

## **We are reuniting unclaimed financial assets with owners, beneficiaries**

**By John Mwangi**

Worldwide, as is the case in Kenya, unclaimed financial assets are held by the government until owners claim them. And there are billions of abandoned assets held by the state in the form of security deposits, tax refunds, long forgotten bank accounts, pension money among others.

A common misconception by many is that the government walks away with unclaimed assets. Others also assume that the money is taken up by the financial institutions holding them once they realize their owners have “abandoned” them for a lengthy duration of time. Financial assets traverse the entire regime of cash in a bank, shares, insurance policies, money order, Court refund, assets held in a fiduciary capacity, unpaid wages, safe deposit boxes, cheques, drafts or similar instruments. They also include deposits for utility services or contributions to retirement benefit schemes.

In Kenya, there exists the Unclaimed Financial Assets Authority (UFAA) - a state organ that receives abandoned financial assets from holding institutions such as banks, insurance companies, telecommunication firms, among others, on behalf of the Government.

The history of UFAA dates to 2007 when the National Treasury convened a Task Force to examine the practice, nature, extent and value of unclaimed financial assets in Kenya. After a study, the Task Force recommended a framework based on international best practice including reviewing existing legislation and developing new a piece of legislation for unclaimed financial assets.

One of the key observations of the Task Force was that there existed no legal framework to deal with unclaimed financial assets and no hope of re-unifying the assets with their rightful owners at the time. The study also estimated that the overall universe of unclaimed financial assets in the financial system, the corporate sector and other institutions, including utilities, was worth over KSh.50 billion.

This led to the recommendation that an Authority mandated to receive, safeguard and reunite unclaimed financial assets be created and granted legal framework to operate.

Consequently, UFAA was hence established pursuant to an Act of Parliament drafted to provide a framework for the reporting and dealing with unclaimed financial assets - Unclaimed Financial Assets Act no.40 of 2011. UFAA started operations in 2014.

Since its inception, UFAA receives unclaimed financial assets and safeguards them in the Unclaimed Financial Assets Trust Fund. It then follows up on the rightful owners based on the information given by the holders, in a process called re-unification where claimants are re-united with their assets after a prescribed process has been followed.

Financial assets are handed over to the Authority as unclaimed assets when; the records of the asset holder do not reflect the identity of the person entitled to the assets; the holder has not delivered the assets to the person entitled to them or the last known address of the apparent owner, as shown on the records of the holder, is in a country that does not provide by law for reunification of assets. It should be noted that the primary role of reunification rest with the holder. Only when, the holder has tried, and failed, to pay or

deliver the assets to the owner do such assets are transferred to the custody of the Authority for eventual reunification. Owner has perpetual right to reunification.

Five years since the Authority began operations, there have been notable milestones. Measures have been put in place aimed at facilitating reunification of unclaimed financial assets with their rightful owners as envisioned in the enabling legislation. The Authority has also been on the forefront ensuring compliance by the holders of unclaimed financial assets through issuance of surrender notices and instituting the necessary structures, systems and procedures to guide the process. Compliance audits are also underway.

Holders have surrendered and reported assets worth Ksh.13 billion in cash, 564 million units of shares and 1,454 Safe deposit boxes.

So far, the Authority has received claims amounting to Ksh 421 million and 1.3 million units of shares from 7,000 claimants. Out of these, claims amounting to Ksh 170 million and 910, 000 units of shares have been reunited with over 2, 000 claimants.

In a recent baseline survey commissioned by the Authority, report data shows that the total number of possible unclaimed financial assets holders in the country is 477,000 while the total estimated unclaimed financial assets is Ksh 241 billion as at October 2018.

These statistics largely explains low levels of compliance by holders as well as claims lodged on the assets by owners/ beneficiaries on surrendered assets.

The unclaimed financial assets surrendered to the Authority are therefore expected to go high as UFAA embarks on the second cycle of its 2018-2023 Strategic Plan. The Plan provides for a comprehensive road map for efficient management and safeguarding of unclaimed assets in the country. The Plan aim to ensure that surrendered assets ultimately get re-united with their rightful owners.

The Authority has entered into partnerships with regulatory agencies across all sectors of the economy to deepen holders' compliance.

UFAA through its parent ministry, the National Treasury, is engaged in the process of developing a comprehensive national policy on unclaimed financial assets to deepen the regime in the country. Members of the public are encouraged to participate in this process to enrich governance of the unclaimed financial assets going forward.

UFAA is also embarking on a massive public campaign awareness to reach out to all the across the country to increasing brand visibility, outreach and stakeholders engagements. The awareness campaign aims to capacity build holders on compliance with the Act on one hand and reunification rightful owners on the other.

The Authority has deployed robust ICT infrastructure that enables searchable database on its website as well as a mobile USSD code (\*361#) to facilitate reunification.

***The writer is the Managing Director at the Unclaimed Financial Assets Authority***

