

**FACTORS INFLUENCING THE SETTLEMENT OF FOREIGN
ACCOUNTS IN STANDARD CHARTERED BANK OF KENYA
LIMITED**

BY

JOSEPHINE KATHURE KIRIMI



**RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI**

NOVEMBER 2011

DECLARATION

This management research project is my original work and has not been submitted for examination in any other university.

Signature..........

Date........

JOSEPHINE K. KIRIMI

D61/72882/2009

This research project has been submitted for examination with my approval as the university supervisor.

Signature..........

Date........

DR JOHN YABS

Lecturer School of Business

University of Nairobi

ACKNOWLEDGEMENTS

My gratitude goes to all those who made this project possible. My deepest appreciation goes to my supervisor Dr John Yabs. His patient insight and encouraging guidance took me beyond limits I thought impossible. Thanks a lot to Mr Nyakwanya for encouraging and providing constructive criticism to the project. To my sibling Eric and my friends Amon and Agnes thank you for the support that you gave to me.

Finally, more thanks to my respondents and the UON family at large. Your positive attitude towards my achievements is a factor of motivation to me.

DEDICATION

To the two who sowed the seed, watered it, helped it grow and have seen it ripen.....my
dearest parents Jeremy and Salome.

ABSTRACT

Settlement of foreign accounts is the process of transferring monies from one country to another with an objective of settling a debt, purchasing products, lending of monies and for investment purposes Frankel and Rose (2002). Banks operate in a given environment, in this environment they face different challenges, hence the need to operate efficiently and effectively in order to make profits. Settlement of foreign accounts or International settlement is one of the areas that most of the Kenyan banks have ventured into, Standard Chartered Bank (SCB) being one of the oldest international banks in Kenya have strived to maintain this as the leading core business.

The study is on factors influencing settlement of foreign accounts. The objectives of this study were to establish the factors that influence the settlement of foreign accounts and to examine the challenges faced when settling these accounts.

The research was conducted through a case study which involved interviews with the Standard Chartered Bank (SCB) senior managers. Out of the sample target of the 5 senior managers, 4 of them were interviewed thus representing 80 % of the sample target. The data was analysed through content analysis. Finding from the study indicates that indeed technology, exchange rate, interbank linkages and knowledge of the customers do influence the settlement of the foreign accounts. The bank faces many challenges when settling these accounts, the unpredictable market forces that trigger the exchange rates, the security of transferring monies from one customer to another.

The study suffered a major limitation as it was conducted solely on Standard Chartered Bank (SCB) and hence did not take into account other commercial banks in Kenya. This was due to limitation of time and resources.

The researcher suggest that similar study to be carried out in other commercial banks and also to establish other factors other than the ones covered in the study

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
ABSTRACT	v
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the study	1
1.2 Research Problem	5
1.3 Research Objectives	7
1.4 Value of the study	7
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 The concept of settlement of foreign accounts	8
2.3 Factors affecting settlement of foreign accounts.	12
2.4 Conceptual Framework	21
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY	23
3.1 Introduction	23
3.2 Research Design.....	23
3.3 Data collection	23
3.4 Data analysis	24
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS	25
4.1 Introduction	25
4.2 Factors influencing settlement of foreign account	25
4.3 Challenges faced when settling the foreign accounts	29

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	30
5.1 Summary	30
5.2 Conclusions.....	31
5.3 Recommendations.....	33
REFERENCES.....	35
APPENDIX I: LETTER OF REFERENCE.....	42
APPENDIX II: INTERVIEW GUIDE.....	43

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Banks operate in a given environment, in this environment they face different challenges, hence the need to operate efficiently and effectively in order to make profits. Settlement of foreign accounts or International settlement is one of the areas that most of the Kenyan banks have ventured into. The rapid increase in international banking and financial flows represents one of the most remarkable developments in the world economy over the past decade. According to statistics from the Bank for International Settlements (BIS), international banks' foreign claims reached 34 trillion dollars in 2007, suggesting that the international banking system is becoming a more important conduit for the transfer of capital across countries (McGuire and Tarashev, 2008).

After a decade of financial repression and stagnant international financial flows, the 1990s saw a resurgence in financial globalization. Countries opened up their economies to capital flows and liberalized their financial sectors. As part of this process of financial integration, multinational banking gained momentum once again and international banks' foreign claims those extended on residents outside the country in which these banks are headquartered took Kjeldsen (2004).

International banks may grow their foreign claims portfolio in two ways. First, they may establish affiliates in different countries and extend claims locally through their branches and subsidiaries in these countries. Second, international banks may also extend cross-border claims by financing and booking the claims from outside the recipient or host

countries (e.g., originating the claim in their home countries, where their headquarters are located). While the first type of international bank claims involve some form of foreign direct investment in the host country's financial sector, cross-border claims do not. In practice, we observe significant disparities in how banks conduct their business across countries Leinonen (2003).

1.1.1 Concept of settlement of foreign accounts

Settlement of foreign accounts is the process of transferring monies from one country to another with an objective of settling a debt, purchasing products, lending of monies and for investment purposes Frankel and Rose (2002). Globalisation has led to increase in transfer or movement of products especially in the developing countries to the developed countries. It is due to globalization that international payments are done by the banking institutions. One result of that liberalization is the emergence of foreign currency deposit accounts in the domestic economy. These foreign currency accounts have created the need for efficient and safe mechanisms through which account holders can transfer value to one another for payment settlement McAndrews and Trundle, (2001)

According to Leinonen (2003), deposits liabilities of the financial system, payment instruments and systems used in a country usually have implications or do influence economic activities giving rise to occasional interventions by monetary authorities in order to achieve some desired outcomes such as low inflation or exchange rate stability. National payments, clearing and settlement systems have their own inherent risks, which include susceptibility to fraud, failure to settle for various reasons, exchange rate risks, etc. In a globalised world, there is increasing desire for payment systems in a country to

conform to some internationally recognized standards and best practices in order to reduce counterparty risks.

