



## **Banking Industry Commitment to Pass on Benefits to Existing Customers**

Over the past weeks, amendments to the Banking Act have been widely debated by politicians, banking experts, the public, consumer groups and in the media.

The voice of Kenyans has come out strongly that banks need to better serve their customers and pass on the benefit of enhanced efficiencies to borrowers and depositors. We appreciate this sentiment and are committed to win back the trust of the banking public by meeting their expectations.

Since His Excellency President Uhuru Kenyatta signed the Bill to control interest rates, we immediately initiated processes to pass on the lower rates to borrowers. As we await the gazettment of the legislation and operationalisation by the Central Bank of Kenya (CBK), we agree that all new loans will be at no more than four percent over the base rate set and published by CBK. Moreover, member banks will review their operations so as to adjust to the new minimum rate requirements for interest earning accounts.

The public and the Government have made it clear that they expect banks to as soon as possible provide people and businesses with access to lower cost finance and more competitive deposit rates.

While the industry awaits Central Bank of Kenya regulations that include direction on the determination of the base rate that the industry will use, the KBA members believe that the spirit of the law was and should be to pass these benefits to existing bank customers. Consequently, the KBA wishes to announce that its members have agreed to prospectively reprice existing loans, which will see existing customers enjoy the benefits of the new law once it is operationalised. Each KBA member bank will therefore notify their customers on the process and new terms as the industry engages with CBK on the implementation.

We have listened carefully to all the opinions expressed by the different stakeholders in the debate leading to the assenting of this law, and we are committed to implement both the spirit of the law and the substance thereof, as well as meet all the commitments outlined in our 10th August 2016 Memorandum of Understanding presented to the Central Bank of Kenya.

In complying with the law, we will work to minimise any unintended negative consequences on the broader economy, such as a reversal of the positive strides made towards financial inclusion through certain groups of people and SMEs being excluded from access to banking services.

Our member banks will also work to enhance their lending practices and customer service standards to ensure that customers are better served and informed about their financial options.