obligations and liabilities.

For purposes of sub-regulation (3) liquid assets include—

- (a) notes and coins which are legal tender in Kenya;
- (b) balances held at the Bank;
- (c) balances at other banks in Kenya after deducting therefrom balances owed to those other banks;
- (d) balances at banks abroad withdrawable on demand or short notice and money at call abroad after deducting therefrom balances owed to banks abroad where the balances and money at call and short notice are denominated in convertible currencies:

Provided that for the purposes of this paragraph "bank abroad" means a bank outside Kenya or an office of any bank outside Kenya;

- (4) A credit guarantee company shall plan and fund its liquidity requirements over specific time periods as set by the credit guarantee company.
- (5) A liquidity risk management plan shall contain the following—
 - (a) management structures and information systems;
 - (b) requirements to measure and monitor net funding;
 - (c) contingency planning schemes; and
 - (d) internal controls for liquidity management.
- (6) A credit guarantee company which fails to comply with this Regulation shall be liable to any of the sanctions provided for in these Regulations.
- (7) The Bank may issue guidelines on group structures of credit guarantee companies relating to—
 - (a) powers of the Bank over group entities;
 - (b) consolidated supervision;
 - (c) reporting on consolidated basis;
 - (d) restrictions relating to group structures; and
 - (e) such other requirements as the Bank may determine.

PART XI—INTERNAL CONTROLS

Internal control to be implemented.

- (1) A credit guarantee company shall implement an effective internal control system that is consistent with the nature, complexity and risk inherent in their on- and off-balance sheet activities and that is designed to respond to changes in the company's environment and circumstances.
- (2) A credit guarantee company shall develop and maintain internal control systems and activities that shall form an integral part of the daily activities of a credit guarantee company and shall consist of —
 - (a) comprehensive financial, operational and compliance data and information, as well as external market information about the credit guarantee company's operations and activities, events and market conditions that are relevant for decision making and the

information shall be accurate, reliable, timely, and accessible and maintained in a consistent format;

- (b) reliable information systems to cover all significant activities and operations of the credit guarantee company including the use of data in an electronic form; and
- (c) effective channels of communication to ensure that staff fully understand and adhere to policies and procedures affecting their duties and responsibilities and that other relevant information is communicated to the appropriate personnel.

(3) A credit guarantee company shall review its internal controls at least annually to address new or previously uncontrolled risks and changing market conditions.

(4) A credit guarantee company that contravenes this Regulation is liable to any of the sanctions provided for in these Regulations.

Internal audit.

(1) A credit guarantee company shall—

- (a) appoint an internal auditor; and
- (b) develop a written internal audit charter that specifies and enhances the standing of the internal audit purpose, authority and responsibility within the credit guarantee company.

(2) Every internal audit charter shall include—

- (a) the objectives and scope of the internal audit function;
- (b) internal audit's role and responsibility for governance, risk management, consulting services, and fraud investigations, among others; and
- (c) internal auditor's position within the credit guarantee company, its powers, responsibilities and relations with other control functions.

(3) Every credit guarantee company shall review its audit charter at least once every year.

(4) The audit charter shall be approved by the audit committee and subsequently ratified by the board as part of their supervisory role before the start of each financial year.

(5) A credit guarantee company that contravenes this Regulation is liable to any of the sanctions provided for in these Regulations.

Audit plan.

(1) The internal auditor shall prepare an annual audit work plan for the assignments to be performed during the next financial year and present it to the audit committee for review

(2) An annual audit plan shall include—

- (a) the scope;
- (b) objective;
- (c) timing;
- (d) frequency; and
- (e) resources of the planned internal audit work.

(3) A report of the internal auditor shall contain the findings and recommendations of the internal auditor

(4) The reports and working papers of the internal auditors shall be kept for at least five years.

(5) The audit committee shall follow up on its recommendations which shall be communicated to the audit committee at least on a quarterly basis

- (6) The audit committee shall maintain permanent coordination with all functional officers.
- (7) The internal auditor shall prepare an annual audit work plan for the assignments to be performed during the next financial year and present it to the audit committee for review.