Kenya and Zambia happen to have a multi-currency settlement system, which is more ideal and convenient to open economies and the banking industry customers. In Kenya, however, settlement is facilitated over Real Time Gross Settlement (RTGS) platform while Zambia has a manual bilateral gross clearing and settlement system through the correspondent banks as the settlement leg does not pass through the central bank. In terms of failure to settle mechanisms, it was only in Kenya and Zambia where there was an elaborate mechanism to address 'failure to settle' of a net obligation by a participating member bank. The issue of failure to settle remains a challenge, as most central banks do not want to trade systemic risk with their profitability. Many central banks believe that they should not underwrite any losses from the clearing and settlement systems. Since commercial banks are profit-making organizations, there is no justification for central banks' financial support. It is in this context that central banks must use their oversight and regulatory powers to ensure that the banking industry associations institute 'failure to settle' mechanisms to mitigate against market or systemic risks. BIS, (2003).

1.1.2 Banking Industry in Kenya

The banking industry in Kenya is governed by the company's Act, the Banking Act, the Central Bank of Kenya Act and various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted.

The CBK which falls under the minister for finance docket is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions interest rates and other publication guidelines.

There are forty six (46) banks and non-bank financial institutions, fifteen (15) micro finance institutions and forty eight (48) foreign exchange bureaus. Thirty five (35) of the banks, most of which are small to medium sized, are locally owned. The industry is dominated by a few large banks most of which are foreign though some are partially locally -owned. Six (6) of the major banks are listed in the Nairobi Stock Exchange (NSE).

The banks have come together under the Kenya Bankers Association (KBA) which serves as a lobby for the banks interest and also addresses issues affecting member institutions. The commercial banks and non banking financial institutions offer corporate and retail banking services but a small number, mainly comprising, and the large banks offering other services including investment banking.

1.1.3 The Standard Chartered Bank of Kenya Limited

Standard Chartered Bank is one of the leading banks in Kenya having opened its branches in Kenya in January 1911, with 2 branches; one at Treasury Square in Mombasa and the other on Kenyatta Avenue in Nairobi. Today, 100 years later, the Bank has an excellent franchise, with a network of 32 branches strategically located across the country, 84 Automated Teller Machines (ATMs) and 1,040 employees. With 25% local

shareholdings, Standard Chartered Bank has remained a public quoted company on the Nairobi Stock Exchange since 1989.

As the oldest foreign bank in Kenya, they enjoy a market share of approximately 27%. The Bank has two core business divisions: – Wholesale Banking and Personal Banking. These two businesses are supported by the functions of Operations and Technology, Finance, Human Resources and Corporate Affairs. The corporate and institutional business is mainly handled out of the four major cities in Kenya: Nairobi, Mombasa, Kisumu and in Eldoret Town.

Standard Chartered is an active member of the communities in which it operates. The Bank supports projects that focus on the socio-economic development of the youth with a heavy emphasis on health and education.

1.2 Research Problem

Settlement of foreign accounts has been advocated as an opportunity for most international banks worldwide. The idea has been that settlement of foreign accounts would allow for the banks to become more efficient and to provide better information for decision-making Barajas et al, (2010).

After a decade of financial repression and stagnant international financial flows, the 1990s saw resurgence in financial globalization Dekle (2005). As part of this process, multinational banking gained momentum once again and international banks' foreign claims those extended on residents outside the country in which these banks are headquartered took off. These claims consist of financial assets such as loans, debt securities, and equities, including equity participations in subsidiaries. According to

statistics from the Central Bank of Kenya which monitor foreign claims held by banks in Kenya these claims rose from 10 million dollars in 2000 to close to 1 trillion dollars in 2010.

At Standard Chartered Bank settlement of foreign accounts has barely fulfilled its promise. Most of the employees do not know how to use the information technology system that was introduced by the management to settle foreign accounts. There has been an increase in the number of customer complaints arising from the validity and accuracy of the data stored in the system. In some cases data had been stolen or manipulated by some employees to suit their individual interests. The result has been poor employee performance, reduced revenues for the organization and customer flight. The management is concerned that if this is allowed to continue, the organization will lose its credibility which it is trying to rebuild.

Currently there is no empirical study that investigates the factors that have influenced the settlement of the foreign accounts. This study was guided by the following research questions: What are the effects of foreign exchange on the settlement of foreign accounts? How does technology affect the settlement of foreign accounts? What are the effects of inter-bank linkages on the settlement of foreign accounts? and how does knowledge of customers affect the settlement of foreign accounts?

1.3 Research objectives

The objectives of this study were:

- i) To establish the factors influencing the settlement of foreign accounts in Standard Chartered Bank.
- ii) To examine the challenges involved in such settlements.

1.4 Value of the study

The Ministry of finance may use the findings of this study to form part of the action plans that will help the Ministry in enhancing the financial sector countrywide.

Corporate organizations in the financial sector will also benefit from this study by generating and enhancing their account settlement strategies in order to compete effectively in the market. This study will therefore be a guide to other organizations in their efforts to implement competitive financial management strategies in ways that are beneficial to both the employees and the managers.

The findings of the study are expected to be of value to researchers since it will provide literature that can be used for reference for future research and studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter the study reviews the literature that has been published regarding settlement of foreign accounts.

2.2 The concept of settlement of foreign accounts

The scale of today's payments and securities transactions between financial institutions makes electronic settlement a requirement. Indeed, it is a fundamental precondition for secure and efficient settlement and thereby for a well-functioning financial sector, which is beneficial to economic growth and prosperity. Most countries today have built up a payments infrastructure based on electronic payment systems. Not all payments are settled via these systems, however, as some payments are still settled outside the infrastructure, typically via correspondent banks Leinonen (2003)

A number of financial institutions settle their payments outside the payments infrastructure. These can e.g. be small institutions that settle only few payments, so that it is not worth their while to participate in payment systems. Some large institutions also settle their payments outside the payments infrastructure, e.g. due to ingrained habits. Settlement of payments outside the payments infrastructure normally takes place via one or more correspondent banks. A correspondent bank holds accounts for other financial institutions and makes payments on their behalf, BIS (2003).

According to McAndrews and Trundle (2001), there can be certain disadvantages to settling payments via correspondent banks. For example, this settlement method entails a credit risk on the correspondent bank. Usually, settlement of payments via correspondent banks also takes longer than settlement via payment systems.

In real-time gross settlement systems (RTGS) systems each payment is settled individually and immediately. RTGS systems are typically used by financial institutions for settlement of large-value and/or time-critical payments, e.g. money-market transactions, foreign-exchange transactions and the cash leg of securities transactions. These systems are also used for settlement of net positions from net settlement systems. As a consequence of the ongoing individual settlement of payments in RTGS systems, the participants have a large intraday liquidity requirement. Participants can manage their own outgoing payments, but do not usually know with certainty when incoming payments was received. It is therefore essential to an efficient RTGS system that there is sufficient liquidity in the system Leinonen and Soramaki (1999)

In order to make the settlement of payments more flexible, Lannoo and Levin (2001) argues that central banks normally offer the participants intraday credit. This credit is typically fully collateralized. Participants can also obtain liquidity via monetary-policy loans from the central bank, i.e. loans with a maturity of minimum one day, or by borrowing from other participants in the money market.

Procuring liquidity normally entails certain costs, e.g. the costs of borrowing in the money market or the indirect costs of pledging securities as collateral for intraday credit

rather than more profitable placement. Participants therefore often manage their outgoing payments so as to reduce their need for liquidity as much as possible, Giovannini Group, (2003)

Most RTGS systems offer a queue facility if a participant has insufficient liquidity to settle payments at the required time, Giovannini Group, (2003). The participant thus avoids rejection of a payment by the system, requiring the participant to place the payment in the system again when there is cover for the payment. The queue facility includes a number of features that support the participants' liquidity management,

Queuing in an RTGS system can be a consequence of an inappropriate distribution of liquidity between the participants (gridlock), or a shortage of liquidity in the overall payment system (deadlock). Deadlock can only be resolved by contributing further liquidity to the payment system. Gridlock can also be resolved by redistributing liquidity among the participants, e.g. by applying an optimization routine. Gridlock can also occur if some participants minimize their liquidity requirement by not remitting payments until they receive incoming payments, Bech, M and K. Soramaki, (2001). This can lead to a situation where the participants are awaiting each other's payments and where some participants cannot settle their payments due to lack of liquidity.

Some RTGS systems apply mechanisms designed to make participants settle their payments as early in the day as possible. This is to avoid an accumulation of queued payments towards the end of the day Berg, J. and M. Kruse, (2000). For example, some RTGS systems have rules for the proportion of a participant's total daily payments that must be settled by a certain time. Other RTGS systems apply a pricing policy that makes

it more expensive to settle payments in the afternoon than in the morning. In net settlement systems, payments are cleared and settled on a net basis at fixed hours once or several times during the settlement day. Net settlement systems are typically used to settle retail payments, e.g. payments by cheque and debit card.

In a securities settlement system, securities are exchanged between two parties. In the case of a securities transaction, there is an offsetting transfer of funds. Securities can also be exchanged without an offsetting exchange of funds, e.g. securities lending. Most securities settlement systems also handle periodic payments, i.e. interest, repayments and dividend, from issuers to investors. The cash and securities legs of a securities transaction can be settled on a gross or net basis, or a combination of the two. In gross settlement, trades are executed individually, as in an RTGS system. In net settlement, all trades in a specific period are compiled in one settlement cycle where they are netted bilaterally or multilaterally. Koponen, R. and Soramäki, K (1998).

After a securities transaction is concluded, the transaction is reported to a central securities depository that handles clearing and settlement of the transaction, Arnt, H. and A. R. Pedersen, (2003). Both the buyer and the seller, or their securities dealers, report the transaction. In many modern trading systems reporting takes place automatically when trades are concluded. In some settlement systems clearing are handled by a central counterparty that acts as intermediary in the trade. Normally a central counterparty offers netting of trades, allowing the buyer and the seller to remain anonymous.



2.3 Factors affecting settlement of foreign accounts.

Outlined below is the discussion on the factors that affect the settlement of foreign accounts.

2.3.1 Effects of Exchange Rate on Settlement of Foreign Accounts

The foreign exchange market is the largest financial market in the world by virtually any standard. Average daily turnover in 2004 traditional foreign exchange markets was estimated at \$1.880 billion (Bank for International Settlements, 2005) and average daily global turnover in 2006 traditional foreign exchange market transactions totaled \$2.7 trillion (International Financial Service London, 2006). Recently foreign exchange trading increased by 37% from 2005 to 2006 and more than doubled since 2001 (International Financial Service London, 2006). This is largely due to the growing importance of foreign exchange.

Many countries experienced currency crises. Japanese Yen appreciated almost 50% in 1987-1989 (Whittaker and Kurosawa, 1998), Argentina experienced serious financial crisis during 1990s (Kaminsky and Reinhart, 1998), and Mexican Peso depreciated by at least 20% in 1994 (Sachs, Tornell, Velasco, Calvo, and Cooper, 1996). Several organizations went bankrupt because of currency crises. During Japan crisis, four major financial institutions collapsed in a single month of November 1997 McCormack (1998). Exchange rate or currency fluctuation is regarded as a major uncertainty of firms and

most organizations try hard to stabilize with exchange rate management (Drazen and Helpman, 1987).

Thompson (1967) specifies three types of uncertainties: generalized uncertainty, contingency uncertainty, and interdependence of components that pose major challenges to organizational rationality. Exchange rate uncertainty represents generalized and contingency uncertainties and is a major source of uncertainty especially for U.S. multinational firms (Jorion, 1990; Pantzalis, Simkins, and Laux, 2001). Researchers stress the fatalness of exchange rate uncertainties (Klassen and Whybark, 1999; Sawyerr, 1993; Shapiro, 1974) and the importance of dealing with external uncertainties (Jauch and Kraft, 1986).

