★business

UP TO DATE, ACCURATE BUSINESS INFORMATION
NEWS YOU CAN USE, EVERY DAY

Can YOU outsmart the expert?

ALY KHAN'S STAR PORTFOLIO

WHY YOU SHOULD CONSIDER SELLING YOUR GOLD JEWELRY

ONE of my favourite poems is The Second Coming by WB Yeats. The poem was written in 1919 in the aftermath of the first World War and the Nigerian author Chinua Achebe later wrote a Totemic Book in 1958 where he lifted the words 'Things Fall Apart' for his title and both the poem and the book are remarkably powerful and resonant pieces of literary scholarship.

The opening stanza of Yeats poem begins

Turning and turning
in the widening gyre the
falcon cannot hear the
falconer; Things fall apart;
the centre cannot hold

The reason I start with this poem is because I think it best describes the collective mood and sentiment which has driven gold to its longest rally since November 2009. Gold rose to an intraday record $1,594.90 an ounce last week. Gold futures closed at the highest settlement ever. The metal gained 3.1 per cent last week and was up for the 10th straight session.

Gold is a safe haven in an uncertain world.

What with Standard & Poor's becoming the second rating company to say it may cut the U.S.'s top credit grade. Greece now rated at the lowest possible rating in the World, CCC, Japan has a debt load that is simply impossible to pay back. These realities existed before but only now is that realisation tipping in our collective consciousness.

If you had converted your heard earned shillings into gold at the beginning of the year, your year to date return would be in excess of 25 per cent or just under 50 per cent on an annualised Basis.

The last time gold hit a cycle peak was in 1978-1979, when the Shah of Iran was being plucked from his peacock throne by the Ayatollah Sayyed Ruhollah Mostafavi Khomeini.

I see gold as a shoe in for $2,000 an ounce before the year is out.

Precious metals are heading for a perfect storm as the fundamental case for owning them enters the mainstream.

When Ben Bernanke was asked why people hold gold last week, "As protection against what we call tail risks: really, really bad outcomes," he answered. He said this in a way that suggested these bad outcomes (default, currency collapse, hyperinflation and the like) are really unlikely.

Those outcomes look far more likely than Ben Bernanke is allowing.

Therefore, when you come to weigh up your assets, you might weigh madam's gold jewelry, because it's practically the most valuable its ever been. Those amongst us who like to wear flashy jewelry like Michael Sonko Esquire could always turn and say 'It's all about portfolio optimisation, old boy!'

Association to register all brokers' agents

BY STAR REPORTER

THE Kenya Association of Stockbrokers and Investment Banks has embarked on registration of all stockbrokerage agents in the country.

The move is among a raft of measures aimed at improving liquidity in the capital markets and bolstering investor confidence.

"KASIB would like to take stock of all agents as they mostly interact with the bulk of investors" said Michael Gichohi, the KASIB chairman.

He said most of investor complaints are those emanating from transactions involving agents.

"This a move towards regulating stockbrokerage agents as they are responsible for the bulk of complaints lodged by investors."

The accreditation process will involve training of agents, which is a mandatory requirement. The association has already prepared the syllabus and preparation of the teaching materials and hand-outs is underway.

Stock agents are usually registered by respective stockbrokers to increase their market outreach. However, to augment self-regulatory mechanisms the KASIB Board resolved to maintain a register of agents.

"KASIB training and registration will be the minimal requirement for individuals to be accredited as stockbrokerage agents."

Upon completion of the exercise, a list of the accredited agents will be published in national dailies and the association urges investors to deal with registered agents.

Registered agents will be issued with a certificate which will be displayed at their premises.

CBK in new effort to net money launderers

BY ANJLI PARRIN

THE Central Bank of Kenya has admitted that financial institutions have not been revealing all suspicious transactions to it.

The bank has now issued new strict guidelines that seeks to compel financial service providers such as banks, microfinance institutions and foreign exchange dealers to report any suspicious transaction.

The banking sector regulator considers any complex, unusually large transaction(s), or, any unusual pattern of transaction(s) absent of any economic, commercial, or lawful purpose as a possible suspicious transaction.

The CBK's latest efforts come following much international attention on a series of high profile controversies surrounding money laundering.

NEW RULES: CBK is concerned over the low reports of suspicious transactions.

The US State Department's money laundering and financial crimes country database of 2011 says that Kenya is a major money laundering country and believes that Kenyas financial system may be laundering over USD100 million each year. Yet despite these figures, no prosecutions have been made so far for money laundering.

In addition, Kenya ranks 154, out of 178 countries on the 2010 Transparency International Corruption Perceptions Index, and a string of corruption scandals have dogged the reputation of the country's ability to fight fraud seriously.

In 2010, the Proceeds of Crime and Anti-Money Laundering Act 2009 came into force, introducing several measures to combat money laundering. Section 44(2) of this Act requires reporting Institutions to monitor and report suspicious transactions to the Financial Reporting Centre (FRC). The FRC is still in the process of being established meaning that institutions are required to file reports to the CBK.

However, the US State Departments report questioned the strength of the Anti-Money Laundering Act, claiming that Kenyas criminal justice system remains open to interference and corruption and combating money laundering has not been given priority, and that the slow implementation of the Act was a serious barrier to fighting graft.

It also noted that, although banks, wire services and other formal channels execute funds transfers, there are also thriving, unregulated informal networks of hawala and other alternative remittance systems using cash-based, unreported transfers that the Kenyan government cannot track.

To be able to adequately identify these transactions, CBK requires all financial institutions to ensure that they carry out 'Know Your Customer' and customer due diligence requirements.

Financial institutions are required to submit an suspicious transaction reporting within seven days of the transaction in question. Incomplete or attempted transactions must also be considered. However, the institution must also take care not to alert the customer that they have been reported to the authorities.

CBK assured banks that no legal proceedings could be brought against a bank or employee that had, in good faith, made an STR report against a customer.

CBK also urged banks to ensure that they had adequate internal reporting mechanisms in place for employees to report suspicious transactions.