

Chase Bank and the Story of the 3 Wise Monkeys Mizaru, Kikazaru and Iwazaru

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The situation in the Banking Sector remain fluid and fast-moving. The Central Bank Governor held a Presser Friday and I have relied on @DannMwangi for the following Tweets from that Presser.

NJOROGE: If we had to move forward past the tipping point into the new normal, this had to happen

NJOROGE: If auditors see large differences in a banks books, they are required by law to report to CBK. Chase Bank's auditors did that

NJOROGE: People were having less confidence in their bank's, and the 'storm' was waiting for Monday when bank doors would be open to erupt.

NJOROGE: The announcement of CBK's new funding facility calmed the storm and it was visible when we looked at the numbers on Monday

NJOROGE: It's not a loan, not a credit, not a bail-out. It's the CBK that decides when to come in [No Bank apparently has drawn down on the Facility yet]

NJOROGE: Insider lending calls to question the governance of the institution. A bank is not a 'mama mboga'.

NJOROGE: Five suitors lined up to buy Chase Bank, CBK says [CBK is probably going to have to go the route of a "Good Bank Bad Bank" in order to effect the Sale]

Chase Bank was the 11th largest at the time it was placed into receivership on April 7, shortly after announcing restated earnings with a qualified audit opinion [Deloitte] which was deliberately miniaturised in the restated Earnings Release. Mr Kabui said in his statement to the police that the so-called insider loans were assets held in Chase Iman's joint ventures financed under Musharakah. The Pertinent Question to ask Mr. Kabui and his Board is when these assets were classified as "Musharakah"

The entire Tale [that has been spun] took me back to the Story of The three wise monkeys. Together they embody the proverbial principle "see no evil, hear no evil, speak no evil" The three monkeys are Mizaru, covering his eyes, who sees no evil; Kikazaru, covering his ears, who hears no evil; and Iwazaru, covering his mouth, who speaks no evil.

You have to ask yourself

What is the duty of a Board? Was there a functioning Board at Chase Bank or even at Imperial Bank? Or Just a Mizaru, Kikazaru and Iwazaru?

Where was the Credit Committee? Dishing out 84.96% of your Core Capital on an unsecured basis to an Insider has to surely pass through some kind of process? Because if it didn't then as Patrick Njoroge said Chase Bank was a "mama mboga" and not a Bank.

Where was the Internal Audit Division?

“It’s cases of rot at the top and abuse of privilege,” Kato Mukuru, head of equity research at Exotic told Bloomberg. “It’s not a crisis, it’s a governance issue.”

The Truth is that the last line of Defence is the External Auditor. And Deloitte are to be commended for calling a Spade a Spade. The calculation has entirely changed for Audit Companies the world over. KPMG threw the Guptas over because of the reputational risk. Deloitte could not put their name to a "cockamamie" [ridiculous, pointless, or nonsensical: full of wild schemes and cockamamie ideas] story.