

THE CENTRAL BANK OF KENYA ACT, 1966

No. 15 of 1966

Date of Assent: 24th March 1966

Date of Commencement: By Notice

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SCHEDULE

An Act of Parliament to establish the Central Bank of Kenya and to provide for the operation thereof; to establish the currency of Kenya and for matters connected therewith and related thereto

ENACTED by the Parliament of Kenya as follows:—

PART I—PRELIMINARY

1. This Act may be cited as the Central Bank of Kenya Act, 1966 and shall come into operation on such day as the Minister may by notice in the Gazette appoint:

Short title and commencement.

Provided that the Minister may, by the same or different notices in the Gazette, appoint different days on which any of the provisions of this Act shall come into operation.

2. In this Act, unless the context otherwise requires—

Interpretation

“the Bank” means the Central Bank of Kenya (or the Banki Kuu ya Kenya) established under section 3 of this Act;

“Board” means the Board of Directors of the Bank appointed under Part IV of this Act;

“convertible” in relation to any exchange means exchange which is freely negotiable and transferable in international exchange markets at exchange rate margins consistent with the Articles of Agreement of the International Monetary Fund;

“Minister” means the Minister for the time being responsible for finance;

“public entity” means the Government, the Organization, the Authority, any local authority, or any public body specified by the Minister, on the recommendation of the Bank, as a public entity for the purposes of this Act;

“shilling” means a Kenya shilling as provided in section 19 of this Act, or a shilling issued by the East African Currency Board for so long as it is legal tender in Kenya in accordance with this Act;

Cap. 488.

“specified bank” means any licensed bank within the meaning of such expression in the Banking Act which is specified by the Bank for the purposes of this Act;

“specified financial institution” means any financial institution specified by the Bank for the purposes of this Act.

PART II—ESTABLISHMENT, CONSTITUTION AND OBJECTS

Establishment
of Bank and
legal status.

3. (1) There is hereby established a bank which shall be known as the Central Bank of Kenya and which shall also be known by the alternative corporate name of the Banki Kuu ya Kenya.

(2) The Bank shall be a body corporate with perpetual succession and a common seal, with power to acquire, own, possess and dispose of property, to contract, and to sue and to be sued in its own name.

(3) The Bank shall exercise any type of central banking function unless specifically excluded under this Act, and shall enjoy all the prerogatives of a central bank.

(4) The Bank may make its own rules of conduct or procedure, not inconsistent with the provisions of this Act, for the good order and proper management of the Bank.

Cap. 486.
Cap. 488.

(5) The Bank shall not be subject to the provisions of the Companies Act or the Banking Act.

Objects of
the Bank.

4. The principal objects of the Bank shall be to regulate the issue of notes and coins, to assist in the development and maintenance of a sound monetary, credit and banking system in Kenya conducive to the orderly and balanced economic development of the country and the external stability of the currency, and to serve as banker and financial adviser to the Government.

Head office
and branches.

5. (1) The Bank shall have its head office in Nairobi:

Provided that during a time of national emergency the Bank may, unless the President otherwise directs, establish its head office temporarily or permanently in any other place within Kenya or elsewhere.

(2) (a) The Bank may establish or close branches in any place within Kenya.

(b) The Bank may, with the prior approval of the Minister, open or close branches outside Kenya.

6. The Bank may, with the prior approval of the Minister, appoint, on such terms as it considers appropriate, or cancel the appointment of, agents, both within and outside Kenya.

Agents.

7. (1) The Bank shall not be liable to any taxation imposed by any law in respect of income or profits.

Exemption from tax.

(2) No duty shall be chargeable under the Stamp Duty Act in respect of any instrument executed by or on behalf of or in favour of the Bank in any case where, but for this exemption, the Bank would be liable to pay such duty.

Cap. 480.

(3) The Minister may, whether for the purpose of removing any doubt as to the extent of the foregoing provisions of this section or for the purpose of extending the immunities of the Bank, by order published in the Gazette specify any tax, duty, fee, rate, levy, cess or other impost as one to which the Bank shall not be liable, and the law relating thereto shall have effect accordingly.

