



REGULATORY IMPACT STATEMENT
ON
THE BANKING (FEES) REGULATIONS, 2026

APRIL 2026

1.0 The Banking (Fees) Regulations, 2026

The Central Bank of Kenya (CBK) developed the Banking (Fees) Regulations, 2026, pursuant to sections 55(1) of the Banking Act. The Regulations provide the application fees payable to the CBK, the manner of payment of fees, effect of failure to pay the fees payable, and the rates of the annual fees to be paid annually by institutions licensed by CBK. Once the Regulations are operational, the existing Banking (Fees) Regulations, 1994, will stand revoked.

2.0 Regulatory and Policy Context of the Banking (Fees) Regulations, 2026

Section 55(1) of the Banking Act confers upon the CBK powers to make Regulations for carrying out the purposes and provisions in the Banking Act.

The new annual fees in the Regulations are aligned with modern banking dynamics including the need to address rising supervisory costs and to align to the global best practices and standards. The existing annual fees were last updated in 1994. In the intervening period, significant changes have occurred in Kenya's banking sector, including exponential growth in the size, complexity, and risk profile of institutions.

The objective of the review of the annual fees was necessitated by the increasing level of oversight by CBK, which requires significant resources to effectively discharge its supervisory mandate, including Consolidated and Cross border Supervision. In addition, the proposed review is aimed at establishing an annual fee framework aligned with international standards and modern banking dynamics.

It is noteworthy that the Kenyan banking sector has grown significantly over the past 32 years. Total assets have increased by more than 40-fold, from Ksh.202 billion in 1994 to Ksh.8.4 trillion in December 2025. Deposits have increased by more than 34 times, from Ksh.179 billion to Ksh.6.2 trillion in the same period. Profits before tax have increased by more than 29 times, from Ksh.11 billion to Ksh.317 billion. The loan portfolio has also increased by more than 37 times, from Ksh.114 billion to Ksh.4.2 trillion. The number of local bank branches increased from 371 branches in 1994 to 1,573 branches in 2024. However, and despite this growth, the annual fees for commercial banks have remained unchanged.

CBK's regulatory and supervisory mandate has become increasingly complex. The increasing complexities are attributed to CBK's enhanced regulatory and supervisory activities associated with the growth and evolution of the banking sector and the resulting risk

spectrum. In addition, Kenyan banks have expanded their regional footprint with emergence of banking groups and growing complexity of supervision including consolidated and cross-border supervision. Accordingly, it is necessary to review annual fees to facilitate effective regulatory and supervisory oversight by CBK.

At the same time CBK enhanced the staffing and financial resources for anti-money laundering, countering the financing of terrorism and countering proliferation financing (AML/CFT/CPF) supervision. The measures strengthened supervisory capacity and improved oversight of financial institutions under CBK's supervisory purview. Accordingly, more human, physical and computing resources were required. This had additional cost implications on the CBK's supervisory operations.

In the midst of changing banking environment, there has been increasing costs associated with efforts to enhance the resilience of the banking sector against the significant and ever-present challenges posed by sophisticated cyber security actors. CBK has therefore had to invest in human capital, processes and systems to create a safer and more secure cyberspace that underpins information system security priorities and promotes stability of the Kenyan banking sector.

In the circumstances, it was necessary to review license fees to facilitate effective regulatory and supervisory oversight by CBK. Therefore, CBK exposed a Consultative Paper and a draft Banking (Fees) Regulations in March 2025, for public comment. In the paper, CBK reviewed different types of methodologies adopted by domestic regulators and various jurisdictions on annual fees charged on commercial banks.

CBK considered four (4) methodologies; Branch, Deposit, Asset and Revenue based methodologies, used by Kenyan Domestic Regulators, and selected comparative jurisdictions to come up with the appropriate methodology for determining applicable annual fees by commercial banks in Kenya.