PART XII—REPORTING REQUIREMENTS

Examinations.

A credit guarantee company shall make its books and records readily available for inspection and other supervisory purposes within a reasonable period upon request by the Bank.

Reporting requirements.

- (1) A credit guarantee company shall be subject to the Bank's on-site and off-site monitoring and shall make periodic reports in accordance with the form, instructions and schedules specified by the Bank including—
 - (a) monthly aging analysis of the loan book;
 - (b) quarterly unaudited financial statements;
 - (c) semi-annual unaudited financial statements;
 - (d) annual audited financial statements; and
 - (e) any other information which, in the opinion of the Bank, is relevant to the discharge of its supervisory role under this Regulation.
- (2) The reports under sub-regulation (1) shall be submitted no later than thirty days after the end of each reporting period in the case of paragraph (a), (b) and (c) and three months in the case of paragraph (d).
- (3) The financial statements shall be prepared in accordance with International Financial Reporting Standards and such other accepted reporting standards as may be specified by the Bank.
- (4) A person who contravenes the provisions of this Regulation is liable to any of the sanctions provided for under these Regulations.

Financial year.

The financial year of a credit guarantee company shall be the period of twelve months ending on the 31st day of December in each year.

Appointment of external auditor.

- (1) A credit guarantee company shall appoint an external auditor in each year who shall be a member of the Institute of Certified Public Accountants of Kenya in good standing approved by the Bank.
- (2) A credit guarantee company shall not remove or change its external auditor except with the approval of the Bank.
- (3) An external auditor shall make a report to the board identifying key concerns with respect to the financial condition of the credit guarantee business.
- (4) An external auditor shall submit an audit report to the Bank within three months after the end of each financial year on the financial condition of the credit guarantee business.

- (5) A report by an external auditor submitted under sub-regulation (4) shall include—
 - (a) information on the solvency of the business;
 - (b) any violation of a condition imposed on the licence; and
 - (c) any other contravention of the Act or these Regulations.
- (6) The Bank may in writing require an external auditor to undertake such additional duties as may be determined from time to time.
- (7) An external auditor of a credit guarantee company shall immediately report to the Bank if the external auditor is satisfied that —
 - (a) there has been a serious breach of or non-compliance with the provisions of the Act, or the Regulations, guidelines or other matters prescribed by the Bank;
 - (b) a criminal offence involving fraud or other dishonesty has been committed by a credit guarantee company or any of its officers or employees;
 - (c) losses have been incurred which reduce the core capital of a credit guarantee company by fifty per centum or more.

Form of accounts.

- (1) All entries in any books and all accounts kept by a credit guarantee company shall be recorded and kept in the English language, using the system of numerals employed in Government accounts.
- (2) The Bank may issue directions to a credit guarantee company at any time requiring it to maintain such books, records or information, in addition to any books, records or information already maintained by the credit guarantee company.
- (3) The financial statements shall be in accordance with International Financial Reporting Standards, including applicable consolidated accounting principles for groups.

Accounts to be exhibited.

- (1) A credit guarantee company shall—
 - (a) exhibit throughout the year in a conspicuous position in every office and branch in Kenya the minimum financial disclosure requirements prescribed from by the Bank together with the full and correct names of all persons who are officers; and
 - (b) cause a copy of the balance sheet and last audited income statements for that financial year to be published in a newspaper with wide circulation within three months of the end of each financial year.
- (2) The financial statements shall be in keeping with International Financial Reporting Standards, including applicable consolidated accounting principles for groups.
- (3) A credit guarantee company shall prescribe the form and manner of reporting on guarantees by lenders.

PART XIII—MISCELLANEOUS

Consumer Protection.

A credit guarantee company shall be expected to uphold the principles of fairness, transparency, and accountability in their business conduct with lenders, customers of lenders, and other third parties.

Data Protection and sharing of information.

Credit guarantee providers, credit guarantee companies, lenders participating in credit guarantee business, and any contracted third-party service providers shall ensure that they comply with the requirements of the Data Protection Act and any other relevant law when, amongst others, disclosing or sharing any information in the course of business.

Powers of the Bank to issue directions.

- (1) If, at any time, the Bank has reason to believe that—
 - (a) the business of a credit guarantee company is being conducted in a manner contrary to or not in compliance with the requirements of the Act, these Regulations or guidelines issued by the Bank or in any manner detrimental to or not in the best interests of its creditors or members of the public; or
 - (b) a credit guarantee company, any of its officers or other person participating in the general management of the credit guarantee company is engaged in any practice likely to occasion a contravention of any of the provisions of the Act, these Regulations or guidelines issued, the Bank may—
 - (i) give advice and make recommendations to the credit guarantee company with regard to the conduct of its business generally;
 - (ii) issue directions regarding measures to be taken to improve the management or business methods of the credit guarantee company or to secure or improve compliance with the requirements of the Act, the Regulations or guidelines issued or any other written law or regulations;
 - (c) in any case to which paragraph (b) applies, issue directions to the credit guarantee company, officer or other person to cease such practice;
 - (d) appoint a person, suitably qualified and competent in the opinion of the Bank, to advise and assist the credit guarantee company generally or for the purposes of implementing any directions under subparagraphs (ii) and (iii) and the advice of a person so appointed shall have the same force and effect as a direction made under subparagraphs (ii) and (iii) and shall be deemed to be a direction of the Bank.
- (2) The Bank may, before issuing a direction under sub-regulation (1), serve upon the credit guarantee company, officer or other person, a notice of such intent specifying the reasons therefor and requiring the credit guarantee company, officer or other persons, within such period as may be specified in the notice, to show cause why such direction should not be issued.

- (3) A credit guarantee company which receives a direction under the provisions of this Regulation shall comply with the direction within such period as may be specified in the direction and, if so required, shall produce evidence that it has done so.
- (4) The Bank may issue directions to credit guarantee companies generally for the better carrying out of its functions and in particular, with respect to—
 - (a) the standards to be adhered to by a credit guarantee company in the conduct of its business;
 - (b) adherence to data protection requirements
 - (c) anti-money laundering, combating the financing of terrorism and countering proliferation financing policies and procedures;

Procedures for claim settlement.

- (1) The Bank may intervene in the management of a credit guarantee company in any the following circumstances—
 - (a) if the credit guarantee company fails to meet any financial obligation, when it falls due including an obligation to settle a valid claim;
 - (b) if a petition is filed, or a resolution proposed, for the winding up of the credit guarantee company or if any receiver or receiver and manager or similar officer is appointed in respect of the credit guarantee company or in respect of all or any part of its assets;
 - (c) if the auditor of a credit guarantee company makes a report to the Bank that a credit guarantee company has violated the law in a serious manner or conducts its business in a detrimental way;
 - (d) if the Bank discovers, whether on an inspection or otherwise, or becomes aware of any fact or circumstance which, in the opinion of the Bank, warrants the exercise of the relevant power in the interests of the credit guarantee company or its creditors;
 - (e) if the credit guarantee company is significantly undercapitalized; or
 - (f) if the credit guarantee company fails—
 - (i) to submit a capital restoration plan or a plan to resolve all deficiencies as directed by the Bank; or
 - (ii) to add more capital, and it fails, neglects or refuses to comply, with an order to implement a plan of correction.
- (2) The Bank may take over the management of a credit guarantee company or may appoint an officer of the Bank or any other person to manage the credit guarantee company in such manner, for such purpose and for such period as may be determined in the Bank in circumstances under sub-regulation (1) above.

Enforcement and administrative sanctions.

