Early Warning System

MIGA-14385

Absa Group Central Bank Mandatory Reserves Coverage

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Quick Facts

Countries	Kenya
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	U
Voting Date	2019-06-14
Borrower	Absa Group Limited
Sectors	Finance
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 110.00 million

Project Description

This summary describes equity investments by Absa Group Limited (Absa Group) in its subsidiary in Kenya, Barclays Bank of Kenya Limited (subsidiary). The investor has applied for MIGA guarantees of up to US$110 million in mandatory reserves cover for a period of up to 15 years.

The aim of MIGA's proposed guarantees is to help Absa Group reduce the risk of some of its assets, which would lead to a reduction in the group's RWA on a consolidated basis. Absa Group plans to deploy this headroom of consolidated RWA across its Africa operations, including Kenya, thus increasing the potential reach, development impact, and financial returns of the foreign investment. MIGA's proposed coverage to Absa Group is aligned with the most recent World Bank Group's strategy for Kenya, as it seeks to promote private-sector-led growth via increased access to finance in the country and to promote sustainable investments.

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- ABSA Group (Financial Intermediary)

Private Actors Description

Absa Group, South Africa-based, is one of the largest pan-African financial institutions in terms of total assets with operations in ten countries in Sub Saharan Africa. Its subsidiary banks outside of South Africa are required to maintain reserves at the central banks in their respective jurisdictions, based on the volume of customer deposits that these subsidiaries have. Mandatory reserves contribute to Absa Group's overall risk-weighted assets (RWA) at the consolidated level, resulting in less headroom for other assets at a given level of capital.

Contact Information

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ACCOUNTABILITY MECHANISM OF MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Bank Documents

- Project Information