

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

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March 27, 2020

BANKING CIRCULAR NO. 4 OF 2020

TO ALL CHIEF EXECUTIVES OF COMMERCIAL BANKS, MORTGAGE FINANCE COMPANY AND MICROFINANCE BANKS

REVIEW OF THE CASH RESERVE RATIO

The Monetary Policy Committee (MPC) on March 23, 2020 reduced the Cash Reserve Ratio (CRR) to 4.25 percent from 5.25 percent. This policy action is expected to release Ksh.35.2 billion as additional liquidity to banks to directly support borrowers that are distressed as a result of the Coronavirus (COVID-19) pandemic.

In order to access the additional liquidity occasioned by the reduction of CRR, commercial banks, mortgage finance company and microfinance banks, will be required to submit their requests as per the attached template (**Annexure I**) to the Director, Bank Supervision with the necessary supporting documents detailing how the borrowing, to be funded by the reduced CRR amount, is related to the impact of COVID-19. In addition, banks will be required to submit monthly updates on the utilization of the additional liquidity as per the attached template (**Annexure II**).

In addition, commercial banks, mortgage finance company and microfinance banks will be required to always observe the daily CRR requirement of 3 percent and monthly average CRR of 4.25 percent.

The purpose of this circular therefore is to provide guidance to commercial banks, mortgage finance company and microfinance banks on how to access the additional liquidity following the reduction of CRR from 5.25 percent to 4.25 percent. The new CRR takes effect immediately.

Yours faithfully,

GERALD NYAOMA
DIRECTOR, BANK SUPERVISION

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

Ms. Carol Karanja
Ag. Chief Executive Officer
Association of Microfinance Institutions in Kenya (AMFI-Kenya)
Methodist Ministries Centre, 1st Floor, Right Wing
P.O. Box 10701-00100
NAIROBI

LOAN APPLICATIONS TO BE FUNDED WITH THE CASH RELEASED FROM THE ONE (1) PERCENT REDUCTION OF THE CASH RESERVE RATIO

Start Date:

End Date:

GRAND TOTAL

(1) Banks should complete this template with details of credit applications that the bank desires to fund using the cash released as a result of reduction of Cash Reserve Ratio from 5.25 percent to 4.25 percent.

	4.25 percent.
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(2)	Reasons for the credit facilities should be related to the impact of Covid-19 Pandemic.
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(3)	Attach evidence of appraisal of the listed credit facilities.
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(4)	The "Start Date" and "End Date" in the template refers to the application dates for the submitted credit facilities.
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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:**

Date:

Annexure II

MONTHLY RETURN ON CREDIT FACILITIES FUNDED WITH THE CASH RELEASED FROM THE ONE (1) PERCENT REDUCTION OF THE CASH RESERVE RATIO

Institution:
Financial Year:
Start Date:
End Date:

[illegible]