- (1) The Bank may impose any or all of the following administrative sanctions against a credit guarantee company which fails to comply with the Act, other relevant written laws, these Regulations, and any other regulations, guidelines, directives, orders or conditions imposed by the Bank —
 - (a) monetary penalty on a credit guarantee company, its directors, officers or employees responsible for noncompliance in such amounts as may be prescribed by the Bank;
 - (b) prohibition from declaring or paying dividends;
 - (c) suspension of issuance of new guarantees and investment operations;

- (d) suspension of capital expenditure;
- (e) suspension of issuance of debt instruments;
- (f) suspension from office of the defaulting director, officer or employee;
- (g) disqualification from holding any position or office in any registered, or licensed financial institution in Kenya;
- (h) undertake more frequent inspections of that credit guarantee company;
- (i) order the credit guarantee company to submit to the Bank, within forty-five days, a capital restoration plan to restore the credit guarantee company to the capital adequacy or, in the case of issues unrelated to capital, a plan to resolve all deficiencies to the satisfaction of the Bank;
- (j) at the expense of the credit guarantee company, appoint a person suitably qualified and competent, in the opinion of the Bank, to advise and assist the credit guarantee company in designing and implementing a capital restoration plan or other corrective action plan under paragraph (i), and the person appointed shall regularly report to the Bank on the progress of the plan;
- (k) impose restrictions on growth of assets of the credit guarantee company;
- (l) Suspension or revocation of the registration or licence; and
- (m) any other action as the Bank may consider appropriate.

Voluntary liquidation.

- (1) A credit guarantee company may, with the approval of the Bank, voluntarily liquidate itself if it is able to meet all its financial obligations.
- (2) An application for the Bank's approval for the purposes of sub-regulation (1) shall be in such form as may be prescribed by the Bank.
- (3) The Bank may, upon receipt of an application under sub-regulation (2), approve the application if satisfied as to the solvency of the credit guarantee company.
- (4) Where the Bank approves an application by a credit guarantee company under this Regulation, such credit guarantee company shall immediately cease all its operations except such activities as are incidental to the orderly realization, conservation and preservation of its assets and settlement of its obligations.
- (5) Where a credit guarantee company goes into liquidation under this Regulation—
 - (a) the liability of the shareholders of the credit guarantee company for uncalled subscriptions to the capital stock of the credit guarantee company shall continue until the end of the liquidation process; and
 - (b) the credit guarantee company shall first discharge its liability to its secured creditors and thereafter rank all other creditors in accordance with the provisions of the Companies Act and the Insolvency Act.
- (6) The Bank shall upon approval of voluntary liquidation, follow up with the credit guarantee company to ensure smooth execution of the liquidation process.

Penalties.

- (1) Where a credit guarantee company contravenes any of the provisions of these Regulations, the Bank may assess penalties on the credit guarantee company.

- (2) Before imposing a penalty on a credit guarantee company under these Regulations, the Bank shall give the credit guarantee company not less than seven days' notice, in writing, requiring the credit guarantee company to remedy the noncompliance.
- (3) Without prejudice to sub-regulation (1), a credit guarantee company which fails or refuses to comply with the provisions of sub-regulation (1) may be subjected to any administrative sanction as the Bank may determine.

Transitional provision.

A person carrying on credit guarantee business shall comply with these Regulations within five years of the coming into operation of sections 33V, 33W, 33X and 33Y of the Act.

FIRST SCHEDULE

CAPITAL REQUIREMENTS FOR CREDIT GUARANTEE COMPANIES

1. A minimum core capital of one billion shillings
2. A core capital of not less than 10.5 percent of total risk weighted assets plus risk weighted assets and off-balance sheet items.
3. A total capital of not less than 14.5 percent of its total risk weighted assets plus risk weighted assets and off-balance sheet items.
4. The computation of risk weighted assets and off-balance sheet items shall be computed as may be determined by the Bank from time to time.