(4) This section shall have effect notwithstanding anything contained in any Act of the East African Common Services Organization.

PART III—CAPITAL AND RESERVES

8. (1) The authorized capital of the Bank shall be twenty-six million shillings which shall be paid up as a charge on and issued out of the Consolidated Fund as the Minister shall, at the request of the Bank, from time to time direct.

Authorized capital of the Bank.

(2) The ownership of the entire paid up capital of the Bank shall be vested in the Permanent Secretary to the Treasury.

9. (1) The Bank shall establish and maintain a fund designated as the General Reserve Fund to which shall be transferred at the end of each financial year, if the sums standing to the credit of the General Reserve Fund at the end of that year are less than the authorized capital of the Bank, one quarter of the net annual profits of the Bank

General Reserve Fund.

after allowing for the expenses of operation and after provision has been made for bad and doubtful debts, depreciation in assets, contributions to staff benefit funds, and such other contingencies and accounting provisions as the Bank deems appropriate.

(2) Subject to subsection (1) of this section the net annual profits of the Bank, calculated in accordance with that subsection, shall be paid into the Consolidated Fund.

(3) The amount of any net losses of the Bank in any financial year which is in excess of the sums standing to the credit of the general reserve fund of the Bank shall be charged upon and paid out of the Consolidated Fund without further appropriation than this Act.

PART IV—MANAGEMENT

Board of
Directors.

10. There shall be a Board of Directors of the Bank, constituted as provided in section 11 of this Act, which shall, subject to the provisions of this Act, be responsible for determining the policy of the Bank.

Constitution
of the Board.

11. (1) The Board shall consist of—

(a) a Governor;

(b) a Deputy Governor;

(c) the Permanent Secretary to the Treasury, or, in his absence an official of the Treasury nominated by the Minister (hereinafter referred to as the representative of the Treasury); and

(d) four Directors.

(2) The Governor and the Deputy Governor shall be the Chairman and Deputy Chairman of the Board respectively, and shall be appointed by the President for terms of four years each and shall be eligible for reappointment:

Provided that in the case of a person who is not a citizen of Kenya any such appointment shall be at the pleasure of the President.

(3) The Directors shall be appointed by the President for terms of four years and shall be eligible for reappointment:

Provided that with regard to the four Directors first appointed, the appointments shall be for one, two, three and four years, respectively; and

Provided further that if a Director's appointment on the Board is terminated before his term of office has expired the President shall appoint a new Director to serve for the remainder of that term of office.

(4) Where the Governor, the Deputy Governor or a Director is unable to perform the functions of his office due to any temporary incapacity which is likely to be prolonged, the President may appoint a substitute for that member of the Board to act with the full powers of that member until such time as the President determines that the incapacity of that member has ceased.

12. (1) The Governor, as Chairman of the Board, shall convene meetings of the Board not less than once in every two months, or whenever the business of the Bank so requires, or whenever he is so requested by at least two Directors, or by the representative of the Treasury.

Meetings of
the Board.

(2) A quorum for any meeting of the Board shall be the Governor or the Deputy Governor, the representative of the Treasury and two Directors.

(3) Decisions of the Board shall be adopted by a majority of the votes of those present at that meeting, and in case of an equality of votes the Chairman or Deputy Chairman presiding at the meeting shall have a second or casting vote.

(4) The validity of any proceedings of the Board shall not be affected by any vacancy in the membership of the Board, or by any defect in the appointment or disqualification of any member which is discovered subsequent to those proceedings.

(5) Where the Governor and the representative of the Treasury consider that, because of exceptional circumstances, a decision is necessary before a full meeting of the Board can be convened, then that decision may be taken by the Governor with the concurrence of the representative of the Treasury and such decision shall be valid and binding on the Bank. The Governor shall immediately convene a meeting of the Board and report any such decision to it.

