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MINISTERIAL STATEMENT ON THE INTER-AGENCY INVESTIGATIONS ON ECONOMIC CRIMES BY CHARTER HOUSE BANK LIMITED AND RELATED COFAPANIES, 27TH JUNE, 2006

Mr. Speaker Sir, I beg the indulgence of the house to clarify certain matters related to Charterhouse Bank, as a result of documents tabled in the house by a member, and subsequent allegations made.

The media reports and the different statements that have been made on the Charter house Bank, have created the impression that:-

- (a) The charges facing the Governor of the Central Bank of Kenya, Dr. Andrew Mullei, are as a result of his efforts to bring to a halt tax evasion, money laundering and other related offences by Charter HouseBank Ltd and related companies; accordingly, I wish to set the record straight on this very important national issue ~
- (b) That the government has been reluctant to act on the findings of the investigation.

1. On 15th December, 2004, the inter-agency task force investigating economic crimes by Charter House Sank Ltd wrote to the Governor and informed him that the Charter House Bank was complidit in money laundering, abetting tax evasion and breaches of rules and regulations.

2, The Governor responded on 22nd December, 2004, advising KACC to seek the Attorney-General's opinion with respect to its powers to deal with such problems. He, however, said he would take up KACC's comments on matters relating to Charter House Bank's compliance with the relevant provisions.

3. KACC and KRA continued with investigations into the matter against the mentioned firms that had accounts at Charter House Bank. The investigations are at different stages of completion and appropriate actions will be taken. I wish to request the house to respect the confidentiality of the investigations in order to protect the outcomes from unnecessary interference.

Mr. Speaker, as regards the investigation and prosecution of the Governor, the facts are:-

(a) Investigations were commenced in June, 2005 at the sole initiative of KACC based on information received.

(b) The investigations, were concluded on 21st February, 2006 and file forwarded to the Attorney-General with recommendation to prosecute the Governor on four counts of abuse of office.

(c) The Attorney-General approved the charging of the Governor on 22nd March, 2006.

(d) The letter from the Governor to the Minister for Finance on the status of Charter House Bank investigations in which he requested withdrawal of the license was done on 20th March; 2006, exactly one month after KACC investigation file was sent to the Attorney-General and just two days before the Attorney General approved our recommendations to charge the Governor.

Mr. Speaker, Hon. Members may wish to note that in April and July 2005, the Governor made recommendations for renewal of the Bank's license and opening of a new branch at Nakumatt Supermarket in Nairobi on grounds that the overall financial conditions of the bank was satisfactory and that the bank was fully compliant with the requirements of the Banking Act and the Central Bank Prudential Regulations.

Based on the chronology of events, it is clear that:

- (i) The charging of Dr. MuUei in court and his subsequent suspension is based on specific charges, and had absolutely nothing to do with his stand on the Charter House bank;
- (ii) Dr. JAullei did not act on the recommendations of the inter-agency task force to take action against Charter House Bank for one year and three months;
- (iii) As late as 16th January, 2006, the Governor recommended the renewal of the Bank's license on the basis that the institution has maintained a sound financial condition over the years and is in compliance with the Banking Act and Central Bank Prudential Regulations"

- (iv) Dr. MuUei wrote to the Minister for Finance on the eve of his being charged in court.
- (v) Following receipt of the letter of March 20, 2006 I directed CBK to send a team to Charter House Bank to update the status of the 2004 report as at end of March 2006. This report was completed and given to the managers of the Charter House Bank on June 21st for their comments in accordance with existing procedures. While awaiting the response, which is expected next week, a leaked copy of the November 2004 report was tabled in Parliament. This caused unnecessary panic in the banking sector and in order to protect the interest of depositors and the bank, I regrettably approved the appointment of a Statutory Manager for Charter House Bank on June 22nd, 2006.

Mr. Speaker, I trust that members of this August House and the public at large are now better informed on the facts of this matter.

 , 28/6/06