SECOND SCHEDULE

PART A—CRITERIA FOR DETERMINING PROFESSIONAL AND MORAL SUITABILITY OF DIRECTORS AND SENIOR OFFICERS

1. For the purposes of determining the professional and moral suitability of persons, proposed to be directors and senior officers of a credit guarantee company, the Bank shall have regard to the following qualities, in so far as they are reasonably determinable—
 - (a) possession of relevant qualification, knowledge, skills and experience;
 - (b) ability to recommend sound practices based on previous business experience;
 - (c) ability to provide objective advice; and
 - (d) ability to avoid conflicts of interest in activities and commitments with other organizations.
2. Without prejudice to the generality of the provisions of paragraph (a), the Bank, may have regard to the present and previous conduct and activities of the person concerned in business or financial matters and, in particular, to any evidence that such person—
 - (a) has been convicted of an offence of fraud or any other offence of which dishonesty is an element;
 - (b) has contravened the provisions of any law designed for the protection of members of the public against financial loss due to the dishonesty or incompetence of or malpractices;
 - (c) was a director or a senior officer of an institution that has been liquidated or is under liquidation or statutory management;
 - (d) has taken part in any business practices that, in the opinion of the Bank, were fraudulent, prejudicial or otherwise improper (whether unlawful or not);
 - (e) has taken part in or been associated with any other business practices as would, or has otherwise conducted himself in such manner as to cast doubt on his competence and soundness of judgment;
 - (f) has defaulted in the repayment of a loan for three consecutive months advanced by a licenced financial institution; and
 - (g) has been adjudged bankrupt.
3. The Bank may request any person to furnish such additional information as may be necessary in determining the professional or moral suitability of the person.

PART B —CRITERIA FOR DETERMINING MORAL SUITABILITY OF SIGNIFICANT SHAREHOLDERS

1. For the purposes of determining the moral suitability of significant shareholders of a credit guarantee company the Bank shall have regard to the previous conduct and activities of the significant shareholder concerned in business or financial matters and, in particular, to any evidence that such person —
 - (a) has been convicted of the offence of fraud or any other offence of which dishonesty is an element;
 - (b) has contravened the provisions of any law designed for the protection of members of the public against financial loss due to the dishonesty or malpractices by persons engaged in the provision of banking, insurance, investment or other financial services.

2. Where the significant shareholder is a corporate entity, its directors and senior officers shall satisfy the criterion specified in paragraph (a) above.
3. The Bank may request any person or corporate entity to furnish such information as may be necessary in determining the moral suitability of significant shareholders.

THIRD SCHEDULE

FORMS

FORM CBK CGC 1-1:

APPLICATION FOR A LICENCE TO CONDUCT THE BUSINESS OF A CREDIT GUARANTEE COMPANY

NB: This form should be submitted, duly completed, accompanied by the complete set of documents required under Part III of these regulations

1. Name of Credit Guarantee Company.
.....
2. Physical Address of Head Office: L.R. No.....
Street: Building and Town/City.....
3. Postal Address and Postal Code.....
Telephone No: P.I.N.:
E-mail address.....
4. Date of IncorporationCertificate Reg. No.....
5. Former name(s) (if any) by which the credit guarantee company has been known:.....

6. Particulars of shareholding:

Present & Former Name(s) of shareholder(s)	Postal Address of shareholder(s)	PIN No. & Identification No.	Incorporation or Registration Details	No. of shares held/allocated

7. Particulars of Officers:

A. Directors

	Name of Proposed Director	Age and Nationality	Proposed Capacity (Executive /Non-Executive)	ID No./ Passport No.	Qualification (academic and professional)	Postal and E-mail address	Tele-phone contacts	Experience /previous employment	Other Current Directorship (s)
1.									
2.									

(Attach all necessary supportive documentation; please indicate N/A where requested details are not applicable)

B. Senior Officers

	Name of Proposed Senior Officer	Age and Nationality	Proposed Designation	ID No./ Passport No.	Qualification (academic and professional)	Postal and E-mail address	Tele-phone contacts	Experience /previous employment	Current Position
1.									
2.									

(Attach all necessary supportive documentation; please indicate N/A where requested details are not applicable)

8. Names of the proposed credit guarantee company's—

a. bankers, branch and their address

.....

b. name of law firm and their address

.....

c. name of corporate secretary and their address

.....

9. Sources of funds for the proposed business

.....

.....

10. Does the credit guarantee company hold, or has it ever held any authority from a supervisory body to carry on any business activity in Kenya or elsewhere?

.....

If any such authority has been revoked, give particulars

.....

.....

11. Has the credit guarantee company been put under receivership in the past or made any compromise or arrangement with its creditors in the past or otherwise failed to satisfy creditors in full?

