Insights

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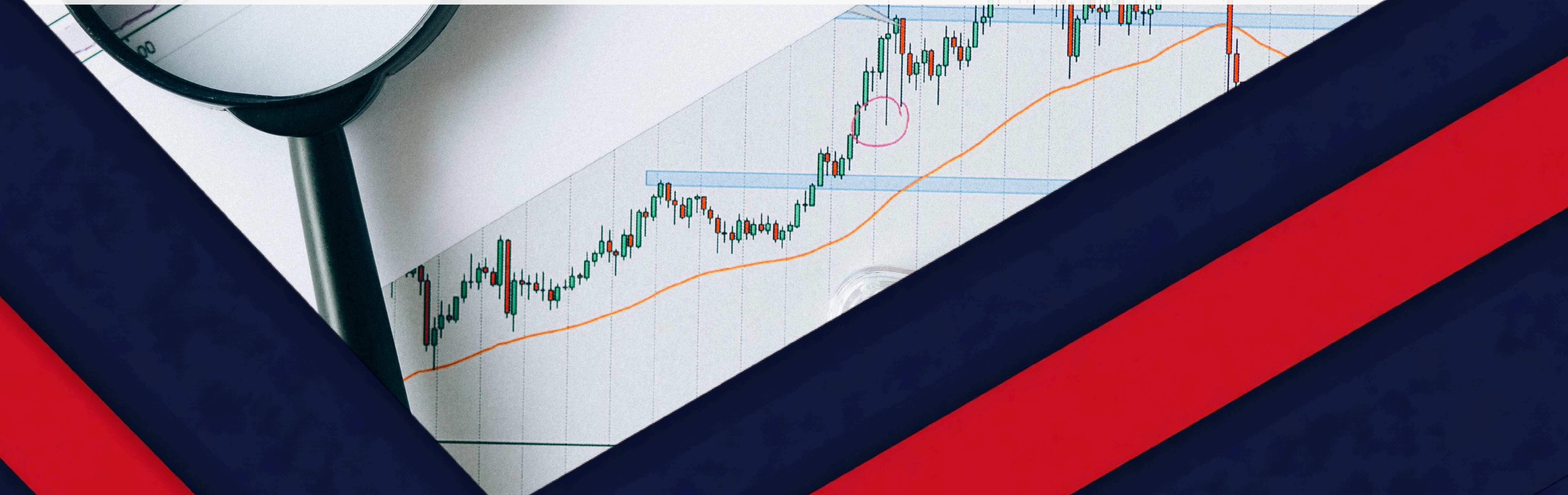
CBK’s 2026 Fee Reform: How CBK's New Fee Rules Rewrite the Compliance Cost of Banking in Kenya



The Banking (Fees) Regulations, 2026 (Legal Notice 81 of 2026) were gazetted and took effect on 8 May 2026. They revoke the Banking (Fees) Regulations, 1994 and change how every bank, mortgage finance company and financial institution licensed under the Banking Act pays its annual regulatory fee.

Banking | Financial Services Regulation | Compliance

Introduction

For the first time in more than three decades, the Central Bank of Kenya has changed the basis on which it charges banks to be licensed and supervised. The old rule, in place since 1994, tied annual fee to the number of branches and their location. The new rule ties it to how much money a financial institution makes; at a percentage of gross annual revenue, starting at 0.13% and settling at 0.15% from 2028, while institutions applying for a licence under section 4 of the Banking Act pay a flat application fee of five thousand shillings in addition to a gross percentage on projected revenue.

There is good news in the detail. When the Central Bank first floated this reform in 2025, it proposed a rate of up to 1.0% of gross annual revenue, which the industry warned would take a substantial bite out of profitability. The rate that became law is roughly a seventh of that. The direction of travel posits that larger, more profitable institutions will now carry a bigger share of the cost of being supervised, but the landing is far softer than the sector feared.

What follows is what the Regulations require, what the change costs you, where the risks sit, and what to do before the first payment falls due on 31 December 2026.

Who This Applies To

The Regulations apply to every institution licensed under the Banking Act, which the Act defines as one of three categories:
i. a bank (carrying on banking business),
ii. a financial institution (carrying on financial business), or
iii. a mortgage finance company (carrying on mortgage finance business).
Financial institutions supervised under separate laws are not included in these Regulations and continue to be regulated under their own fee regimes.

Fees

Financial Year	Rate of Annual Fees (%)
2026	0.13
2027	0.14
2028 onwards	0.15

The New Rules at a glance

Regulation Reg. 2 - Application fee	An institution applying for a licence under section 4 of the Banking Act pays the Central Bank KSh 5,000.	A modest, one-off charge to apply. The real cost now sits in the annual fee above.
Reg. 3(1) - Annual fee	The annual fee is a percentage of gross annual revenue, at the rate and by the date set out in the Schedule (see above).	Your yearly cost of holding a licence now rises and falls with your revenue rather than your branch count.
Reg. 3(2) - New institutions	Before it starts trading, a newly licensed institution pays the annual fee based on its average projected gross annual revenue for the first three years after the licence is granted.	New entrants pay on a forecast, so your opening projections carry a direct fee consequence.
Reg. 3(3) - What counts as revenue	"Gross annual revenue" is broadly defined: interest on loans, advances, government securities and placements; fees and commissions on loans and advances; dividend income; foreign-exchange trading income; and any other income, taken from your audited, published accounts for the preceding year.	The base is wide and hard to shrink. Almost every income line you report feeds the fee, and it is drawn from last year's audited figures.
Reg. 4 - Payment	Fees are paid to the Central Bank as a single lump sum.	Budget for one annual payment.
Reg. 5 - Non-payment	Miss the due date and you must pay double the annual fee within 90 days. Fail to pay even then, and your licence can be revoked under section 6 of the Act.	Late payment carries a 100% surcharge, and continued default puts your licence at risk.

The Change from Branches to Revenue

The new model ignores branches entirely and looks only at revenue. That has three practical effects. First, large, high-earning banks will generally pay more than they did under the flat branch fees, because a percentage of a big revenue number outweighs a handful of fixed branch charges. Second, smaller institutions with modest revenue will often pay less. Finally, a bank's fee will now changes each year with its published results, so the cost becomes variable.

For illustration, an institution with KSh 50 billion in gross annual revenue would incur an annual licence fee of approximately KSh 65 million in 2026 under the 0.13% rate, increasing to about KSh 75 million once the 0.15% rate takes effect in 2028. Under the CBK's earlier proposal of a 1.0% fee, the same institution would have paid KSh 500 million. The adopted framework therefore represents a substantial increase over the previous branch-based model, while remaining significantly less onerous than the proposal initially put forward by the CBK.

Your Next Move

- Recalculate your fee now, on last year's audited revenue. Run 0.13% against your most recent published gross annual revenue so you know the 2026 number, then project it forward at 0.14% and 0.15% for your three-year plan.
- Put a named owner and an internal deadline on the payment comfortably ahead of 31 December, so the doubling penalty and revocation risk never come into play.
- If you are applying for a licence, model the fee into your three-year projections before you file, since those projections will set your early fees.
- Check how "gross annual revenue" maps to your audited accounts so there is no gap between what you report and what the Central Bank will assess.
- Brief your board and finance team that the licence fee is now a variable, revenue-linked cost that will grow with the business.

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