As businesses become increasingly globalized, more and more organizations find it necessary to pay more attention on FOREX exposures and appropriate managerial strategies for FOREX management (Bhandari, 1985; Eun and Resnick, 2001; Pantzalis, Simkins, and Laux, 2001). There are many useful FOREX management strategies, such as international capital mobility, exchange market intervention under rational expectations, hedging, outsourcing, and foreign currency derivatives (Miller and Reuer, 1998).

2.3.2 Effects of Technology on Settlement of Foreign Accounts

Advances in technology have catapulted many economies and businesses forward. It has given rise to electronic commerce, which in turn has led to the development of electronic money. Moreover, the information technology revolution has also enhanced financial

innovation, with financial markets now more sophisticated and complex than ever before. Rajshekara (2004) described the adoption of IT in banking has undergone several changes with the passage of time. Today IT has become an inseparable segment of banking organization. The application of information technology in the banking sector resulted in the development of different concepts of banking such as – E-banking, Internet Banking, Online Banking, Telephone Banking, Automated teller machine, universal banking and investment banking etc. Information technology has a lot of influence on banking transactions. It ensures quick service with low transaction cost to the customers. The real success of IT in the banking sector depends upon the customer's satisfaction.

The spread of E-Commerce has invariably brought about the development of E-Money. Over the recent years, a new phase in the application of IT to the financial sector has begun, with the invention of devices carrying electronic "money". IT had previously been used simply to process, store and move money more efficiently, but now it is also being used to create new forms of currency. These include prepaid stored value cards and prepaid software products that can be used to make payments across computer networks, sometimes referred to as digital cash Helleiner (1998).

In contrast to credit or debit cards, these devices do not access a bank account but represent general liabilities of the issuer. When money is spent with the issuer, there is usually an electronic link to the issuer which tracks balances and transactions. At the moment, E-money is only at an embryonic stage. Helleiner (1998) New technologies

have particularly supported process innovation, making it possible to produce goods and services that were not conceivable before, and in a more efficient and faster manner. An example of this is the use of electronic funds transfer system. The IT revolution has also facilitated the provision of derivative products, the development of securitisation and the emergence of electronic payment and settlement means

The spread of mobile phones across the developing world is one of the most remarkable technology stories of the past decade. Buoyed by prepaid cards and inexpensive handsets, hundreds of millions of first-time telephone owners have made voice calls and text messages part of their daily lives. However, many of these same new mobile users live in informal and/or cash economies, without access to financial services that others take for granted. Indeed, across the developing world, there are probably more people with mobile handsets than with bank accounts (Porteous, 2006). Various initiatives use mobile phones to provide financial services to “the unbanked.” These services take a variety of forms including long-distance remittances, micropayments, and informal airtime bartering schemes and go by various names, including mobile banking, mobile transfers, and mobile payments. Taken together, they are no longer merely pilots; in the Philippines, South Africa, Kenya, and elsewhere, these services are broadly available and increasingly popular.

In the case of m-banking/m-payments channels, pawn shops, bus companies, the post office, hand carrying by friends and family, underground money transfer mechanisms—such as China’s fei ch’ien (flying money,” a network of affiliates allowing users to put

money into the network in one city and have it available in another without the actual banknotes making the trip) (Maurer, 2008) – and formal transfer services like Western Union all have their adherents, and the list is longer when one includes alternative savings and credit mechanisms like chit funds and moneylenders. There are communication issues, as well: transfers are exchanges at a distance, and as Ruthven points out, there is an implicit or explicit network of communication and information exchange embedded into almost every transaction. Remittances, in particular, are a context in which it is difficult to separate financial transactions from symbolic meaning and social bonding (Hart, 2000; Singh, 2007).

ATM, internet banking and mobile banking have improved customer convenience by providing banking services anywhere anytime. The utility bill presenting and payment has helped customers to pay their bills online at the click of a button. Electronic clearing system and electronic funds transfer have facilitated faster funds movement and settlement for the customers of different banks and different centers. The electronic data interchange and cash management service facilities have enabled better funds management for the customer. Advancements in information technology have made it possible for the banks to use the internet as a delivery channel for banking services. Technological developments have introduced tremendous changes in the ability of financial and non financial firms to efficiently collect, store, use and sell information about their customers. (Dekle, 2005).

2.3.3 Effects of Inter-bank linkages on Settlement of Foreign Accounts

Interbank linkages concern not only financial institutions, but also the market infrastructures for making payments and settling securities transactions. Market participants are increasingly seeking to produce inter-bank payment and securities settlement services in a cost-minimizing approach, leaving the creation of value added payment services to the commercial relationship between a bank and its customer. In this respect, a global trend towards consolidation is observable both at the horizontal level (e.g. the merger of two securities settlement systems) and at the vertical level (e.g. in the securities industry, the integration of trading, clearing, settlement and custody services within a single institution) (Tison, 1986).

McKinnon, R.I. (2004) says although consolidation in the financial sector is driven by a variety of factors, two have been the main driving forces behind the consolidation of payment and securities processing: cost reduction and leveraging specialized business opportunities. For banks, it is becoming increasingly important that the provision of payment and securities settlement services is produced at minimal cost due to increased competition. In addition, increased concentration in processing payments will drive the demand for rationalization of market infrastructures.

At the international level, specialized correspondent and custodian banks acting on a global basis may seek to provide payment and settlement services. For those institutions without a critical mass of transactions, technology has also enabled them to outsource their payment and settlement activities to other processors that can capture economies of

scale. One of the main advantages for the outsourcing bank is that it shifts the investment costs (as well as the operational risk) to the service provider and converts fixed costs to variable costs.

