



March 27, 2020

BANKING CIRCULAR NO. 3 OF 2020

To: ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS AND MORTGAGE FINANCE COMPANY

IMPLEMENTATION OF THE EMERGENCY MEASURES TO MITIGATE THE ADVERSE IMPACT OF CORONA VIRUS (COVID 19) PANDEMIC ON LOANS AND ADVANCES

Further to the emergency measures announced on March 18, 2020, the Central Bank of Kenya (CBK) writes to provide guidance on loans classification and provisioning of extended and restructured loans. This circular aims to enable banks work with their customers to alleviate the likely adverse economic effects they may face from COVID 19 pandemic while safeguarding banking system soundness.

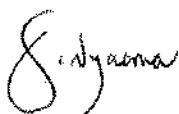
1. The relief granted under the emergency measures will only apply to borrowers whose loan repayments were up to date as at March 2, 2020 and classified under normal category in accordance with the CBK Prudential Guideline on Risk Classification of Assets, Provisioning and Limitation of Interest on Non-performing Loans (CBK/PG/04).
2. Banks will engage individual borrowers who request for relief on their personal loans and based on their individual circumstances, directly attributable to the pandemic determine the best relief to offer. The relief granted should be based on the assessment of the borrower's capacity to pay under the proposed new terms.
3. Where a determination is made to grant a request for relief on personal loans through extension of the repayment period, the extension should not exceed one year from March 2, 2020.
4. Micro, Small and Medium-sized Enterprises (MSMEs) and corporate borrowers may also make requests to banks for relief due to circumstances related to the pandemic. Banks will make an assessment and restructure the loans based on the respective circumstances arising from the pandemic.

5. Personal loans whose repayment has been extended for up to one (1) year and the other loans restructured due to the pandemic shall not be subject to **Clauses 3.2** (Classification of loans), **3.3** (Classification categories) and **3.5** (Classification of renegotiated loans and advances) of **CBK/PG/04** for a period of up to one (1) year from March 2, 2020.
6. Banks will be required to document and keep records of all the extended and restructured facilities under the emergency measures. The records should contain details of the particular circumstances in relation to the pandemic, monitoring measures adopted and the set timelines for reverting to normal requirements.
7. Banks will meet all the costs related to the extension and restructuring of loans.
8. All loans extended and restructured under emergency measures shall be reported to CBK on a monthly basis in the attached format.
9. The initial return for the month ending March 31, 2020 will be due on or before April 10, 2020.

The purpose of this Circular is to;

- a) Provide guidance to all Commercial Banks and Mortgage Finance Company on the implementation of the recommended emergency measures on extended and restructured loans.
- b) Require submission of monthly returns to CBK in the prescribed format by the 10th of every succeeding month.

Yours faithfully,



GERALD NYAOMA

DIRECTOR, BANK SUPERVISION

Cc.: **Dr. Habil Olaka**
Chief Executive Officer
Kenya Bankers Association
International Life House, Mama Ngina Street
NAIROBI.

PERSONAL/HOUSEHOLD SECTOR EXTENDED LOANS RETURN

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Notes:

(1). This is a monthly return, which captures extended loans in the month. The loans which qualify for restructuring are those that were performing as at March 2, 2020.

(2). The return is due on a monthly basis by the 10th day of the subsequent month.

(3). The return is to be submitted through the BSA Portal.

AUTHORIZATION:

We declare that this return, to the best of our knowledge and belief is correct.

Name of Compiling Officer:

Name of Authorizing Officer (1):

Name of Authorizing Officer (.....) Date:

OTHER SECTORS RESTRUCTURED LOANS RETURN

Institution:

Financial Year:

Start Date:

End Date:

Sectors	Renegotiated Terms (maturity, interest rates, fees)		Moratorium (on Principal or interest)		Interest rates/Fees freeze		Other Form of Restructuring		Grand Total		Total Requests Received in the Month	
	Number of Loan Accounts	Amount Outstanding (Ksh.'000')	Number of Loan Accounts	Amount Outstanding (Ksh.'000')	Number of Loan Accounts	Amount Outstanding (Ksh.'000')	Number of Loan Accounts	Amount Outstanding (Ksh.'000')	Number of Loan Accounts	Amount Outstanding (Ksh.'000')	Number of Loan Accounts	Amount Outstanding (Ksh.'000')
Agriculture												
Manufacturing												
Building and construction												
Mining and Quarrying												
Energy and water												
Trade												
Tourism, Restaurant and Hotels												
Transport and Communication												
Real Estate												
Financial Services												
GRAND TOTALS												

Notes:

- (1). This is a monthly return, which captures restructured loans in the month. The loans which qualify for restructuring are those that were performing as at March 2, 2020.
- (2). The return is due on a monthly basis by the 10th day of the subsequent month.
- (3). The return is to be submitted through the BSA Portal.
- (4). A moratorium in loan restructuring refers to suspension of principal or interest for a defined period.
- (5). A freeze in loan restructuring refers to zero rating of interest.

AUTHORIZATION:

We declare that this return, to the best of our knowledge and belief is correct.

Name of Compiling Officer:

Name of Authorizing Officer (1):

Name of Authorizing Officer (2): Date: