



## Paving the way in Kenyan repo markets

**In March 2016, Commercial Bank of Africa (CBA) and Standard Bank of Southern Africa (SBSA) executed a USD 25 million cross-currency repo transaction. The deal, facilitated and guaranteed by Frontclear, is a first of its kind transaction and paves the way to a more robust, stable and inclusive interbank market in Kenya.**

In the transaction, CBA receives USD 25 million in 1-year funding from SBSA and provides Government of Kenya Bonds as collateral.

The transaction was executed under a Standard ISDA Agreement between the two counterparties and assumes transfer of legal ownership of the collateral instruments. This is a step-up from the Kenyan 'horizontal repo', which is based on a pledge of a security and does not furnish the same comfort with regard to mitigating credit risk nor does it ensure the wider benefits of a liquid repo market. Frontclear has issued a guarantee to SBSA to cover any residual credit risk on the transaction.

*“With this transaction, Standard Bank, Commercial Bank of Africa and Frontclear worked together as partners to develop Kenya’s domestic financial markets. The market development initiative and focus of Frontclear assisted with lobbying the various regulating bodies in Kenya as a collective. We were able to transact under global industry-standard documentation. We see this type of transaction as key to developing deep and liquid financial markets in Kenya and across Africa as a whole.”*

– Reggie Mlangeni, Regional Head East Africa, Client Solutions at Standard Bank

The transaction is the first of its kind executed in East Africa and is exemplary of Frontclear’s development impact rationale: catalyzing transactions that move markets forward. True repo structures make interbank markets more liquid and inclusive and enable all participating banks to have expanded access and in turn allow them to better serve the needs of their client base.

*“This repo transaction has allowed us to term out our funding by a considerable magnitude thereby infusing the much needed stability to our balance sheet.”*

– Raphael Agung, Head of Treasury at CBA

The transaction would not have been possible without the guidance and commitment of the Central Bank of Kenya (CBK), the Kenyan Capital Markets Authority (CMA) and Nairobi Stock Exchange (NSE).

*“We are very pleased to have played a role in facilitating this transaction, and wish to thank the regulatory authorities for supporting this demonstrative transaction. We look forward to working further with them to build a robust settlement procedure for repo transactions based on full title transfer.”*

– Philip Buyskes, Chief Executive Officer of Frontclear

### **About CBA**

Commercial Bank of Africa (CBA) is the largest privately-owned Kenyan bank with representation in Kenya, Tanzania and Uganda. As a Bank, our focus in addition to Corporate and Personal Banking business segments, is now growing strongly towards focusing on innovative financial solutions targeted also at the Small and Medium Business segment. We have been successfully implementing our diversification and regional expansion strategy over the last few years, currently with business operations in Tanzania and Uganda.

For further information, please visit [www.cbagroup.com](http://www.cbagroup.com)

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### **About Standard Bank Group**

Standard Bank Group is the largest African bank by assets with a unique footprint across 20 African countries. Headquartered in Johannesburg, South Africa, we are listed on the Johannesburg Stock Exchange. Standard Bank has a 153-year history in South Africa and started building a franchise outside southern Africa in the early 1990s.

Our strategic position, which enables us to connect Africa to other select emerging markets as well as pools of capital in developed markets, and our balanced portfolio of businesses provide significant opportunities for growth.

The group has over 54 000 employees, over 1 200 branches and 8815 ATMs on the African continent, which enable it to deliver a complete range of services across personal and business banking, corporate and investment banking and wealth management. Standard Bank's Corporate & Investment Banking division offers its clients banking, trading, investment, risk management and advisory services to connect selected emerging markets to Africa and to each other. It has strong offerings in mining and metals; oil, gas and renewables; power and infrastructure; agribusiness; telecommunications and media; and financial institutions.

The group's largest shareholder is the Industrial and Commercial Bank of China (ICBC), the world's largest bank, with a 20,1% shareholding. In addition, Standard Bank Group and ICBC share a strategic partnership that facilitates trade and deal flow between Africa, China and select emerging markets.

For further information go to [www.standardbank.com](http://www.standardbank.com)

### **About Frontclear**

Frontclear is a development finance company focused on catalyzing stable and inclusive interbank markets in emerging and developing countries (EMDC). Frontclear facilitates access by local financial institutions to interbank markets through providing credit guarantees to cover a transacting institution's counterparty credit risk. This on the condition that local currency assets can be used for collateral management purposes. Frontclear's Basel III compliant guarantees specifically cover due payment of the Early Termination Amount under ISDA contracts and corresponding claims under GMRA. The guarantees are in turn counter-guaranteed by KfW, a AAA-development financial institution. The guarantees are complemented by a technical assistance programme (FTAP). FTAP supports targeted and planned interventions in bank and system development, which reduce the operational and country risks obstructing interbank trading. Frontclear is funded by European governments and development finance institutions including DFID, EBRD, Proparco, KfW and TCX.

For further information, please visit [www.frontclear.com](http://www.frontclear.com)

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