



PRESS STATEMENT

The Central Bank of Kenya (CBK) notes with concern the misconceptions and errors that have appeared recently in the media with respect to the issuance and settlement of funds from the Kenya Government Eurobond. CBK wishes to enlighten the public on this matter by providing the following clarifications.

There are three main types of foreign currency transactions that the CBK undertakes as banker to the Government, upon instruction and verification:

1. On behalf of the Government, CBK can pay an external party using the resources in the Government's foreign currency account.
2. On behalf of the Government, CBK can transfer resources from the Government's foreign currency account to its Kenya Shilling account at the CBK. To do this, CBK buys the foreign currency at the prevailing exchange rate and credits the Government's Kenya Shilling account with that amount.
3. The Government can also make available Kenya Shillings in its accounts and request CBK to pay a designated beneficiary the equivalent amount in foreign currency.

In June 2014, at the request of the National Treasury, and anticipating receipt of the Eurobond proceeds, CBK opened a US Dollar account at JP Morgan Chase Bank, New York, titled "GOK/CBK Sovereign Bond Account" No. 603149985. The initial proceeds of the Eurobond were received into this account and subsequently disbursed as follows:

Table 1. GOK/CBK SOVEREIGN BOND, JPMORGAN CHASE BANK, NEW YORK
ACCOUNT NO. 603149985, OPENED ON 13.06.2014

Date	Particulars	Amount (US Dollars)	Cumulative Balance
26-Jun-14	Euro Bond Receipts	277,235,000.00	277,235,000.00
26-Jun-14	Euro Bond Receipts	846,721,763.00	1,123,956,763.00
26-Jun-14	Euro Bond Receipts	875,041,000.00	1,998,997,763.00
30-Jun-14	Interest Received (Income)	76,541.62	1,999,074,304.62
30-Jun-14	Interest Withheld (Charges)	(21,431.65)	1,999,052,872.97
3-Jul-14	Syndicated Loan (Principal & Interest) Payment	(604,560,737.50)	1,394,492,135.47
3-Jul-14	1st Drawdown to Exchequer A/c	(395,439,262.50)	999,052,872.97
15-Jul-14	Bank Charges	(50,019.77)	999,002,853.20
30-Jul-14	Interest Received (Income)	169,415.65	999,172,268.85
30-Jul-14	Bank Charges	(47,436.38)	999,124,832.47
15-Aug-14	Bank Charges	(106,374.87)	999,018,457.60
8-Sep-14	2nd and Final Drawdown to "Proceeds From the Sovereign Bond A/c"	(999,018,457.60)	0.00

The "GOK/CBK Sovereign Bond Account" at JP Morgan Chase Bank, New York, was closed in September 2014, after the final drawdown.

The amounts deposited in the Government's accounts on July 3, 2014 and September 8, 2014 were KES 34,648,388,180.25 and KES 88,463,084,420.45, respectively. For all conversions of US dollars into Kenya Shillings, CBK acquired the US dollars at the prevailing exchange rate and deposited the equivalent amount in Kenya Shillings in the Government's accounts at the CBK. Simultaneously, the US dollars acquired by CBK were deposited in its US dollar account No. 021084571KENYA at the Federal Reserve Bank of New York and became part of the CBK's foreign exchange reserves. This is an operational account of the CBK, in keeping with its mandate, and to facilitate transactions on behalf of the country. It should also be noted that the Federal Reserve Bank of New York is part of the U.S. Federal Reserve System, which serves as the central bank of the United States.

In November 2014, after the closure of the account at JP Morgan Chase Bank, New York, the National Treasury requested CBK to open another foreign currency account to receive the Eurobond Tap Sale proceeds. An account was opened at Citibank New York, titled "GOK/CBK Sovereign Bond Tap Proceeds" No. 36341018. The Tap Sale proceeds were received in this account and disbursed as follows:

Table 2. GOK/CBK SOVEREIGN BOND TAP PROCEEDS, CITIBANK, NEW YORK
ACCOUNT NO. 36341018, OPENED ON 27.11.2014

Date	Particulars	Amount (US Dollars)	Cumulative Balance
3-Dec-14	Euro Bond Receipts	194,402,198.00	194,402,198.00
3-Dec-14	Euro Bond Receipts	238,483,308.00	432,885,506.00
3-Dec-14	Euro Bond Receipts	382,551,426.00	815,436,932.00
17-Dec-14	1st and Final Drawdown to "Proceeds From the Sovereign Bond A/c"	(815,436,932.00)	0.00

The "GOK/CBK Sovereign Bond Tap Proceeds" account at Citibank New York, was closed in December 2014 after the final drawdown. The amount deposited in the Government's account on December 17 was KES 73,805,196,715.30.

All correspondences and documents pertaining to these transactions including, Account Opening, Debit/Credit Advices and Statements of Account have been made available through the National Treasury. CBK has also cooperated fully at all stages of the recent investigation of the Eurobond funds. As banker to the Government, CBK has provided all evidence requested by the investigating agencies on the receipts and disbursements of these funds.

It is also important to note that the issuance and settlement of the Eurobond occurred between June and December 2014, long before Mr. Mohammed Nyaoga was appointed Chairman of the CBK Board. He had no access to or participation in the Eurobond matter. Further, the allegations that CBK officials were involved in any misappropriation of these funds has no basis and is erroneous.