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NATIONAL ASSEMBLY BILLS, 2026

NAIROBI, 19th May, 2026

CONTENT

Bill for Introduction into the National Assembly—

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THE CENTRAL BANK OF KENYA (AMENDMENT) BILL, 2026

A Bill for

AN ACT of Parliament to amend the Central Bank of Kenya Act and for connected purposes

ENACTED by the Parliament of Kenya, as follows —

1. This Act may be cited as the Central Bank of Kenya (Amendment) Act, 2026. Short title.

2. Section 4 of the Central Bank of Kenya Act (in this Act referred to as the "principal Act") of the principal Act is amended by deleting subsection (2) and substituting therefor the following new subsection— Amendment of section 4 of Cap. 491.

"(2) The Bank shall promote and foster—

(a) the liquidity, solvency, proper functioning and integrity of a market-based financial system; and

(b) the soundness, safety, and effective regulation of the banking system."

3. Section 4A of the principal Act is amended in subsection (1) by inserting the following new paragraph immediately after paragraph (h)— Amendment of section 4A of Cap. 491.

"(i) provide capacity building and training to the staff of the Bank, the general public, government institutions and persons from other jurisdictions."

4. Section 13B of the principal Act is amended in subsection (1) by deleting the word "Parliament" and substituting therefor the words "the National Assembly". Amendment of section 13B of Cap. 491.

5. Section 27 of the principal Act is amended by deleting subsection (1) and substituting therefor the following new subsection— Amendment of section 27 of Cap. 491

"(1) The Bank may buy, sell, import, export, transfer, hold, refine, or otherwise deal in gold, gold coins and bullion, silver, platinum, any other precious metals or foreign exchange under such terms and conditions as it shall determine."

Repeal and replacement of section 36 of Cap.491.

6. The principal Act is amended by repealing section 36 and replacing therefor the following new section—

Loans.

36(1) The Bank may, for purposes of implementing monetary policy and maintaining orderly market conditions, grant loans or advances to Banks and microfinance institutions on such terms as may be determined by the Bank from time to time.

(2) The Bank may, where it considers it necessary for the preservation of financial stability, provide emergency liquidity assistance to banks or microfinance institutions that —

(a) meet the Bank's criteria of solvency and viability;

(b) are not subject to liquidation; and

(c) are assessed by the Bank to be systemically important or likely to cause instability of the financial system.

(3) The emergency liquidity assistance granted under subsection (2) shall be discretionary in nature, temporary, and subject to such terms and conditions as may be determined by the Bank.

(4) Any loan or advance granted under subsection (2) shall be for a period of up to twelve months.

(5) The Bank may extend the period specified under subsection (4) for such period or periods and under such terms and conditions as the Bank may specify.

(6) All loans or advances granted under this section shall be secured by a collateral acceptable to the Bank and subject to valuation, margin and risk management requirements determined.

Repeal and replacement of section 46A of Cap.491.

7. The principal Act is amended by deleting section 46A and substituting therefor the following new section—

Loans and advances to Kenya Deposit Insurance Corporation.

Cap. 488.

46A. Subject to section 37(1) of the Banking Act, the Bank may grant loans or advances for fixed periods, not exceeding three years, to the Kenya Deposit Insurance Corporation on the security of Treasury Bills or other Government securities specified by the Bank.

Amendment of section 57 of Cap.491.

8. Section 57 of the principal Act is amended in sub-section (3) by inserting the following new paragraphs immediately after paragraph (i) —

(ia) capacity building and training."

MEMORANDUM OF OBJECTS AND REASONS

Statement of objects and reasons

The principal object of the Bill is to amend the Central Bank of Kenya Act, (Cap. 491) to strengthen the statutory framework governing liquidity support by the Central Bank through clearly distinguishing routine monetary policy operations from emergency liquidity assistance provided during periods of financial distress. The Bill also seeks to provide legal clarity on the scope and limits of the Bank's intervention powers and to establish prudential safeguards, including solvency, viability, and systemic risk requirements, for the provision of emergency liquidity assistance.

The Bill also seeks to promote market discipline, reduce moral hazard, and enhance legal certainty and coordination during periods of financial stress through clear statutory procedures and conditions governing the exercise of the Bank's emergency lending powers.

The Bill finally seeks to amend the Central Bank of Kenya Act (Cap.491) to require the approval by the National Assembly of persons nominated for appointment as Deputy Governors of the Central Bank of Kenya. The amendment seeks to align the approval process for the Deputy Governor with that of the Governor of the Central Bank of Kenya, whose appointment is subject to approval by the National Assembly, and to enhance transparency, accountability, and parliamentary oversight in the appointment of senior officials of the Central Bank of Kenya.

Clause 2 of the Bill proposes to amend section 4(2) of the Act to strengthen and clarify the mandate of the Central Bank in promoting financial system liquidity, solvency, integrity and effective regulation of the banking sector.

