Kenya Strengthens Its Financial Safety Net through the Central Bank of Kenya (Amendment) Act, 2026

24 July 2026

On 6th July 2026, H.E Dr President William Samoei Ruto signed the ***Central Bank of Kenya (Amendment) Act, 2026*** into law. The Act introduces important reforms to the mandate, governance and operations of the Central Bank of Kenya (*"CBK"*). Its most significant feature is a new statutory framework governing how the CBK may provide emergency financial support to banks and specified microfinance institutions facing liquidity difficulties.

The Act also expands the CBK's financial-stability mandate, strengthens parliamentary oversight over the appointment of Deputy Governors, broadens its authority to deal in gold and other precious metals, modernises references to Kenya's deposit insurer, and establishes an express mandate for training and capacity building. For regulated institutions such as Banks and Microfinance Institutions, investors and businesses operating in the financial and precious-metals sectors, the amendments introduce both new opportunities and new compliance considerations.

The Amendment at a glance

The Act: *Central Bank of Kenya (Amendment) Act, 2026 (amends Cap. 491)*

Assented: 6th July 2026

Sponsor: Hon. Kuria Kimani, Chairperson, Departmental Committee on Finance and National Planning

THE CHANGES AT A GLANCE

- **Expressly expands** the responsibility of the CBK for the stability and resilience of Kenya's financial system.
- **Separates** ordinary monetary-policy lending from Emergency Liquidity Assistance.
- **Establishes strict eligibility conditions** for institutions seeking emergency support.

- **Requires emergency lending** to be secured by acceptable collateral and subjected to valuation and risk-management controls.
- **Expands the CBK's authority** to deal in gold and other precious metals.
- **Subjects the appointment** of Deputy Governors to approval by the National Assembly.
- **Gives the CBK an express statutory mandate** to provide training and capacity building.
- **Updates the law** to recognise the Kenya Deposit Insurance Corporation as Kenya's deposit insurer.

1. A BROADER MANDATE FOR FINANCIAL STABILITY

The amended **section 4 of the *Central Bank of Kenya Act*** now expressly recognises the CBK's responsibility to foster the stability, resilience, liquidity, solvency, integrity and proper functioning of Kenya's market-based financial system. It also emphasises the soundness, safety and effective regulation of the banking system.

This matters because it gives a clearer statutory foundation to the CBK's role in preventing and responding to risks that may affect the financial system as a whole. Financial stability is no longer merely an objective inferred from the Bank's regulatory functions; it is now expressly placed at the centre of its statutory mandate. For regulated institutions, this may translate into closer scrutiny of liquidity management, capital adequacy, governance arrangements, risk concentration and the possible knock-on effects of institutional failure.

2. LIQUIDITY SUPPORT vs EMERGENCY ASSISTANCE

The Act replaces ***section 36 of the principal Act*** and creates two distinct forms of CBK lending:

1 Ordinary liquidity support	2 Emergency Liquidity Assistance (ELA)
Lending undertaken to implement monetary policy and maintain orderly market conditions. The CBK may grant loans or advances to specified banks and microfinance institutions on terms that it determines.	Temporary financial support provided in exceptional circumstances where the CBK considers intervention necessary to preserve financial stability.

In simple terms, ELA is intended for a financial institution experiencing serious but potentially temporary cash-flow pressure. It is not intended to keep an institution that is fundamentally insolvent or commercially unviable in operation.

3. EMERGENCY ASSISTANCE IS NOT AN AUTOMATIC BAILOUT

An institution seeking ELA must satisfy several statutory conditions. It must:

- Meet the CBK's criteria on solvency and viability;
- Not be subject to liquidation; and
- Be considered systemically important, or likely to cause instability within the financial system if it fails.

The assistance remains discretionary, temporary and subject to conditions imposed by the CBK. A qualifying institution therefore has no automatic entitlement to receive emergency funding merely because it faces liquidity difficulties. The reference to systemic importance is especially significant as it allows the CBK to consider not only the financial condition of the individual institution, but also the consequences its failure could have on depositors, payment systems, other financial institutions and public confidence.

KEY CHANGE FROM THE ORIGINAL BILL

The Bill as introduced contemplated an initial ELA support period of up to twelve (12) months, extendable at the CBK's discretion. As passed and enacted, the Act instead caps emergency liquidity support at a maximum period of five (5) years. This is intended to prevent temporary emergency assistance from becoming indefinite institutional support.

4. COLLATERAL AND RISK CONTROLS WILL BE CENTRAL

Every loan or advance granted under the new framework must be secured by collateral acceptable to the CBK. The collateral will be subject to valuation, margin requirements and other risk-management measures determined by the Bank.