Interbank linkages has an impact on the efficiency of payment and securities settlement since it affects the way in which these activities are conducted and thus the resources that are used for the provision of the respective services. A first effect is related to the fact that consolidation tends to lead to a greater concentration of payment and settlement flows among fewer parties within the financial sector, Hunt, C.B., and Auster, E.R. (1990). As a result of such concentration, a greater number of transactions are internalized within fewer institutions. Inter-bank transactions become intrabank transactions which do not involve external exchanges of payment messages via an interbank funds transfer system (IFTS) and hence tend to be cheaper to process

According to Amihud, Y. and Levich, R. M. (1992), the concentration of payment and settlement flows within fewer institutions might also lead to increased efficiency because a reduction in the number of banks can facilitate agreements on technical standards and market conventions. In fact, one study found that countries with more consolidated banking systems have greater use of electronic payments and attributed this to the greater ease experienced in agreeing on common standards, technology and the use of centralized account information. However, there are also examples of countries with a less consolidated banking industry where inter-bank cooperation in the field of payment systems (including standardization issues) works well owing to the fact that banking

associations – or similar common entities – have been given a mandate by their member banks to act on their behalf in this special area.

Settlement risks, for example, may become less transparent as risks shift from rule-based interbank systems with relatively open disclosure to large private sector payment service providers with more discretionary credit management practices and less transparency. Ouchi, W. G., and Wilkins, A. L. (1985). Critical operational “choke points” may shift from well recognised and understood interbank systems to private sector firms whose payment and settlement roles may not be recognised fully by market participants or authorities. Risks must be identified and monitored as a first step in risk management. To the degree that consolidation makes settlement risks less transparent to counterparties and the markets by shifting transactions to private systems, risk management may be weakened.

2.3.4 Knowledge of customers

The incentives of banks to do due diligence checks on their customers are debated in the literature. The main difference is between those who argue that the benefits are too large for private banks to resist the temptation to facilitate banking for wealthy individuals regardless of the origin of the funds, and those who consider the risk to be too high for banks if due diligence rules are not followed Palmer (2009).

Banks have incentives to assist wealthy customers with managing their wealth regardless of the origin of the funds, because the nature of the banking business makes large

customers attractive. Global Witness has documented that high ranking politicians have been helped by banks to transfer large amounts of public funds into secret or hidden private accounts (Global Witness, 1999; 2009a; 2009b).

Reputational risk is serious for banks since their business requires that depositors, creditors and the general marketplace trust the bank to be professionally run. As Christian Aid (2008:8) points out “It’s a world where reputation is all”. If there is doubt about the qualifications, integrity and motivations of the bank, there is a risk that clients will leave. The same counts for the operational risk if there is doubt that internal processes are practiced efficiently. Legal risks open for costly lawsuits and unenforceable contracts that can affect the operations of the bank. If the bank does not do a proper due diligence check the concentration risk is unmanaged, and the bank risks to become too dependent of a few clients because the bank management does not have an overview of whom and how many independent clients they have (BIS, 2001:3-5).

Although there is considerable risk connected to weak due diligence, several reports and newspaper articles document that banks nevertheless do assist politically exposed persons and powerful, wealthy figures. Global Witness placed the role of banks on the international agenda in 2009 with the report ‘Undue Diligence. How banks do business with corrupt regimes’ (Global Witness 2009a). The report received much attention (Palmer, 2009; The Economist, 2009a). In November 2009, Global Witness published a new study on how banks facilitate illicit flows from developing countries. The report, entitled ‘The secret life of a shopaholic’, documents, for instance, how the son of the

president of Equatorial Guinea managed to use a network of Western banks to channel large amounts of public funds out of the country and into private accounts (Global Witness, 2009a; U.S. Department of Justice, 2007; Urbina, 2009). The Global Witness reports are naming politically exposed persons (PEPs), and they have a clear agenda to stop Western governments and banks from facilitating the looting of public funds from developing countries. The focus of these and similar studies is on Western banks and their lack of compliance to the 'Know Your Customer' principle (US Senate Permanent Subcommittee on Investigations, 1999; Greenberg et al., 2009; The Economist, 2009a, 2009b). The findings are interesting because they show that capital flight and money laundering may be facilitated by Western banks even though these banks often are perceived as more legitimate compared to offshore banks and poorly regulated banks in developing countries.

2.4 Conceptual Framework

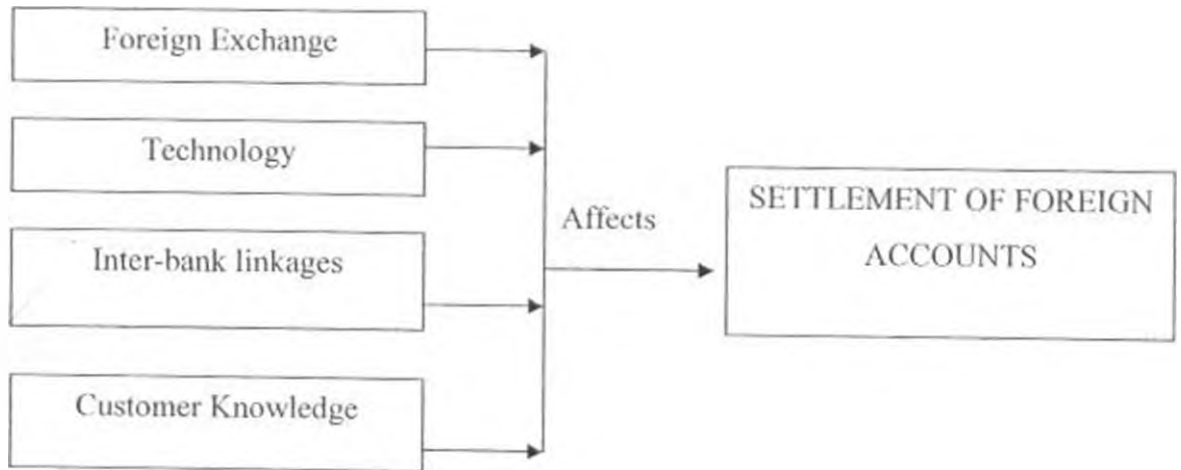
The conceptual for the study shows that for banks to settle foreign accounts, some factors have to be considered. These factors range from the foreign exchange, to technology, to the kind of linkages the bank has with the other banks and the knowledge of its customers.