Clause 3 of the Bill seeks to empower the Bank to provide training and capacity building to its staff, the public, government institutions and persons from other jurisdictions.

Clause 4 of the Bill seeks to amend section 13B (1) of the Act to replace the word "Parliament" with "the National Assembly" in order to align the provision with the constitutional approval framework.

Clause 5 of the Bill seeks to amend section 27 of the Act to ensure effective implementation of the powers of the Bank to deal in gold, bullion, precious metals and foreign exchange as part of its reserve and market operations functions.

Clause 6 of the Bill seeks to repeal and replace section 36 of the Act to establish a clearer framework for loans, advances and emergency

liquidity assistance by the Bank for monetary policy and financial stability purposes.

Clause 7 of the Bill proposes to amend section 46A of the Act by replacing the term "Deposit Protection Fund Board" with "Kenya Deposit Insurance Corporation" to align the Act with the current institutional framework.The Kenya Deposit Insurance Act established Kenya Deposit Insurance Corporation, thereby replacing the defunct Deposit Protection Fund Board.

Clause 8 of the Bill seeks to amend section 57(3) of the Act to empower the Bank to prescribe capacity building and training through regulations for purposes of implementing the Act.

Statement on the delegation of legislative powers and limitation of fundamental rights and freedoms

The Bill does not contain any provisions limiting any fundamental rights or freedoms.

Statement on how the Bill concerns County Governments

The Bill does not concern County Governments as it does not affect the functions and powers of County Governments as set out in the Fourth Schedule to the Constitution

Statement as to whether the Bill is a money Bill within the meaning of Article 114 of the Constitution

The enactment of this Bill may not occasion additional expenditure of public funds.

Dated the 13th May, 2026.

KURIA KIMANI MP,
Chairperson,
Finance and National Planning Committee.

Section 4 of Cap. 491, which it is proposed to amend—

Principal object of the Bank

4.(1) The principal object of the Bank shall be to formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices.

(2) The Bank shall foster the liquidity, solvency and proper functioning of a stable market-based financial system.

(3) Subject to subsections (1) and (2), the Bank shall support the economic policy of the Government, including its objectives for growth and employment.

(4) The Cabinet Secretary may by notice in writing to the Bank, specify for purposes of this sections—

(a) the price stability targets of the government; and

(b) the economic policy to be taken by the Government.

(5) The Cabinet Secretary shall specify at least in every period of 12 months, the price stability target in consultation with the Bank and economic policies to be taken by the Government; provided that the first such specification shall be made at the beginning of the financial year next following the commencement of this section.

(6) Where the Cabinet Secretary gives notice under this section, the Cabinet Secretary shall—

(a) publish the notice in such a manner as the Cabinet Secretary consider fit; and

(b) lay a copy of the notice before the appropriate committee of the National Assembly.

Section 4A of Cap. 491, which it is proposed to amend—

Other objects of the Bank

4A. (1) Without prejudice to the generality of section 4 the Bank shall—

(a) formulate and implement foreign exchange policy;

(b) hold and manage its foreign exchange reserves;

(c) license and supervise authorised dealers;

(d) formulate and implement such policies as best promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems;

(da) license and supervise non-deposit-taking credit providers not regulated under any other written law;

(db) license and supervise credit guarantee companies not regulated under any other written law;

(dc) license and supervise virtual asset service providers;

(e) act as banker and advisor to, and as fiscal agent of the Government;

(f) issue currency notes and coins; and

(g) license and supervise mortgage refinance companies.

(h) pursuant to sections 2A, 36A, 36B and 36C of the Proceeds of Crime and Anti-Money Laundering Act (Cap. 59A) and section 6 of the Virtual Asset Service Providers Act, regulate and supervise, for anti-money laundering and combating the financing of terrorism and countering proliferation financing purposes, the following institutions—

(i) banks and their agents;

(ii) mortgage finance companies and their agents;

(iii) mortgage refinance companies and their agents;

(iv) microfinance banks and their agents;

(v) money remittance providers and their agents;

(vi) foreign exchange bureaus and their agents;

(vii) non-deposit taking credit providers and their agents;

(viia) virtual asset service providers;

(viii) payment service providers;

(viiia) credit guarantee companies; and

(ix) any other entity licensed by the Central Bank under any written law.

(2) In subsection (1) (d)—

"clearing" means the process of transmitting, reconciling and confirming payments prior to settlement, including the netting of payments and the establishment of net positions for settlement;

"payment system" means a system of instruments, procedures and rules for the transfer of funds among system participants;

"settlement" means an act that discharges financial obligations between two or more parties.

Section 13B of Cap. 491, which it is proposed to amend—

Deputy Governor

13B. (1) There shall be two Deputy Governors who shall be appointed by the President through a transparent and competitive process and with the approval of Parliament.

(2) The Deputy Governors shall hold office for a term of four years, but shall be eligible for re-appointment for one further term of four years.