(6) The Governor and the representative of the Treasury shall each have the right to suspend a vote by the Board and refer the matter to the Minister for a decision, and the

decision of the Minister as to whether the vote shall stand or shall not stand shall be binding on the Board.

Governor.

13. (1) The Governor shall be the chief executive officer of the Bank and, subject to the general policy decisions of the Board, shall be responsible for the management of the Bank including the organization, appointment and dismissal of the staff in accordance with the general terms and conditions of service established by the Board. The Governor shall have authority to incur expenditure for the Bank within the administrative budget approved by the Board.

(2) The Governor shall be the principal representative of the Bank and shall, in that capacity, have authority—

- (a) to represent the Bank in its relations with other public entities, persons or bodies;
- (b) to represent the Bank, either personally or through counsel, in any legal proceedings to which the Bank is a party;
- (c) to sign individually or jointly with other persons contracts concluded by the Bank, notes and securities issued by the Bank, reports, balance sheets, and other financial statements, correspondence and other documents of the Bank.

(3) The Deputy Governor shall act for the Governor, and shall exercise all the powers and shall perform all of the functions conferred on the Governor under this Act whenever the Governor is temporarily absent, and shall perform such other functions as the Governor may from time to time assign to him.

(4) The Governor may delegate any of his powers provided for in this section to other officers of the Bank.

General dis-
qualifications
for all Board
members

14. (1) No person shall be appointed as Governor, Deputy Governor, or a Director who is—

- (a) a member of the National Assembly;
- (b) a salaried employee of any public entity (except on a secondment basis);
- (c) a director, officer, employee, partner in or shareholder of any specified bank or specified financial institution:

Provided that paragraph (b) above shall not be applicable to the representative of the Treasury; and

Provided further that the President may in exceptional cases waive any of the above provisions with respect to any Director (other than the Governor or Deputy Governor) if such waiver is in the interests of the Bank and likely to promote the objects of the Bank under section 4 of this Act.

(2) The President shall terminate the appointment of a Governor, Deputy Governor, or a Director who—

- (a) becomes subject to any of the disqualifications described in subsection (1) of this section;
- (b) is adjudged bankrupt or enters into a composition or scheme of arrangement with his creditors;
- (c) is convicted of an offence involving dishonesty or fraud or moral turpitude; or
- (d) becomes for any reason incapable of properly performing the functions of his office.

(3) The President shall terminate the appointment of any Director who absents himself from three consecutive meetings of the Board without leave of the Board.

15. (1) The Governor and the Deputy Governor shall owe their allegiance entirely to the Bank and shall not engage in any paid employment or business or professional activity outside the duties of their respective offices:

Special dis-
qualifications
for Governor
and Deputy
Governor.

Provided that nothing in this subsection shall prevent the Governor or Deputy Governor from accepting or holding any academic office or position in an institution of higher learning or any advisory position or membership in any committee or commission with public responsibility, or from serving in any international financial institution of which Kenya is a member or with which Kenya is associated, or any specialized financial institution established by the Government.

(2) If the Governor or the Deputy Governor engages in any paid employment or business or professional activity outside the duties of his office contrary to the provisions of subsection (1) of this section, the President shall terminate his appointment.

(3) The President may specifically exempt any transactions or activities from the restrictions of this section.

Remuneration.

16. (1) The Governor, the Deputy Governor, and any substitute appointed under section 11 (4) of this Act shall be paid by the Bank such salaries and allowances as may be determined from time to time by the President, but such salaries and allowances shall not be altered to the detriment of any person during his term of office.

(2) The Directors and any substitute appointed under section 11 (4) of this Act shall be paid by the Bank such allowances as may from time to time be determined by the President.

Preservation
of secrecy.

17. (1) Except for the purpose of the performance of his duties or the exercise of his powers, the Governor, the Deputy Governor, any Director, any other officer, or other employee of the Bank, shall not disclose any information which he has acquired in the performance of his duties or the exercise of his powers.