It is conceptualized that compliance can be improved by adjusting these independent variables appropriately.

Figure 1.1 Conceptual Framework the independent and dependent variable

Independent Variables

Dependent Variables



Source: Author (2011)

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The details of the procedures that were used in conducting this study are covered below in order of: research design, data collection and data analysis.

3.2 Research Design

The research was designed in form of a case study of Standard Chartered Bank of Kenya because it enables a researcher to probe and obtain an in-depth understanding of a particular phenomenon. According to Cooper and Schindler (2003) such a study is concerned with finding out who, what, when, where and how of the relevant phenomena.

3.3 Data collection

Data for this study was collected using self administered interview guide. Open ended questions was employed to make the interview guide easily understood. The researcher visited the Human Resources Director of Standard Chartered Bank, to ask for her authority to administer the instruments, specifically the researcher interviewed the Operations managers, and head of the international banking section, customer relations manager and Information Security manager. This method of administration ensured that the data collected is a good representation of the study. Primary data was collected by interviewing and discussions with the key people. Secondary data was considered especially on specific variables and their relationships using books, journals and magazines.

3.4 Data analysis

The collected data from interviews was analyzed using content analysis technique because the study solicited for data that is qualitative in nature and given the case study was conducted in single organization where most of the interviewees are drawn from.

The researcher did not attempt to code the data collected but strove to make sense of the data as information was collected.

Content analysis was relevant to this study since it did not set barriers hence the interviewees could express their opinion fully. According to Mugenda and Mugenda (1999) content analysis involves observation and details description of objects, items or phenomena that comprise the sample. This allows for qualitative description of data from interview.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter addresses results of the research objectives outlined in chapter one of this study. The section covers data analysis, results and discussions of the case study on factors influencing settlement of foreign accounts in Standard Chartered Bank (SCB) of Kenya limited. Out of the 5 selected senior managers to be interviewed the study managed to interview 4 of the senior manager thus representing 80% of the target group.

4.2 Factors influencing settlement of foreign account

The bank (SCB) carries out thousands of transaction daily. Part of these transactions is the settlement of foreign accounts. Many factors do affects the said transactions as indicated in this analysis section.

4.2.1 Exchange Rates

The respondents were asked to describe the nature of exchange rate in the settlement of foreign accounts. The majority of the respondents reported that it keeps fluctuating to the Dollar, that the exchange rate was dependent of the political stability of a country and the exchange rate were a major determinant of the settlement of foreign accounts in the organization .

The respondents also indicated that the market forces of demand and supply are the major determinants of exchange rates in foreign account settlement

Further discussion with the interviews highlighted that exchange rates affected the international capital mobility, market intervention and also the companies hedging policy

that is adopted. The cost of settling these accounts goes high as the exchange rates fluctuates, and this cost is definitely passed on to the accounts bearers either by increasing the charges.

The data collected indicates that settlement of foreign accounts would lead to an increased outflow of cash which would possibly affect the local lending rates if the foreign accounts are deemed to be profitable.

When asked how/ if the foreign exchange affects the settlement of foreign accounts, the respondents were keen to highlight that these affected the lending rates in the local market which would possibly create volatility in the market and discourage local investment, risks of settling these foreign accounts and also it affects the amounts recorded in as net income.

4.2.2 Technology

This being one of the factors the researcher sought to find out what kind of technology was used in settling the foreign accounts. Internets, faxes and telephone are majorly used by the bank. Internet technology is major tool of foreign accounts account transactions. This would be due to it speed, convenience and reliability. However, security is a major concern during such transactions such as fraud and loss of confidentiality.

Foreign account settlement is largely dependent on the availability of internet facilities. This means that the internet services of SCB should be made reliable to avoid customer disappointment. The researcher sought to establish the effects of technology on the settlement of foreign accounts in the organization. The majority said it increased the

speed of foreign account settlement and therefore saves time both for the bank and the client, it enhanced the relationship between the customer and the bank and it also facilitated the accessibility of customer to his/her account.

4.2.3 Inter-Bank Linkages

The researcher sought to establish from the respondents the kind of linkages that existed between Standard Chartered Bank and other organizations. Half of the respondents said that there was networking between them for purposes of sharing data, and others said there was interbank money transfers being done and there was interbank borrowing.

The study indicates that the linkages are important for the bank to facilitate the settlement of foreign accounts especially in countries where SCB does not have a physical presence.

Further discussion with the interviewees they all indicated that interbank linkages affected foreign account settlement. Based on this, it can be argued that SCB depends on interbank linkages to facilitate foreign account transactions. This would be attributed to the fact that the bank may not have accounts every country in the world. Such linkages would help to promote foreign account settlements.

The managers confirmed that the level of interbank linkages is very high. It can be argued that SCB has tried to create networks through which foreign accounts could be settled, although the banks have a presence in many countries around the world. The interbank linkages increases the speed at which the accounts are settled, reduces the cost of settling these accounts especially the transportation costs and reduces the customer inconvenience when accessing their accounts. This information indicates that the interbank linkages

would enhance customer satisfaction due to ease and speed of accessing their accounts irrespective of where they are operating from in the world.

4.2.4 Knowledge of Customers

Knowledge of the customers is a key concept that the bank enhances. The kind of knowledge the customers requires include information on the withdrawals, deposits and the exchange rates prevailing especially at the time of making payments.

In an effort to ensure that the SCB customers are equipped with enough information the bank normally sends out emails to their customers, prepares booklets of all their products, the bank advertises their products and finally a customer relations officer is attached to their clients. This shows that the bank is well covered in terms of disseminating information to the clients. Use of emails being the key route of sending out information, this could be attributed to the ease with which mails can be sent and the same mails could be copied to thousands of customers at a minimal cost

Having good knowledge of the customers helps in making organizational decisions on foreign accounts transaction, helps the banks to inform the customer in case of any risks involved during transacting and finally helps the bank to make the marketing decisions such as pricing and promotions. From the data above it can be deduced that knowledge of customers helps the organization to make decisions about foreign transactions such as frequency of settlement and investments risks.