(3) The Deputy Governors shall perform such functions as the Governor may from time to time assign to them.

(4) The Board shall appoint one of the Deputy Governors to act in the office of Governor whenever—

(a) the position of Governor falls vacant in the period before a substantive appointment is made; or

(b) the Governor is temporarily absent from office.

(5) A Deputy Governor appointed under subsection (4) shall, during the period of appointment, exercise all the powers and perform all the functions conferred on the Governor under this Act under any other law.

Section 27 of Cap. 491, which it is proposed to amend—

Dealings in gold and foreign exchange

27. (1) The Bank may buy, sell, import, export, hold or otherwise deal in gold or foreign exchange under such terms and conditions as it shall determine:

Provided that the buying and selling rates involved in such transactions shall be in accordance with international agreements to which Kenya is a party, or with which Kenya is associated.

(2) The Bank may hold balances, denominated in foreign currencies, with foreign central banks or with the Bank's agents or correspondents abroad and, in its discretion, may invest such balances in marketable foreign securities denominated in convertible currencies.

Section 33K of Cap.491 which is intended to be amended—

Instructions or directions

33K. (1) Subject to section 33G, the Bank may issue such instructions or directions to authorized dealers as it may consider necessary.

(2) Any instructions or direction under this section may—

(a) be either general or special;

(b) be revoked or varied by subsequent instruction or direction;

(c) be given to such persons and in such manner as is in the opinion of the Bank appropriate.

(3) A person who fails to comply with instruction or direction issued by the Bank under this section commits an offence and is liable on conviction to a fine not exceeding five hundred thousand shillings, or to imprisonment for a term not exceeding three years, or to both.

Section 36 of Cap.491 which is intended to be amended—

Loans

36. (1) The Bank may grant loans or advances for fixed periods not exceeding six months to specified banks and specified microfinance banks which pledge treasury bills or other Government securities specified by the Bank.

(2) Except as provided in this section, the Bank shall not extend credit directly, or indirectly to specified banks or specified microfinance banks.

(3) The Bank may determine the general terms and conditions under which it extends credit to specified banks and specified microfinance banks, and in particular, the Bank shall determine and announce the rates of interest or return it shall charge for granting loans or advances to specified banks and specified microfinance banks in accordance with this section, and may determine different rates of interest or return for different classes of transactions or maturities.

(4) The Bank shall publish the lowest rate of interest it charges on loans to banks and microfinance banks, and that rate shall be known as the central bank rate.

Section 46A of Cap.491 which is intended to be amended—

46A. Loans and advances to Deposit Protection Fund Board Subject to section 37 (1) of the Banking Act (Cap. 488), the Bank may grant loans or advances for fixed periods, not exceeding three years, to the Deposit Protection Fund Board on the security of Treasury Bills or other Government securities specified by the Bank.

Section 57 of Cap.491 which is intended to be amended—

Regulations by the Bank

57. (1) The Bank may make regulations, issue guidelines, circulars and directives for the purpose of giving effect to the provisions of this Act

and generally for the better carrying out of the objects of the Bank under this Act.

(2) Without prejudice to the generality of subsection (1), the Bank may, in regulations, prescribe penalties to be paid by authorised dealers who fail or refuse to comply with any guidelines or directions of the Central Bank under this Act, which penalties shall not exceed five hundred thousand shillings in the case of an authorised dealer, or two hundred thousand shillings in the case of a natural person and may prescribe additional penalties, not exceeding ten thousand shillings in each case for each day or part thereof during which such failure or refusal continues.

(3) Without prejudice to the generality of subsection (1), The Bank may make Regulations as are necessary or expedient to give full effect to the provisions of this Act including—

(a) the licensing requirements for non-deposit-taking credit businesses;

(aa) the procedure for the registration of non-deposit-taking credit providers;

(b) permissible and prohibited activities;

(c) anti-money laundering and measures for countering financing terrorism;

(d) credit information sharing;

(e) data protection;

(f) consumer protection;

(g) reporting requirements for non-deposit-taking credit providers;

(h) offences and penalties;

(i) dispute resolution mechanisms; and

(j) such other measures necessary for regulation of non-deposit-taking lending.

(4) Without prejudice to the generality of subsection (3) (h), the Bank may, in regulations, prescribe penalties to be paid by non-deposit-taking credit providers who fail or refuse to comply with the provisions of this Act, the regulations made thereunder, guidelines, Code of Conduct and directives issued by the Bank which penalties shall not exceed two million shillings, or three times the gross amount of the monetary gain made or loss avoided by the failure or refusal to comply, whichever is higher; and may prescribe additional penalties, not exceeding ten thousand shillings in

each case for each day or part thereof during which such failure or refusal continues:

Provided that the Bank shall on a case-by-case basis assess the facts of each case and determine the reasonable penalty to impose, taking into account such factors as may be prescribed or as the Bank may consider necessary.