(2) Any person who contravenes the provisions of subsection (1) of this section shall be guilty of an offence and shall be liable to a fine not exceeding two thousand shillings or to imprisonment for a term not exceeding one year, or to both such fine and imprisonment, in addition to any disciplinary action which may be taken by the Board.

Declaration
of interest.

18. The Governor, the Deputy Governor, and any Director shall declare his interest in any specific proposal being considered or to be considered by the Board.

PART V—CURRENCY

Currency of
Kenya.

19. (1) The unit of currency of Kenya shall be the Kenya shilling which shall be divided into one hundred cents.

(2) Twenty shillings shall equal one Kenya pound.

Par value.

20. The par value of the Kenya shilling in terms of gold shall be determined by the President, acting on the advice of the Bank and in accordance with any international agreement in that behalf to which Kenya is a party or with which it is associated, and shall be notified by notice in the Gazette.

21. All monetary obligations or transactions entered into or made in Kenya shall be deemed to be expressed and recorded, and shall be settled, in Kenya currency unless otherwise provided for by law or agreed upon between the parties.

Use of Kenya shilling.

22. (1) The Bank shall have the sole right to issue notes and coins in Kenya and, subject to the provisions of subsection (4) of this section, only such notes and coins shall be legal tender in Kenya:

Issue of notes and coins, legal tender, and withdrawal.

Provided that coins of a denomination of fifty cents shall be legal tender only for payments up to twenty shillings, and coins of a denomination of less than fifty cents shall be legal tender only for payments up to five shillings.

(2) The denominations, inscriptions, form, material and other characteristics of the notes and coins issued by the Bank shall be determined by the Minister, acting on the recommendations of the Bank, and shall be notified in the Gazette and in other media of public information likely to bring them to the attention of the public.

(3) The Bank shall have power to withdraw any notes or coins issued by the Bank, and the procedure for and effect of any such withdrawal shall be as follows—

(a) notice published in the Gazette, and in such other manner as the Bank considers likely to bring that notice to the attention of the public, shall specify the issues, and the denominations forming part of such issues, of notes or coins that are to be withdrawn, the places where those notes or coins may be taken for exchange, and the date on which those notes or coins shall cease to be legal tender;

(b) the notice given under the foregoing paragraph may provide that, after such period as may be specified in the notice, the notes or coins to which the notice applies shall only be exchanged at the head office of the Bank;

(c) the notes or coins specified in a notice given under paragraph (a) of this subsection shall be exchanged at their face value for legal tender at the places and for the periods (which shall be of reasonable duration) specified in relation to those places in the notice, and shall cease to be legal tender on the date specified in the notice;

(d) the Bank may, by notice published in the same manner as notice given under paragraph (a) of this subsection, specify a period during which notes or coins which have ceased to be legal tender may nevertheless be exchanged at the head office of the bank, and after which such notes or coins shall no longer be exchanged.

(4) Notwithstanding the provisions of subsection (1) of this section, the notes and coins of any issue or denomination issued by the East African Currency Board shall continue to be legal tender in Kenya for such time as the Minister may, on the recommendation of the Bank, determine.

Exchange of
East African
Currency Board
notes and coins.

23. For so long as the East African Currency Board notes and coins continue to be legal tender in Kenya under section 22 (4) of this Act such notes and coins shall be exchanged at par for Kenya currency notes and coins at all offices of the Bank, and thereafter the Bank shall continue to exchange East African Currency Board notes and coins at par for such further periods as the Bank shall, with the approval of the Minister, determine and publish in the Gazette and other media of public information.

Exchange of
mutilated notes
and coins.

24. The Bank shall not be obliged to exchange any note or coin which is mutilated, defaced, soiled or otherwise defective, and the conditions subject to which the Bank may as a matter of grace exchange any such note or coin shall be within the absolute discretion of the Bank.

Bills of
exchange,
promissory
notes, etc.