When asked to report on how the customer knowledge affects the settlement of foreign accounts, the majority (80%) of the respondents said it helped to determine customer behavior, 20% said it helped in determining the growth prospects of the accounts.

This shows that knowledge is an important tool for determining the behavior of customers involved in foreign transactions. Such information would help to make marketing decisions related to price, product development, promotion and distribution

4.3 Challenges faced when settling the foreign accounts

The managers interviewed were in agreement that most of the factors discussed above pose as a challenge to the bank when settling these accounts. The market forces of demand and supply of the dollar currency being the most highlighted. This could be challenge for the management of the organization since these market dynamics are unpredictable.

The security of customers information was also identifies as key challenge when settling these foreign accounts. Malicious people have posed as the customers and given improper details that has lead to diversion of payments to their accounts.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study on factors influencing the settlement of foreign accounts in standard chartered bank had two objectives. First to establish the factors influencing the settlement of foreign accounts in Standard Chartered Bank and to examine the challenges involved in such settlements.

5.1.1 Factors influencing the settlement of foreign accounts in Standard Chartered Bank

The findings from the study indicate that the exchange rate keeps fluctuating to the dollar, the market forces of demand and supply also plays a bigger role in settling these foreign accounts it has been the banks concern that these fluctuations are hindering the performance of the bank as the same cost incurred is passed to the customers. The exchange rates also affected the mobility of capital to different countries as most of the investors shy away from investing in Kenya since the cost of doing so is high. The effects of exchange rates trigger down to the citizens as the cost of living goes high. The manufacturers tend to increase the prices of their products since the cost of production goes high. The cost of lending money to the public goes high and this makes it impossible for the citizens to acquire these monies.

On technology, the bank uses internet. Use of technology affected the settlement of foreign accounts. It increased the speed of foreign account settlement and therefore saves time both for the bank and the client

When asked about the nature of inter-banks linkages, half of the respondents said that there was networking between them for purposes of sharing data. The overwhelming majority confirmed that the linkages affected foreign account settlement. The levels of linkages were very high, and these inter-bank linkages increased the speed at which the accounts were settled.

The findings from the study indicate that customers required information about withdrawals, the bank sends out e-mails to clients as way of creating knowledge. This knowledge affected organizational decisions on foreign account transactions and it helped to determine the customer behavior.

5.1.2 Challenges faced when settling the foreign accounts

When settling these accounts, security of the customers' data has been a challenge to the bank. With the technology around many computers are being hacked and customers' data changed. The bank has initiated a program to sensitize the customers on the need to have to verify their data with the bank now and then, at the same time the bank has initiated a security program that ensures that minimal or no loss of data or any transaction is incurred.

5.2 Conclusions

The study shows that the exchange rates keep fluctuating to the Dollar. This could make the settlement of foreign accounts to be unstable and potential loss of business. This study shows that the market forces of demand and supply are the major determinants of exchange rates in foreign account settlement. This could be challenge for the

management of the organization since these market dynamics are unpredictable. The data indicates that settlement of foreign accounts would lead to an increased outflow of cash which would possibly affect the local lending rates if the foreign accounts are deemed to be profitable. The above data shows that the foreign account settlement is a major determinate of the lending rates in the local market which would possibly create volatility in the market and discourage local investment.

This study indicates that internet technology is major tool of foreign accounts account transactions. This would be due to it speed, convenience and reliability. However, security is a major concern during such transactions such as fraud and loss of confidentiality and that foreign account settlement is largely dependent on the availability of internet facilities. This means that the internet services of Standard Bank should be made reliable to avoid customer disappointment. Arguably, technology can be used as a tool of customer relations management at Standard Chartered Bank. This could also help to attract more customer traffic to the organization.

The study indicates that the linkages are important for the bank to facilitate the settlement of foreign accounts especially in countries where Standard Bank does not have a physical presence. Based on the data above, it can be argued that Standard Bank depends on interbank linkages to facilitate foreign account transactions. This would be attributed to the fact that the bank may not have accounts every country in the world. Such linkages would help to promote foreign account settlements It can be argued that Standard Bank has tried to created networks through which foreign accounts could be settled, although the banks have a presence in many countries around the world. The study indicates that

the interbank linkages would enhance customer satisfaction due to ease and speed of accessing their accounts irrespective of where they are operating from in the world.

The study found out that foreign accounts settlements are mostly in the form of withdrawals and deposits by customers especially those who travel. The data shows that e-mails are a major consideration in creating knowledge for customers. This could be attributed to the ease with mails can be sent and the same mails could be copied to thousands of customers at a minimal cost. From the study it can be deduced that knowledge of customers helps the organization to make decisions about foreign transactions such as frequency of settlement and investments risks. Such information would help to make marketing decisions related to price, product development, promotion and distribution

5.3 Recommendations

The study recommends that the management of Standards Chartered Bank should continuously monitor the fluctuations in the exchange rates to keep abreast with the market trends. This would help to reduce risks associated with foreign account transactions.

The management of the bank should liaise with the telecommunication industry and consider the possibility of using mobile phone technologies such as M-PESA to settle foreign accounts. This is not only secure, but also could supplement the internet which may often fail especially in the rural areas.

The study recommends that the management of Standard Chartered Bank should consider linking themselves with organizations like supermarkets and dealers to facilitate foreign transactions. In this way a customer does not need to carry money at any one time.

The study established that the organization relies heavily on internet to create knowledge. It is recommended that the management of the organization considers the possibility of creating knowledge through sales promotions and personal selling. This could be more convincing and memorable than e-mails and adverts.

5.3.1 Suggestions for further study

This study dwelt on only four aspects associated with foreign account settlement. This limited scope was due to time and costs. Other factors could also affect the settlement of foreign accounts. This study therefore recommends that further study be conducted to establish the effects of government policy, competition and globalization on foreign account settlement.

