



## 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