25. (1) The Minister may, if the Bank so recommends, by regulations published in the Gazette prohibit the issue by any person other than the Bank of any bill of exchange, promissory note or similar instrument for the payment of money to the bearer on demand, and any such regulations may make different provision for different cases or classes of case, and may impose penalties for any offence under the regulations of a fine not exceeding ten thousand shillings or of a term of imprisonment not exceeding two years, or of both such fine and imprisonment.

(2) Subject to any regulations made under this section the issue of any such bill, note or instrument as is referred to in the foregoing subsection shall not be deemed to contravene the sole right of the Bank to issue notes in Kenya.

PART VI—EXTERNAL RELATIONS

26. (1) The Bank shall at all times use its best endeavours to maintain a reserve of external assets at an aggregate amount of not less than the value of four months imports as recorded and averaged for the last three preceding years, Subject to subsection (3) of this section such reserve shall consist of any or all of the following—

Reserve of
external assets.

(a) gold;

(b) convertible foreign exchange in the form of—

(i) demand or time deposits with foreign central banks or with the Bank's agents or correspondents outside Kenya;

(ii) documents and instruments customarily used for the making of payments or transfers in international transactions;

(iii) notes or coins;

(c) convertible and marketable securities of, or guaranteed by, foreign governments or international financial institutions.

(2) The Bank shall from time to time determine the type and form of convertible foreign exchange and the kinds of securities which may be held in the reserve of external assets pursuant to subsection (1) of this section.

(3) The Bank may include in its reserve of external assets any liquid external asset not included in subsection (1) of this section, or any readily available international drawing facility, which the Bank, after consultation with the International Monetary Fund and with the approval of the Minister, considers suitable for inclusion in such reserve.

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:

Dealings in
gold and foreign
exchange.

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 of correspondents abroad and, in its discretion,

may invest such balances in marketable short-term foreign securities denominated in convertible currencies.

Institutions with which Bank may deal in foreign exchange.

28. The Bank may engage in foreign exchange transactions only with—

- (a) specified banks;
- (b) public entities;
- (c) foreign central banks, foreign banks, or foreign financial institutions;
- (d) foreign governments or agencies of foreign governments;
- (e) international financial institutions;
- (f) any other person or body of persons whom the Minister, on the recommendation of the Bank, may, by notice in the Gazette, prescribe for the purposes of this section.

Relations with foreign central banks, foreign banks and foreign financial institutions.

29. The Bank may open accounts for and accept deposits from, collect money and other monetary claims for and on account of, foreign central banks, foreign banks and foreign financial institutions, and may generally act as banker to such banks or institutions.

Exchange control.

30. The Bank shall administer any law relating to exchange control that may be in force at any time in Kenya.

Payments agreements.

31. The Bank shall administer any payments agreement entered into by Kenya, and the Bank shall be consulted by the Government in negotiating any payments agreement.

Fiscal agent for Government's transactions with international financial institutions.

32. The Bank shall be the fiscal agent for all of the Government's transactions with international financial institutions of which Kenya is a member or with which Kenya is associated.

Depository.

33. The Bank shall act as depository for Kenya currency holdings owned by international financial institutions of which Kenya is a member or with which Kenya is associated.

PART VII—RELATIONS WITH SPECIFIED BANKS

Banker to specified banks.

34. (1) The Bank shall open accounts for and accept deposits from, collect money and other monetary claims for and on account of, specified banks, and generally act as banker to specified banks.

(2) The Bank may provide any additional services or facilities that it considers desirable including inter-bank clearings to specified banks operating in Kenya.

35. The Bank may purchase from, sell to and rediscount on behalf of specified banks, bills of exchange, promissory notes and other credit instruments, bearing at least two good signatures, the last being the endorsement of a specified bank, maturing within one hundred and eighty days from the date of rediscount or acquisition by the Bank, and issued or made for the purpose of financing—

Rediscounts.