.....

If so, give particulars.....

12. Has the credit guarantee company been the subject of investigation by a government agency during the last three years

.....

13. Is the credit guarantee company engaged or does it expect to engage in Kenya or elsewhere in any litigation which may have a material effect on the resources of the credit guarantee company?.....

14. If YES, give particulars.....

DECLARATION

We, the undersigned, being directors of the credit guarantee company, declare that to the best of our knowledge and belief, the information contained herein is complete and accurate. We also certify that the capital to be invested in the credit guarantee company is not from proceeds of crime.

Director (Name)

Signature.....Date.....

Director (Name).....

Signature.....Date.....

FORM CBK CGC 1-2

FIT AND PROPER FORM FOR DIRECTORS AND SENIOR OFFICERS

NB: This form should be duly completed, accompanied by the complete set of documents required under Part III and submitted to the Bank.

1. THE CREDIT GUARANTEE COMPANY

Name.....
Type.....
Proposed position.....

2. PERSONAL INFORMATION

- a) Surname
Other Names
- b) Previous Names (if any) by which you have been known:
.....
Reasons for change of names.....
- c) Year and Place of birth:
- d) Nationality and how acquired.....
- e) Personal Identification Number (PIN)
- f) (i) Identification Card number and date of issue
(ii) Passport number, place and date of issue.....
- g) Postal Address:
- h) Previous Postal Addresses (if any)
- (i) Physical Address.....
(ii) Telephone numbers.....

Educational Qualifications

.....

	Qualifications	Year obtained	Examining body	Grade Obtained
1.				
2.				

Professional Qualifications and years obtained

.....

	Qualifications	Year obtained	Examining body	Grade obtained
1.				
2.				

h) Name(s) of your bankers during the last 5 years

.....
.....

i) Responsibilities of Proposed position

3. EMPLOYMENT/ BUSINESS RECORD

Period	Name of Employer/ Business and Address	Position Held & Dates	Responsibilities	Reasons for Leaving (where applicable)

4. DESCRIPTION OF PAST AND PRESENT ACTIVITIES IN KENYA AND ABROAD

4.1 SHAREHOLDING (DIRECTLY OWNED OR THROUGH NOMINEES)

Company's Name	Certificate of registration No.	Executive or Non-executive	Position held	Date of appointment	Reasons for leaving

4.2 DIRECTORSHIPS

Company's Name	Certificate of registration No.	Executive or Non-executive	Position held	Date of appointment	Reasons for leaving

4.3 MEMBERSHIP TO PROFESSIONAL BODIES

Name of the institution	Membership No.	Position held	Current status of membership	Reasons for leaving

5. BORROWINGS

- 5.1 Have you ever defaulted in your financial obligations in the last five years?.....
If yes, give details
.....
- 5.2 Have you at any time been convicted of any criminal offence in any jurisdiction? If so, give particulars of the court in which you were convicted, the offence, the penalty imposed and the date of conviction
.....
- 5.3 Have you ever been disqualified, under any legislation or regulation from acting as a director or serving in a managerial capacity?
.....
.....
- 5.4 Have you, in any country, ever been dismissed from any office or employment, or been asked to resign or resigned from employment or position of trust or fiduciary appointment? If so give particulars
.....
.....
- 5.5 Have you ever been diagnosed as being mentally unfit or of unsound mind?
.....
.....
- 5.6 Have you ever been adjudged bankrupt?
If so, give particulars
- 5.7 Have you ever been convicted of fraud or theft by a court of law in any country?
If so, give particulars
.....
- 5.8 Has any entity with which you were associated as a director, shareholder or manager in any country been in financial distress, made any compromise or arrangement with its creditors, been wound up or otherwise ceased business either while you were associated with it or within three years after you ceased to be associated with it?
If so, give particulars.....
.....
- 5.9 Indicate the names, postal and e-mail addresses, telephone numbers and positions of at least three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

	Name of referee	Postal address	E-mail addresses	Tel no. (s)	Position (where applicable)	Relationship with applicant
1						
2						

5.10 Is there any additional information which you consider relevant for the consideration of your suitability or otherwise for the position(s) held/to be held? The omission of material facts may represent the provision of misleading information
.....

