

**THE CENTRAL BANK OF KENYA (AMENDMENT)
ACT, 2000**

No. 4 of 2001

Date of Assent: 6th August, 2001

Date of Commencement: 1st January, 2001

**An Act of Parliament to amend the Central Bank of
Kenya Act**

ENACTED by the Parliament of Kenya as follows :-

1. This Act may be cited as the Central Bank of Kenya (Amendment) Act, 2000 and shall be deemed to have come into operation on the 1st January, 2001.

Short title
and
commencement.

2. The Central Bank of Kenya Act is amended by inserting the following new section immediately after section 38 -

Insertion of
Section 39 in
Cap.491.

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

39.(1) The maximum rate of interest which specified banks or specified financial institutions may charge on loans or advances shall be the 91-day Treasury Bill rate published by the Bank on the last Friday of each month, or the latest published 91-day Treasury Bill rate, plus four per-centum:

Provided that the maximum interest chargeable under this subsection shall not exceed the principal sum loaned or advanced and provided further that this subsection shall only apply to contracts for loans or advances made or renewed after the commencement of this section.

(2) The minimum rate of interest which specified banks or specified financial institutions may pay on deposits held in interest-earning accounts shall be seventy

per-centum of the 91-day Treasury Bill rate published by the Bank on the last Friday of each month, or of the latest published 91-day Treasury Bill rate:

Provided that this subsection shall only apply to contracts, in respect of deposits, made or renewed after the commencement of this section.

(3) Notwithstanding any other provision of this Act to the contrary –

- (a) no loan or advance made by a specified bank or specified financial institution to a company shall be guaranteed by a director of such company; and
- (b) except for legal fees, valuation fees and any other statutory charges on securities, no charge other than the interest chargeable under subsection (1) shall be levied on any loan or advance:

Provided that this subsection shall only apply to contracts for loans or advances made or renewed after the commencement of this section.

(4) A specified bank or specified financial institution which contravenes any of the provisions of this section shall be guilty of an offence under the Banking Act and liable to such penalty as the Minister

may prescribe under section 55 of that Act.

(5) In this section, the expression "Treasury Bill" has the meaning assigned to it in section 2 of the Internal Loans Act.

Cap.420

3. The Central Bank of Kenya Act is amended by inserting the following new section –

Insertion of section 39A in Cap. 491.

Monetary Policy Committee.

39A(1) The Minister shall, immediately upon the commencement of this section, establish a Committee to be known as the Monetary Policy Advisory Committee (hereinafter referred to as "the Committee").

(2) The membership of the Committee shall comprise –

- (a) the Governor of the Central Bank, who shall be the Chairman;
- (b) the Deputy-Governor of the Central Bank;
- (c) the Director of Financial Markets of the Central Bank;
- (d) the Chief Economist of the Central Bank;
- (e) the Economic Secretary and the Financial Secretary, Ministry of Finance and Planning who shall be *ex-officio* members; and

- (f) five other members, of whom at least two shall be women, being persons with knowledge or expertise in matters relating to monetary policy, appointed by the Minister.

(3) The members of the Committee appointed under subsection (1) shall hold office for a term of three years from the date of appointment, but shall be eligible for reappointment.

(4) The functions of the Committee shall be –

- (a) to advise the Bank on the formulation and implementation of monetary policy, including the levels of the Treasury Bill rates referred to in section 39;
- (b) to perform such other functions as may be prescribed by the Minister.

(5) The Committee shall, once every six months, submit a report of its operations to the National Assembly through the Minister.

(6) The conduct and regulation of the affairs of the Committee shall be as prescribed by the Minister but subject thereto, the Committee shall regulate its own proceedings.