- (a) the importation or exportation of goods, or the transportation of goods within Kenya;
- (b) the storage of nonperishable goods and products which are duly insured or deposited under conditions assuring their preservation in authorized warehouses or in other places approved by the Bank;
- (c) industrial or agricultural production:

Provided that, if the Bank finds it to be in the interest of the national economy, the Bank may from time to time declare acceptable for the purposes of this paragraph instruments relating to industrial or agricultural production maturing within two hundred and seventy days; and

Provided further that the Bank may require the credit instruments accepted by it under the provisions of this paragraph to be secured by a pledge, hypothecation or assignment of the related products or crops.

36. The Bank may grant loans or advances for fixed periods not exceeding six months to specified banks which pledge the following as security for such loans or advances—

Loans.

- (a) the credit instruments referred to in section 35 of this Act; or
- (b) negotiable securities issued or guaranteed by the Government, subject to the specifications and limitations provided for in sections 47, 48 and 49 of this Act.

37. Subject to the provisions of sections 35 and 36 of this Act, the Bank may determine the general terms and conditions under which it extends credit to specified banks, and in particular, the Bank shall determine and announce

Conditions
for credit
transactions.

the rates of interest it will charge for rediscounting instruments, in accordance with section 35 of this Act, and granting loans or advances to specified banks in accordance with section 36 of this Act. The Bank may determine different rates for different classes of transactions or maturities.

Reserve
requirements.

38. (1) The Bank may, from time to time, require specified banks to maintain minimum cash balances on deposit with the Bank as reserves against their deposit and other liabilities:

Provided that such balances shall not exceed twenty per cent of each specified bank's total liabilities.

(2) Subject to the limit specified in subsection (1) of this section, the Bank may specify different ratios for different types of liabilities and may further specify the method of computing the amount of the total liabilities of a specified bank:

Provided that the ratios specified shall be the same for all specified banks.

(3) Any specification of, or increase in, the minimum reserve requirements under subsection (1) or subsection (2) of this section shall take effect only after the expiration of thirty days' notice to the specified banks of the Bank's intention to take such action.

(4) The Bank may impose on any specified bank which fails to maintain sufficient minimum cash balances required under subsection (1) or subsection (2) of this section a penalty interest charge not exceeding one-tenth of one per cent per day on the amount of the deficiency for each day for which the deficiency continues.

(5) The Bank may, if in its opinion circumstances of an unusual nature render it desirable so to do, pay interest at such rates and subject to such qualifications as it may determine on minimum cash balances deposited with the Bank in accordance with this section.

Regulation of
interest rates of
specified banks
or specified
financial
institutions.

39. The Bank may, from time to time, determine and publish the maximum rates of interest which specified banks or specified financial institutions may pay on deposits:

Provided that the Bank may determine different rates of interest—

- (i) for different types of deposits; and
- (ii) for different types of specified financial institutions.

40. (1) The Bank may issue instructions specifying in respect of any loans, advances or investments made by specified banks—

Credit controls over specified banks.

- (a) the purposes for which they may or may not be granted;
- (b) the maximum maturities or, in the case of loans and advances, the type and minimum amount of security which shall be required, and in the case of letters of credit, the minimum amount of margin deposit; or
- (c) the limits for any particular categories of loans, advances or investments or for their total amount outstanding.

(2) Instructions issued under this section shall not have retrospective effect, shall apply uniformly to all specified banks engaging in the credit transactions covered by the instructions, and shall, together with their effective dates, be published in the Gazette.

41. (1) The Bank may issue instructions designed to control the volume, terms and conditions of credit, including instalment facilities, in the form of loans, advances or investments, extended by specified financial institutions.

Credit controls over specified financial institutions.

(2) Instructions issued under this section shall not have retrospective effect, shall apply uniformly to all specified financial institutions engaged in any credit transactions covered by the instructions and shall, together with their effective dates, be published in the Gazette.

42. Whenever under any law relating to banking for the time being in force, an application for a licence to transact banking business is to be granted or refused, the power to issue licences or to exempt from the necessity to obtain a licence shall only be exercised with the concurrence of the Bank.

Bank to be consulted in licensing, etc., of banking businesses.