6. DECLARATION

I am aware that it is an offence to knowingly provide any information, which is false or misleading. I am also aware that omitting material information intentionally shall be construed to be an offence.

I certify that the information given above is complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the Bank should be aware.

I undertake to inform the Bank of any material changes to the information provided herein.

NAME.....POSITION HELD

DATED..... AT..... THIS DAY OF.....

SIGNED.....
(Applicant)

(This declaration must be signed in the presence of the witness named below)

WITNESSED BEFORE ME:

COMMISSIONER FOR OATHS/MAGISTRATE

Name:
Signature:
Address:

Date.....and

Stamp.....

N.B. The information given in response to this questionnaire shall be kept confidential by the supervisory authorities, except in cases provided for by law.

FORM CBK CGC 1-3

FIT AND PROPER FORM FOR SIGNIFICANT SHAREHOLDERS

NB: This form should be duly completed, accompanied by the complete set of documents provided under Part III.

1. THE CREDIT GUARANTEE COMPANY

Name.....

.....

Registration No.

.....

2. INFORMATION

a) Name of the corporate body

.....

b) Previous Names (if any) by which you have been known:

.....

c) Year and date of incorporation

.....

d) Country of incorporation

.....

e) Personal Identification Number.....

f) Contacts details

g) Name(s) of your bankers over the last 5 years

3. DESCRIPTION OF PAST AND PRESENT ACTIVITIES IN KENYA AND ABROAD

3.1 SOURCES OF FUNDS

1. Please provide details of the actual source(s) of funds that you, as a shareholder, would like to invest or use in the acquisition of shares in the credit guarantee company.

a)

b)

c).....

2. Declaration on the sources of funds

Please provide a sworn statement that the funds that you, as a shareholder, would like to invest or use in the acquisition of shares in the credit guarantee company are not from proceeds of crime.

4. DECLARATION

I am aware that it is an offence to knowingly provide any information, which is false or misleading. I am also aware that omitting material information intentionally shall be construed to be an offence.

I certify that the information given above is complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the Bank should be aware.

I undertake to inform the Bank of any material changes to the information provided herein

NAME:

DATED AT:.....THIS.....DAY OF..... 20.....

WITNESSED BEFORE ME:

SIGNED **(Applicant)**
COMMISSIONER FOR OATHS/MAGISTRATE

Name:

Signature:

Address:

Made on20.....

FOURTH SCHEDULE

FEES

- (a) Application for registration.....Ksh.50,000
- (b) Application for a licence..... Ksh.100,000
- (c) On the granting of a licence and annually thereafter.....Ksh.500,000

FIFTH SCHEDULE

CONDUCT OF BUSINESS AND AFFAIRS OF A BOARD AND BOARD COMMITTEES

1. Meetings

(1) The board and the board committees shall meet at least once in every quarter to deliberate on the affairs and financial condition of the credit guarantee company and provide oversight and guidance to the management.

(2) Every member of the board and board committees shall attend at least two thirds of the board meetings in any financial year.

2. Quorum

(1) The quorum for the conduct of business of a board shall be at least two-thirds of the members of the board.

(2) The quorum for a meeting of a board committee shall be at least two-thirds of the committee members, where at least one attendee must be a non-executive director of the credit guarantee company.

3. Chairperson

(1) The members of a board shall elect a chairperson pursuant to the provisions of the company's articles of association.

(2) The members of board committee shall elect a chairperson from amongst themselves who shall be a non-executive director.

(3) The chairperson of the board or a board committee shall preside over every meeting of the board but in his absence the members present shall elect one of the members present to preside over that meeting and the business transacted thereat.

4. Reporting

Every committee of a board shall report to the board at least once every three months.

5. Board to regulate its own procedure

Except as provided in this Schedule, the board may regulate its own procedure.

Made on this 2025

KAMAU THUGGE,
Governor of the Central Bank of Kenya.