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State prepares for billions in idle cash

BY CONSTANT MUNDA

THE State's pace to tap financial assets worth tens of billions of shillings whose owners cannot be traced by the November deadline is gathering momentum after a two-year delay.

Regulations that will guide implementation of the Unclaimed Financial Assets Act 2011 have been approved by the regulatory body in charge, and are now with the Cabinet Secretary for National Treasury Henry Rotich for gazettement.

The Unclaimed Financial Assets Authority's board, chaired by Vincent Kimosop, was appointed on November 16, 2012 but little has been done since due to absence of regulations.

On Friday it advertised for the positions of the top management team including the chief executive. The recruitment drive, whose application deadline is June 20, is also seeking department heads for unclaimed financial assets, legal, audit and risk, finance and accounting, ICT and procurement.

UFAA has been working with staff seconded from the National Treasury including acting chief executive George Omino. Kimosop said the new team will still work with support staff seconded from the National Treasury.

Billions of shillings worth of assets whose owners cannot be traced lie idle in public and private financial institutions and should be surrendered to the State under the law.

Banks, insurers, brokerage firms and mobile money service providers are required to comply with this through special annual reports to UFAA by November each year.

Absence of regulations paralysed receipt of the unclaimed financial assets from companies ready to comply after getting approval from shareholders.

ON COURSE: Vincent Kimosop, chairman of the Unclaimed Financial Assets Authority, speaking at a pre-budget session last year.

Kimosop yesterday said the regulations, exposed to stakeholders and public from March 4 for input, have been forwarded to CS Rotich for gazetting.

"The process of ensuring all external and internal systems are in place by November is ongoing. We expect all financial institutions to have complied by November," he said on phone yesterday.

He said UFAA will carry out a forensic audit on companies where it has sufficient grounds that they under-declared the value of abandoned financial assets.

While initial estimates had pointed to a figure of around Sh200 billion, UFAA recently said an actuarial study in 2011 projected a value of Sh9.8 billion in unclaimed assets.

The regulations establish an investment fund to hold the surrendered unclaimed cash and a growth fund where earnings from the investments (such as interest income and dividends) will be channelled.

A medium term investment policy as set out in the UFAA Act, Kimosop said, will also be ready by November.

The policy, subject to continuous review in consultation with an appointed actuary, will be implemented by an independent fund manager with a minimum share capital of Sh10 million.

"Let's cross the bridge when we are there," Kimosop said when asked about sectors targeted for initial investments by the fund.

More customers are using banking agents

BY MERCY GAKII

CUSTOMER deposits through bank agents surged by 48 per cent to Sh18.5 million last year from Sh12.5 million in 2012, according to the latest Central Bank's supervision report.

This increased the total value of transactions through agents in 2013 to Sh236.2 billion from Sh152.1 billion in the previous year, rising by 55.3 per cent.

CBK attributes the increase to more banks that approved the agency model, 13 in 2013, which saw the number of bank agents rise to 23,477 in December, a 43.7 per cent jump.

The number of transactions increased by 40.5 per cent to 42.06 million transactions from 29.94 million transactions recorded in 2012.

Agents helped customers to enquire account balances, which increased by 21 per cent, withdraw cash (up by 40 per cent), collect application forms to open new accounts and to apply for bank cards.

Curiously however, bills paid via agency outlets declined by 20 per cent over the period to 113,429 compared to 142,046 in the previous year. The value of transactions nonetheless increased to Sh251.2 million from Sh238.7 million in 2012.

The agency model is proving popular with many Kenyans as it increases the banking hours long after formal bank branches close and are within reach in neighbourhoods.

It has also helped banks cut costs of brick and mortar expansion and hiring new staff.

Can YOU outsmart the expert?

ALY KHAN'S STAR PORTFOLIO

BARBARIANS AT THE GATES: GETTING THE MONEY IS EASY

I came across the patrician and charming Michael Gondwe, the Governor of the Central Bank of Zambia, in Maputo. Zambia has found itself in the eye of a storm in 2014, overnight interest rates have recently been hiked to 22 per cent and the currency has fallen by up to 17 per cent versus the dollar, at its worst in 2014 and second only to the Ghana cedi which is down over 20 per cent in 2014.

The International Monetary Fund's arrival in Accra is predicted, predictable and imminent. The IMF said in April: "In a few cases, policy missteps, such as large fiscal imbalances, threaten to undermine the hard-won macroeconomic gains of recent years that have supported growth. In addition, important home-grown risks arise from fiscal vulnerabilities in a number of countries such as Ghana and Zambia."

As you can see, we live in a world where the clock speed keeps increasing and here we are weeks later. Zambia and Ghana are important harbingers for ourselves as we load debt onto our balance sheet big time.

One of my favourite films is Brian De Palma's 'Scarface'. Al Pacino plays Tony Montano, a Cuban refugee who has landed in Miami in the 1980s. He starts working for a kingpin called Frank Lopez and is champing to go bigger, and Frank asks Tony how he is going to finance this expansion.

Tony offered to help Frank come up with the first five million: "You short a couple a mill, I go on the street for you ... make some moves. Mill here, mill there, you got it".

And as our Cabinet Secretary for National Treasury and his team make their move (San Francisco and Los Angeles last week and Boston, New York and London this week) ahead of a sale of what I expect to be $2 billion (Sh175 billion) of a 10-year dollar-denominated Eurobond and imminent and at an interest rate range of 6.95-7.45 per cent; I estimate a seven per cent yield as a likely outcome given the recent backdrop of Africa sovereign bond price auction.

News of IMF support sent Zambian yields to their lowest levels ever at 6.93 per cent. Egyptian Eurobond yields tumbled to 4.73 per cent last week, its lowest level since December 2010, from a peak of 11.07 per cent in June 2013. Essentially, Madam Christine Lagarde's IMF and the market response to Sisi have created a favourable moment for Kenya's issue.

Returning to Kenya, besides this Eurobond, we have taken a very handsome overdraft out with China as well. There is a lot of debt being placed on the balance sheet of Kenya Inc. Coincidentally, New York-based private equity giant KKR, best-known for its $25 billion hostile takeover of American conglomerate RJR Nabisco in 1988 – which was the subject of the book 'Barbarians at the Gate: The Fall of RJR Nabisco', closed their first African investment in Afriflora, an Ethiopian company that grows about 730 million roses a year for export to Europe.

Neither China nor the international bond markets are Santa Claus. They are in fact the 'Barbarians at the Gates'. When you draw down billions from the street, you have to pay the interest. We sit at an inflexion point. To get from this point to the next will require faultless execution. Getting the money is the easy part.

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Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.