43. (1) Every specified bank and specified financial institution shall furnish to the Bank, at such time and in such manner as the Bank may prescribe, all such information and data as the Bank may reasonably require for the proper discharge of its functions under this Act.

Information to be furnished by specified banks, etc.

(2) The Bank may publish in whole or in part, at such times and in such manner as it may decide, any information or data furnished under this section :

Provided that no such information shall be published which would disclose the financial affairs of any person or undertaking unless the prior consent in writing of such person or undertaking has first been obtained by the Bank.

PART VIII—RELATIONS WITH PUBLIC ENTITIES

Fiscal agent
and banker to
public entities.

44. (1) The Bank shall act as fiscal agent of and banker to the Government.

(2) The Bank may also perform the functions of fiscal agent and banker for any other public entity in accordance with, and within the scope determined by, any special arrangements made between the Bank and the public entity concerned.

Functions
as fiscal
agent.

45. The Bank in its capacity as fiscal agent and banker to any public entity shall, subject to the instructions of that public entity, have power—

(a) to be the official depository of the public entity concerned and accept deposits and effect payments for the account of that public entity :

Provided that the Bank may, after consultation with the Minister, select any specified bank to act in its name and for its account as the official depository of that public entity in places where the Bank has no office or branch;

(b) to maintain and operate special official accounts in accordance with arrangements made between the Bank and the public entity concerned;

(c) as an agent of the Government, to administer the public debt including the issuance of, payment of interest on, and redemption of, bonds and other securities of the Government;

(d) to pay, remit, collect or accept for deposit or custody funds in Kenya or abroad;

(e) to purchase, sell, transfer or accept for custody cheques, bills of exchange and securities;

- (f) to collect the proceeds, whether principal or interest, resulting from the sale for, or accruing to the interest of, a public entity of securities or other property;
- (g) to purchase, sell, transfer or accept for custody gold or foreign exchange.

46. (1) The Bank may make direct advances to the Government.

Direct
advances to the
Government.

(2) Advances made under this section shall bear interest at such rate as may be determined by the Bank with the consent of the Minister, but in no event shall such rate be less than three per cent per annum.

47. The Bank may purchase, hold or sell negotiable securities of any maturity issued by the Government, or issued by any other public entity and guaranteed by the Government.

Credit
operations with
Government
securities.

48. The aggregate of—

- (a) the Bank's direct advances to the Government under the authority of section 46 of this Act;
- (b) the value of securities owned by the Bank in accordance with section 47 of this Act; and
- (c) the value of securities held by the Bank as security in accordance with section 36 (b) of this Act,

Limit on
lending to the
Government.

shall not at any one time exceed two hundred and forty million shillings:

Provided that of this amount the value of securities which mature later than twelve months from the date of acquisition or acceptance as security by the Bank shall not at any one time exceed sixty million shillings.

49. Except as provided in accordance with sections 36 (b), 46, 47 and 48 of this Act the Bank shall not extend any credit directly or indirectly to any public entity.

Prohibition of
other credit
to public
entities.

50. (1) It shall be the duty of the Bank to advise the Minister on any matter which in its opinion is likely to affect the achievement of the principal objects of the Bank as specified in section 4 of this Act.

Adviser to the
Government.

(2) The Bank may tender advice to the Minister on any matter in which the Bank is concerned.

(3) The Minister may request the Bank to give its advice on any particular measures, situations or transactions, or on monetary, banking and credit conditions in or outside Kenya, and the Bank shall give its advice accordingly.

PART IX—MISCELLANEOUS PROVISIONS

Revaluation
profits.

51. (1) Profits or losses which are attributable to any revaluation of the Bank's net assets or liabilities in gold, foreign exchange or foreign securities made as a result of any change in the par value of any currency unit shall be excluded from the computation of the annual profits and losses of the Bank.

(2) All profits or losses so excluded shall be transferred to a special account to be called the Revaluation Account.

Prohibited
operations.

