



REGULATORY IMPACT STATEMENT
ON
THE CENTRAL BANK OF KENYA (CREDIT GUARANTEE BUSINESS)
REGULATIONS, 2026

MAY 2026

1.0 The Central Bank of Kenya (Credit Guarantee Business) Regulations, 2026

The Central Bank of Kenya (CBK) developed the Central Bank of Kenya (Credit Guarantee Business) Regulations, 2026, pursuant to section 33Y of the Central Bank of Kenya (CBK) Act. This followed an amendment to the CBK Act through the Business Laws (Amendment) Act, 2024, to vest CBK with supervisory and oversight powers on the operations of credit guarantee business in Kenya. Under the framework, persons carrying on credit guarantee business will be required to be registered or licensed by CBK.

2.0 Regulatory and Policy Context of the Central Bank of Kenya (Credit Guarantee Business) Regulations, 2026

The policy objective of the Regulations is to strengthen the legal and regulatory regime for credit guarantees in Kenya to improve access to quality and affordable credit in a financially sustainable manner. Past attempts by Government to support credit guarantee companies through the establishment of a credit guarantee scheme in 2020, have largely been ineffective due to a lack of a proper legal and institutional framework for credit guarantees in Kenya.

The policy is intended to encourage the development of targeted and sector specific guarantees particularly to the strategic economic sectors such as Micro, Small, and Medium Enterprises (MSMEs) and identified marginalised and underserved groups including women, youth and Persons with Disabilities (PWDs). MSMEs contribute approximately 40 percent of the overall Gross Domestic Product (GDP) on 2023, according to Kenya National Bureau of Statistics (KNBS) underlining the importance of the sector to the economy.

The development of the Regulations is therefore a deliberate attempt by the Government to provide a conducive policy, legal and regulatory environment that will promote investment in the credit guarantee sector generally, and MSMEs in particular. Accordingly, CBK has developed the draft CBK (Credit Guarantee Business) Regulations, 2026, to implement the framework for the credit guarantee business. The Regulations provide for, *inter alia*, requirements for registration, licensing, governance, risk management and other operational obligations for persons providing credit guarantee business in Kenya.

3.0 Key Clauses of the Central Bank of Kenya (Credit Guarantee Business) Regulations, 2026

The key clauses of the Central Bank of Kenya (Credit Guarantee Business) Regulations, 2026, are outlined below.

Parts	Highlight
Part I- Preliminary	The section defines the key terms used in Central Bank of Kenya (Credit Guarantee Business) Regulations, 2026. It also indicates who the Regulations shall apply to.
Part II- Credit Guarantee Business	The section outlines the permissible and prohibited activities by persons licensed and regulated to undertake credit guarantee business.
Part III – Registration of Credit Guarantee Providers	This section outlines the application and issuance for registration. It also details reporting requirements for credit guarantee providers.
Part IV- Licensing of Credit Guarantee Companies	The section encompasses the process for application and issuance of a license.
Part V- Governance	The section delineates the roles of the boards and committees, fit and proper requirements, shareholder limits, amongst others.
Part VI- Risk Management	The section requires the establishment of a risk management framework consistent with its size, business model and risk appetite.
Part VII- Operation of Credit Guarantees	The section details procedure for the operation of credit guarantee business.
Part VIII- Control of Credit Guarantee Companies	The section includes the powers of the Bank to issue directions and intervene in the management of a credit guarantee company. It also includes detailed enforcement sanctions by CBK for non-compliance with the Regulations.
Part IX – Classification and Provisioning of Guarantees	The section indicates how guarantees are classified and provisioned.
Part X- Claims and Recoveries	This section relates to the claims procedures for valid claims

Part XI- Capital Requirements and Liquidity Management	The section sets out the capital requirements and liquidity management requirements
Part XII- Internal Controls	The section requires the implementation of effective internal control systems.
Part XII- Reporting Requirements	The section details reporting requirements including the requirement for books and records to be availed to the Bank upon request.
Part XIV- Miscellaneous	The section details requirements for consumer protection and data protection, amongst others.

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 of the regulatory framework on credit guarantees to bring them within CBK's regulatory framework to ensure safety and soundness of the financial sector.

Option 2. Maintain the Status Quo

CBK may have opted to not to review current framework.

The CBK adopted Option 1 to develop an entirely new set of Regulations CBK to effectively discharge its supervisory mandate on persons carrying on credit guarantee business and to provide a more facilitative regulatory framework.

4.0 Financial Costs

The regulatory overview will impose no new financial costs on persons undertaking credit guarantees except for licensing and registration fees.

5.0 Cost-Benefits Analysis

There will be no additional regulatory cost to implement the Regulations except for licensing and registration fees. 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

It is recommended that the Central Bank of Kenya (Credit Guarantee Business) Regulations, 2026, be adopted and published.