

SECRET

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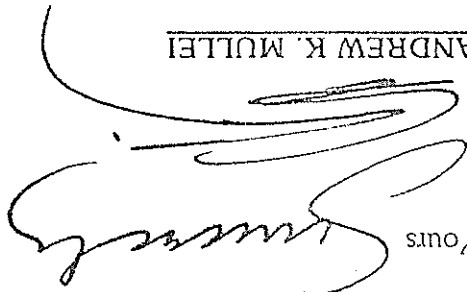
Kingsway Tyres and its associate companies as well as the John Harun Group had multiple accounts which are linked to the Nakumatt network but were not fully examined.

On the basis of this information, it now seems appropriate that the Minister for Finance could provide KRA with the titles of the identified accounts. The Minister may also query the most anomalous difference between Uchumi's payment of VAT and Nakumatt's.

I am concerned that the evidence of collusion between Charterhouse and its customers which infringes Know Your Customer regulations seems to have made Charterhouse Bank a liability to the probity of the financial sector and I would recommend that you consider withdrawing its licence. Clearly any action should be taken in such a way that information currently stored in the bank cannot be destroyed.

I am sure that you are fully aware that this letter should only go to the authorities whom you may direct to take action.

Yours



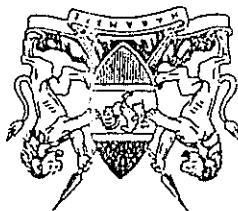
ANDREW K. MULLEI

Attachments (copies of 2 previous briefs for information)

MINISTER FOR FINANCE  
RECEIVED  
21 MAR 2006  
BOX 30007  
NAIROBI

SECRET

MINISTERIAL STATEMENT ON THE INTER-AGENCY INVESTIGATIONS ON ECONOMIC CRIMES BY CHARTER HOUSE BANK LIMITED AND RELATED COMPANIES, 27<sup>TH</sup> JUNE, 2006



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Mwangi

Ataru  
Tiner

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 Mueli, are as a result of his efforts to bring to a halt tax evasion, money laundering and other related offences by Charter House Bank Ltd and related companies; [Accordingly, I wish to set the record straight on this very important national issue and
- (b) That the government has been reluctant to act on the findings of the investigation.

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

2. The Governor responded on 22<sup>nd</sup> December, 2004, advising KACC to seek 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 21<sup>st</sup> 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 22<sup>nd</sup> 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 20<sup>th</sup> 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. Mulei 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. Mulei 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 16<sup>th</sup> 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"

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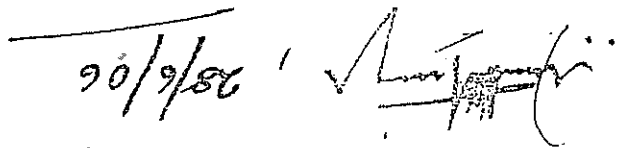
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(iv) Dr. Mullett wrote to the Minister for Finance on the eve of his being charged in court.

(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 21<sup>st</sup> 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 regretably approved the appointment of a Statutory Manager for Charter House Bank on June 22<sup>nd</sup>, 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.

 25/6/06

ANDREW K. MULLEI

*Andrew K. Mullei*  
Yours

Licence for 2005.

The purpose of this letter is to seek the Minister's approval to issue the bank with the

which it is now compliant.

The Bank was fined Ksh.1,000,000 for violations of sections 10(1) and 50(1)(b) for

remaining customers.

requested to be given three months to obtain full identification records on the

obtained at the time of opening the accounts. The bank's management had therefore

• The bank had written to 45 account holders where adequate details had not been

while 70 account opening forms were obtained during the follow-up inspection.

• Of the 223 missing account opening forms, 105 were related to closed accounts

• Nostro accounts statements previously missing were availed to the inspectors.

• The bank had rectified the violations of the Banking Act earlier identified.

• All accounts identified as non-performing were correctly classified.

• Recommended Provisions had been made.

The following were the findings:

prudential regulations.

whether the bank had subsequently complied with the provisions of the Banking Act and

December, 2004 an inspection was conducted on 10<sup>th</sup> February 2005 to determine

Following the meeting between Charterhouse Bank and the Minister for Finance on 20<sup>th</sup>

Charterhouse Bank Limited

Dear *Hon. Minister*

Nairobi

Treasury

Minister for Finance

Hon. David Mwiraria

March 1, 2005

Telephone 226431 Telex 22324

P.O. Box 60000 Nairobi Kenya

Halle Sehasse Avenue

CENTRAL  
BANK OF  
KENYA



BANKI  
KUU YA  
KENYA

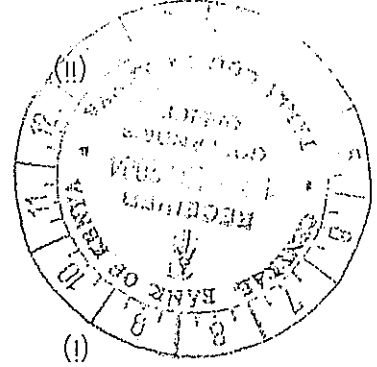
Governor

*Handwritten notes:*  
1400  
Mullei  
A

Tunajize Urisadi

No sufficient documentation eg photographs of account holder, copies of ID/Passport has been provided for the Account of D. Shah No. CA 01-000374 such that it has become difficult to trace the identity of the account holder. No documentation has been made available to support over Kshs. 600 million worth of Transfers from the account.

No bank opening documents and other records were made available to us for the account of Sallelsh Prajapati Account No. CA 01-00148 with over 2 billion worth of dealings. The explanation by the bank was that the documents were burnt in a go-down fire in Industrial Area. However this explanation may not be true since documents such as account opening documents are kept within the bank for ease of reference



1. The bank does not maintain sufficient bank opening documents and other documentation for its client's account. For instance,

The bank is central to our investigations as we try to establish commissions of economic crimes by related companies in the first phase and illegal money transfers and violation of banking regulations in the second phase.

I would like to bring to your attention the hurdles we are facing especially with respect to obtaining records, information and explanations from the Charterhouse Bank Ltd, which could delay the expeditious conclusion of our investigations and probably affect the eventual outcome.

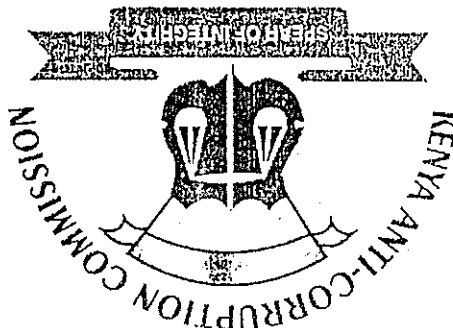
Reference is made to the interim report of the Task Force carrying out the above referenced investigation.

REF: INTER AGENCY INVESTIGATION ON ECONOMIC CRIMES BY CHARTERHOUSE BANK LTD AND RELATED COMPANIES

The Governor  
Central Bank of Kenya  
P.O. Box 60000-00200  
NAIROBI

Our Ref: KACC/INQ/6/12/21(38)

15<sup>th</sup> December 2004



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