52. The Bank shall not—

- (a) save as expressly authorized by this Act, engage in trade, or own or acquire any direct interest in any commercial, agricultural, industrial or similar undertaking, except in the course of obtaining satisfaction for any debt due to the Bank, provided that any such interest shall be disposed of at the earliest suitable opportunity;
- (b) purchase, acquire or lease immovable property for commercial purposes or as an investment except for its own business requirements or for the use of its employees;
- (c) draw or accept bills payable otherwise than on demand; or
- (d) guarantee any loan, advance or investment.

Financial
year.

53. The financial year of the Bank shall be the same as the Government's financial year and the accounts of the Bank shall be closed at the end of each financial year.

Annual
reports.

54. Within three months after the close of each financial year the Bank shall submit to the Minister a report on the Bank's operations throughout that year, together with the balance sheet and the profit and loss account as certified by auditors appointed by the Bank and approved by the Minister.

Publication of
reports, etc.

55. (1) After submission to the Minister the Bank shall publish the annual report referred to in section 54 of this Act.

(2) The Bank may also issue such other publications as it considers to be in the public interest.

56. The Minister may, in addition to the audit carried out under section 54 of this Act, if he thinks fit, require the Controller and Auditor-General to audit the accounts of the Bank.

Audit by
Controller and
Auditor-General.

57. The written laws specified in the first column of the Schedule to this Act are hereby amended, in relation to the provisions specified in the second column, in the manner respectively specified in the third column of the said Schedule.

Amendment
of laws.

PART X—TRANSITIONAL PROVISIONS

58. (1) The Currency Notes Act, and the Kenya and Uganda (Currency) Order, 1921, in so far as they apply to Kenya, are hereby repealed.

Repeal.
Cap. 417, o.i.c.
Group 17.

(2) The East African Currency Board Regulations, 1955, in so far as they apply to Kenya, may be repealed by the Minister, by notice in the Gazette, in whole or in part, as and when he considers necessary.

59. Kenya's share of the assets of the East African Currency Board shall be transferred to the Bank as and when those assets become available and the Bank shall have the sole right to receive those assets.

Taking over
assets of
East African
Currency
Board.

60. Any Kenya securities or their equivalent on conversion received by the Bank as part of Kenya's share of the assets of the East African Currency Board shall not be deemed to be credits to the Government for the purposes of computing the limits on credit specified in section 48 of this Act.

Exclusion of
fiduciary issue
from the limits
on Government
credit.

61. Upon the coming into operation of this Act, any act done and preliminary expenses incurred by the Government in connexion with the formation of the Bank, including the printing of notes and minting of coins to be issued by the Bank, shall, as the Minister may direct, have the same effect and validity as if such acts had been validly done and such expenses validly incurred by the Bank; and the Bank may continue any act so commenced but remaining unfinished at the date of the coming into force of this Act as if such act had been initiated by the Bank.

Preliminary
acts and
expenses.

SCHEDULE

(s. 57)

<i>Written Law</i>	<i>Provision</i>	<i>Amendment</i>
The Interpretation and General Provisions Act (Cap. 2).	s. 3	<p>Insert in its proper alphabetical sequence the following definition—</p> <p>“shilling” (or its abbreviated form “Sh.”) means the Kenya shilling (or its abbreviated form “K.Sh.”), or a shilling issued by the East African Currency Board for so long as it remains legal tender in Kenya in accordance with the provisions of the Central Bank of Kenya Act, 1966.</p>
The Penal Code (Cap. 63).	s. 364	<p>Substitute for the definition of “coin” the following new definition—</p> <p>“coin” includes any coin which is legal tender in Kenya in accordance with the provisions of the Central Bank of Kenya Act, 1966, and any coin of a foreign Sovereign or State.</p> <p>Insert immediately after section 367 the following new section—</p> <p>Mutilating currency notes. 367A. Any person who wilfully defaces, tears, cuts or otherwise mutilates any currency note shall be guilty of an offence and shall be liable to imprisonment for a period not exceeding three months or to a fine not exceeding two thousand shillings, or to both such imprisonment and fine.</p>