Banks and microfinance institutions should therefore not wait until a liquidity crisis occurs before identifying assets that may be acceptable as collateral. Institutions should maintain accurate collateral registers, verify the enforceability of security interests, and ensure that supporting documents can be produced quickly.

5. NEW OPPORTUNITIES IN GOLD AND OTHER PRECIOUS METALS

The Act expands the CBK's authority to deal in gold and other precious metals. Parliament indicated that the reforms provide a legal foundation for the Domestic Gold Purchase Programme and may assist the Bank in diversifying Kenya's reserve assets. Notably, the final amendments contemplate the use of licensed private refiners, rather than the CBK engaging directly in commercial refining activities.

This may create opportunities for licensed miners, dealers, exporters, refiners, financiers and logistics providers participating in the domestic precious-metals value chain. However, participation in transactions connected with the CBK will require careful attention to licensing, lawful sourcing, mineral traceability, beneficial ownership, anti-money laundering controls, tax compliance, quality certification and the contractual allocation of risk.

6. GREATER PARLIAMENTARY OVERSIGHT OF CBK LEADERSHIP

The Act clarifies that the National Assembly must approve the appointment of Deputy Governors of the CBK. Previously, ***section 13B*** referred generally to approval by "Parliament." The amendment aligns the appointment process for Deputy Governors with the procedure already applicable to the Governor. It may result in greater public examination of the qualifications, experience and suitability of persons nominated to these senior offices.

7. TRAINING AND CAPACITY BUILDING BECOME STATUTORY FUNCTIONS

The CBK may now provide capacity building and training to its staff, members of the public, government institutions and persons from other jurisdictions, with corresponding regulation-making powers to support this function. Parliament identified financial technology, cybersecurity, digital currencies and anti-money laundering as some of the emerging areas in which enhanced institutional expertise may be required.

8. RECOGNITION OF THE KENYA DEPOSIT INSURANCE CORPORATION

The Act replaces outdated references to the now-defunct Deposit Protection Fund Board with references to the Kenya Deposit Insurance Corporation, the entity that succeeded it under the Kenya Deposit Insurance Act. The CBK may continue to grant the Corporation loans or advances for fixed periods not exceeding three years, secured by treasury bills or other government securities.

PRACTICAL NEXT STEPS

Banks and microfinance institutions should consider taking the following immediate steps:

- **Review liquidity and recovery plans:** Confirm that contingency-funding arrangements reflect the distinction between routine CBK lending and ELA.
- **Assess solvency and viability indicators:** Ensure management and boards understand the financial information required to demonstrate eligibility for emergency support.
- **Review available collateral:** Identify assets that may be offered as security and verify their ownership, value and legal enforceability.
- **Update board and management policies:** Clearly allocate responsibility for seeking CBK assistance, approving collateral and communicating with regulators.
- **Review financing documentation:** Examine existing security documents, negative pledges, inter-creditor arrangements and investor covenants for restrictions on the use of assets as collateral.
- **Monitor implementing instruments:** Follow regulations, guidelines, circulars or directions issued by the CBK to operationalise the new framework.

Precious-metals businesses should similarly review their licences, supply chains, tax arrangements, anti-money laundering controls and contractual documentation before pursuing opportunities connected with the Domestic Gold Purchase Programme.

OUR ASSESSMENT

The Act represents a significant modernisation of Kenya's financial safety net. It provides the CBK with clearer authority to respond to institutional liquidity crises, while imposing safeguards intended to prevent emergency support from becoming an open-ended rescue mechanism.

Its practical success will, however, depend on the clarity of the regulations and directions issued by the CBK. Boards and senior management should treat these reforms as an immediate governance and risk-management matter, rather than an issue to be considered only after an institution encounters financial distress.

ADVISORY SUPPORT

At **Allamano & Associates**, we advise clients on banking and finance transactions, regulatory compliance, corporate governance and dispute resolution. Our Banking and Finance, Commercial and Corporate Law practices are positioned to assist regulated institutions, investors and businesses in responding to this new framework, including:

- Regulatory impact and compliance-gap assessments;
- Review of liquidity, recovery and contingency-funding policies;
- Advice on collateral, security documentation and financing arrangements;
- Regulatory engagement and applications involving the CBK;
- Structuring of precious-metals supply, financing, custody and refining arrangements; and
- Board and senior-management advisory on governance and regulatory risk.

This Legal Digest is provided for general informational purposes only and does not constitute legal advice. For advice specific to your circumstances, please get in touch with Allamano & Associates.

For more information, contact:

Allamano & Associates
+254 703 534 412 | info@allamanoandassociates.com
Tetezi Towers, 6th Floor, George Padmore Road off Marcus Garvey Road, Nairobi