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KENYA



CENTRAL  
BANK OF  
KENYA

13<sup>th</sup> October, 2011

Haile Selassie Avenue  
P. O. Box 60000 - 00200 Nairobi, Kenya  
Telephone: 2860000, Fax: 340192

Mr. Richard Etemesi  
Chief Executive Officer  
Standard Chartered Bank (K) Ltd  
PO Box 30003 - 00100  
NAIROBI



Dear Mr. Etemesi,

### FURTHER GUIDELINES TO THE FOREIGN EXCHANGE MARKET

In view of international events and the consequential characteristics of the domestic foreign exchange market, the Central Bank of Kenya has seen the need to introduce extensions to its existing Guidelines on Foreign Exchange.

The Central Bank therefore issues the following extensions to the Guidelines:

1. "Reverse carry" transactions which have recently been introduced into the market will be limited to a minimum tenor of one year. This therefore means that:
  - a) Kenya Shilling loans and overdrafts of less than one year tenor cannot be provided to non-resident financial institutions.
  - b) Kenya Shillings cannot be placed in the form of deposits in non-resident financial institutions for a period of less than one year. Any options embedded in such deposits must have a maturity in excess of one year.
  - c) Any investment into the assets of a non-resident financial institution must exceed one year.
2. Foreign currency swaps involving Kenya shillings will be limited to a minimum tenor of seven days.
3. The current Prudential Guidelines require commercial banks not to exceed a foreign exchange exposure of 20 percent of core capital; this is now reduced to a 10 percent limit. Commercial banks have one week from the date of this letter to adjust to the new limit and this is subject to future reviews.

These Guidelines take effect immediately except for number 3 above.

A handwritten signature in black ink, appearing to read 'G. Nyoma'.

**GERALD NYOMA**  
**DIRECTOR, FINANCIAL MARKETS DEPARTMENT**

CC. Executive Director, Kenya Bankers Association