Table 1: Summary of Methodologies adopted by Domestic Regulators and Various Jurisdictions

No.	Methodology Adopted	Description of the Methodology	Country/Domestic Regulator
1.	Branch-Based methodology	Uses a variable model based on the number of branches to determine the applicable annual fees payable.	Kenya, Singapore.
2.	Proportion of Total Deposits	Uses a predetermined rate to levy annual fees as a proportion of total customer deposits.	Zambia, Kenya Deposit Insurance Corporation.
3.	Proportion of Gross Annual Revenue	Uses a predetermined rate to levy annual fees on total revenue generated by a bank.	Uganda, Rwanda, Capital Markets Authority and Communications Authority.
4.	Proportion of Total Assets	Uses a predetermined rate to levy annual fees and considers the total asset base of a bank.	Insurance Regulatory Authority.
5.	Standard Set Fee	A single set annual fee payable.	Malaysia, Canada, Ghana, Nigeria
6.	No annual fee (one-off fee)	N/A	Tanzania.

CBK eventually settled on the Gross Annual Revenue (GAR) since it was a better measure of financial performance than deposit-based or asset-based methodologies. Accordingly, CBK proposed the adoption of GAR methodology with a 1 percent fee rate prorated over a three-year period.

Subsequently, the rate of annual fees was reviewed downwards to 0.15 percent of GAR to address concerns raised by stakeholders and the general public. The annual fees were reviewed to reflect the operating and supervisory costs of the CBK in the short to medium term. The proposed annual fees were also reviewed to ensure that there will be no adverse

impact on the banking sector. The reviewed annual fees were incorporated in the revised draft Regulations.

The purpose of these revised Regulations is, therefore, to give effect to the section 55 of the Banking Act requiring CBK to develop Regulations to, amongst others, prescribe fees payable by institutions and to incorporate comments arising from public participation.

3.0 Key Clauses of Banking (Fees) Regulations, 2026

The key clauses of the Banking (Fees) Regulations, 2026, are outlined below.

Parts	Highlight
Regulation 1 – Citation	The Regulation cites the Banking (Fees) Regulations, 2026.
Regulation 2 – Application Fees	The Regulation provides the fees to be paid by an institution.
Regulation 3 – Rate of Annual Fees	The Regulation provides the rates of annual fees to be paid by institutions annually.
Regulation 4 – Payment of Annual Fees	The Regulation provides the manner of payment of annual fees.
Regulation 5 – Non-Payment of Annual Fees	The Regulation provides the sanctions on an institution which fails to pay the annual fees on within the specified timelines.
Regulation 5 – Revocation	The Regulation revokes the Banking (Fees) Regulations, 1994.
Schedule	The Schedule sets out the rates of annual fees and the compliance dates.

3.0 Statement on Regulatory and Non-Regulatory Options

This section analyses the alternative courses of action explored by the CBK as the best form of regulatory action. Section 5 of the Statutory Instruments Act requires a regulator to conduct an informed comparison of various regulatory and non-regulatory policy measures early in the regulatory process, considering relevant issues such as costs, benefits, distributional effects and administrative requirements.

Accordingly, CBK considered a number of options:-

Option 1. Regulatory overhaul

Undertaking a comprehensive regulatory review to develop a new set of Banking (Fees) Regulations, 2026, and revoking the Banking (Fees) Regulations, 1994

Option 2. Maintain the Status Quo

CBK may have opted to choose not to review or overhaul the current framework.

The CBK adopted Option 1 to develop an entirely new set of Regulations CBK which will ensure that CBK has sufficient resources to effectively discharge its supervisory mandate, including Consolidated and Cross border Supervision.

4.0 Financial Costs

The regulatory framework will impose additional financial costs on institutions licensed by CBK. A sensitivity analysis of the impact of the annual fees on the banks' profitability demonstrated that the annual fees proposed will not have an adverse effect on the banks since the annual fees will not turn any profitable institution to a loss-making position.

5.0 Cost-Benefits Analysis

There will be no additional regulatory cost to implement the Regulations. The prescribed rate of annual fees will be aligned to the performance of banks and will thus not pose a heavy financial cost or burden to the institutions. Critically, the benefits and impact of the Regulations include enhanced supervisory oversight of institutions to enhance integrity of the banking sector pursuant to CBK's mandate contained in section 4(2) of the CBK Act. More importantly, the Regulations will not impact the Public.

6.0 Conclusions and Recommendations

The Regulations will go a long way towards aligning supervisory cost with the evolved banking dynamics. It is recommended that the Banking (Fees) Regulations, 2026 be adopted and published.