



PRESS RELEASE

FOR IMMEDIATE RELEASE

GOVERNMENT TO ISSUE FIRST BOND THAT WILL BE OFFERED EXCLUSIVELY VIA MOBILE

Nairobi, Sept. 28th, 2015... The Treasury has announced plans to float the first-ever Government bond that will be offered exclusively via mobile phone, pointing to the growing relevance of mobile money solutions in the evolving payments space.

The solution, known as M-AKiba, will be delivered via a number of Mobile Network Operators to continue a push to deepen access for retail bond trading, which was previously only accessible to commercial banks or traders.

As part of this effort, the Treasury recently lowered the cost of Government bonds from Kshs. 50,000 to just Kshs. 3,000. Through the mobile-phone based M-AKiba solution, trades can reach an upper limit of Kshs. 140,000 per day until the bond offering period closes.

“In three weeks over 32 million Kenyans will have the potential to participate in a Kshs. 5 billion Government Infrastructure bond. This historical development is testament of our commitment to embrace innovation to democratize the uptake of government securities,” said Henry Rotich, Cabinet Secretary, National Treasury.

He said, “Over the years, 98 percent uptake in government bonds has been by institutional investors, with only two percent going to individual investors- and this has left out many Kenyans from participating in raising funds for nation building”.

Previously, it took an average of two days to buy a government bond in a process that required customers to apply for a bond CDS Account, take forms to Central Bank of Kenya, and deposit funds with a broker. M-Akiba however makes the process instantaneous.

“This development signals the continuing transformation that mobile money can deliver to boost efficiency in Government revenue collection while providing more access for Kenyans. M-Akiba is yet another innovative application that will help more people save and invest, while make it faster for the government to raise funds,” said Betty Mwangi, Director – Financial Services, Safaricom.

The M-Akiba bond is also aimed at enhancing the savings culture by Kenyans. Kenyan savings are at 11% of GDP while countries like Qatar are at 60%, while Rwanda and Uganda are at 22% each.

Speaking at the launch, Nairobi Securities Exchange, Chairman, Mr. Eddy Njoroge said “Our Bonds Market is currently dominated by foreign and local institutional investors with a retail participation of only 2 percent .The unveiling of the M-Akiba Treasury Bond is in line with the NSE’s strategy of enhancing financial inclusion by driving retail investor’s participation in our Bond Market at a low entry level of Kshs 3,000.”

Nairobi Securities Exchange, Chief Executive, Mr. Geoffrey Odundo reiterated these remarks by adding “The launch of M-Akiba Bond marks the beginning of a new frontier in the evolution of the Capital Markets and Mobile Technology. M-Akiba underpins NSE’s position as a world leader in innovation, while adding value to our shareholders and transforming the lives and livelihoods of Kenyans by encouraging a saving and investment culture”.

The nationwide participation of Kenyans in the bond shall enhance financial inclusion for millions of Kenyans that have hitherto not been able to participate in the fixed income market.

Rose Mambo, the Chief Executive of the Central Depository and Settlement Corporation added that “The upside potential of a product like M-Akiba and the impact it is likely to have on increasing the number of investors in the market is significant. We are excited at the opportunity that this product will give ordinary Kenyans to participate in the capital markets in an easy and affordable manner, in addition to giving them the ability to earn good returns on their savings.”

To invest in the upcoming Sh5 billion “Save Money, Make Money, Build Kenya” bond, potential customers will only need to have a valid ID, dial *889# and follow the prompts. Upon maturity of the bond, the principle amount and coupons (interest from the bond) will be paid through M-PESA.

BACKGROUND OF M-AKIBA

M-Akiba is a Government of Kenya issued retail bond that seeks to enhance financial inclusion for economic development.

Characteristics of M-Akiba

1. It's a Mobile Traded Bond – all activities relating to registration, trading, settlement will be via mobile platform
2. Target Amount – Kshs 5 Billion
3. Initial minimum investment amount per account is Kshs. 3,000, with consecutive trades open for any amount.
4. Maximum investment per account / per day – Kshs. 140,000
5. Tenure of Bond - 5 year
6. Coupon for the bond is payable semiannually- after every 6 months.
7. Taxation – Tax-free as provided for under the Income Tax Act.
8. Returns - The M-Akiba as saving product offering competitive returns, a higher return than peer financial saving products.
9. High Liquidity: The Capital Markets provide a highly liquid venue for retail investors to buy and sell Government securities (both in primary and secondary markets), M-Akiba is guaranteeing market liquidity through the market making concept.

Who can buy the bond

The M-Akiba is open to Kenya's citizens who are of investment age and who are in a possession of a mobile money enabled phone.

Current Climate

1. Access
Presently, prospective investors wishing to buy or trade in any Kenya Government securities are required to open a CDS account with the Central Bank of Kenya. The account can be opened either directly with the Central Bank or through an authorised agent which includes commercial banks, investment banks, stockbrokers and investment advisors.
Treasury Bonds have a minimum investable amount of Kshs 50,000.
2. Participants
The local bond market has traditionally been dominated by large institutions, with little participation by retail investors. Institutions, headed by Commercial Banks, are the largest holders of Government Securities while individuals hold a relatively much smaller portion.

Adoption of an electronic platform will eliminate the existing complexity involved in the opening of CDS accounts and ease the process of purchasing debt issues.

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