REFERENCES

- Allayannis, G., and Ofek, E. (2001). *Exchange rate exposure, hedging, and the use of foreign currency derivatives*. *Journal of International Money and Finance*, 20: 273-296.
- Amihud, Y. and Levich, R. M. (1992). *Exchange Rates and Corporate Performance*. New York. IRWIN Professional Publishing.
- Arnt, H. and A. R. Pedersen. (2003). *Securities Market Infrastructures*, Danmarks Nationalbank, *Monetary Review*. 3rd Quarter.
- Bacchetta, P., and Wincoop, E. (2000). *Does exchange-rate stability increase trade and welfare?* *American Economic Review*, 90(5): 1093-1109.
- Bech, M and K. Soramaki, (2001). *Gridlock Resolution in Payment Systems*, Danmarks Nationalbank. *Monetary Review*, 4th Quarter.
- Berg, J. and M. Kruse, (2000). *Securities Settlement in an International Perspective*, Danmarks Nationalbank, *Monetary Review*, 2nd Quarter.
- Bank for International Settlements. March 2005. *Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity*.



- Barajas, A., et al (2010). *The impact of liberalization and foreign investment in Colombia's financial sector*. *Journal of Development Economics* 63 (1), 157–196.
- Bhandari, J. S. (1985). *Exchange Rate Management under Uncertainty*. Massachusetts. The MIT Press.
- BIS, (2003). *The role of central bank money in payment systems*. Report prepared by the Committee on Payment and Settlement Systems, Bank for International Settlements.
- Bodnar, G., and Marston, R. (2001). *A Simple Model of Foreign Exchange Exposure*, in *Economic Theory, Dynamics, and Markets: Essays in Honor of Ryuzo Sata*, edited by T. Negishi, R. Ramachandran, and K. Mino, Kluwer: New York.
- Bragdon, J., and Marlin, J. (1972). *Is pollution profitable?* *Risk Management*, 19(4): 9-18.
- Clarida, R.H. 1997. *The real exchange rate and manufacturing profits: A theoretical framework with some empirical support*. *International Journal of Financial Economics*, 2: 177-187.
- Dekle, R. (2005). *Exchange rate exposure and foreign market competition: evidence from Japanese firms*. *The Journal of Business*, 78: 281--300.

- Dominguez, K. M. E., and Tesar, L. L. (2006). *Exchange rate exposure*. Journal of International Economics, 68(1): 188-218.
- Drazen, A. and Helpman, E. 1987. *Stabilization with Exchange Rate Management*. The Quarterly Journal of Economics, 102, No. 4, pp. 835-856.
- Fun, C. S. and Resnick, B.G.. (1988). *Exchange rate uncertainty, forward contracts, and international portfolio selection*. The Journal of Finance, 43(1): 197-215.
- Fun, C.S., and Resnick, B.G. (2001). *International Financial Management*. New York: McGraw-Hill.
- Financial Forecast Center. (2006). *6 Months Money Related Forecasts*. <http://www.forecasts.org/>
- Frankel, J., and Rose, A. (2002). *An estimate of the effect of common currencies on trade and income*. The Quarterly Journal of Economics, 117 (2): 437-466.
- George, A. M., and Schroth, C. W. (1991). *Managing foreign exchange for competitive advantage*. *Sloan Management Review*, 32(2): 105-116.
- Giovannini Group. (2001). *Cross-Border Clearing and Settlement Arrangements in the European Union*, November 2001.

Giovannini Group. (2003). *Second Report on EU Clearing and Settlement Arrangements*, April 2003.

Glaum, M., Brunner, M., and Himmel, H. (2000). The DAX and the dollar: *the economic exchange rate exposure of German corporations*. *Journal of International Business Studies*, 31 (4): 715-724.

Hart, S.L. (1995). *A natural resource-based view of the firm*. *Academy of Management Review*, 20: 986-1014.

Hunt, C.B., and Auster, E.R. (1990). *Proactive environmental management: Avoiding the toxic trap*. *Sloan Management Review*, 31(2): 7-18.

International Financial Service London. (2006). *Foreign Exchange: City Business Series*. Oct. 23, 2006.

Jauch, L. R., and Kraft, K. L. (1986). *Strategic management of uncertainty*. *Academy of Management Review*, 11(4): 777-790.

Jesswein, K., Kwok, C., and Folks Jr., W. (1995). *Corporate use of innovative foreign exchange risk management products*. *Columbia Journal of World Business*, 30(3): 70-82.

- Jorion, P. 1990. *The exchange-rate exposure of U.S. multinationals*. *Journal of Business*, 63: 331-345.
- Kaminsky, G. L., and Reinhart, C. M. (1998). *Financial crises in Asia and Latin America: then and now*. *American Economic Review*, 88(2): 444-448.
- Klassen, R. D., and Whybark, D. C. (1999). *The impact of environmental technologies on manufacturing performance*. *Academy of Management Journal*, 42(6): 599-615.
- Kjeldsen, Kristian, (2004). *The Role of Capital in Banks*, Danmarks Nationalbank, *Monetary Review*, 3rd Quarter.
- Kogut, B., and Kulatilaka, N. (2004). *Real options pricing and organizations: The contingent risks of extended theoretical domains*. *Academy of Management Review*, 29(1): 102-110.
- Lannoo, K. and M. Levin, (2001). *The securities settlement industry in the EU – structure, costs and the way forward*, *CEPS Research Report*, December 2001.
- Leinonen, H. and K. Soramäki, 1999. *Optimizing Liquidity Usage and Settlement Speed in Payment Systems*, Bank of Finland, *Discussion Papers*, No 16.
- Leinonen, H., (2003). *Simulation Interbank Payment and Securities Settlement Mechanisms with the BoF-PSS2 Simulator*, Bank of Finland, *Discussion Papers* No 23.

McAndrews, J. and J. Trundle, (2001). *New payment system designs: causes and consequences*, Bank of England, *Financial Stability Review*, December 2001.

MacKay, S. (2002). *The new rules for G7 site selection*. *Business Facilities*.

McCormack, G. 1998. From number one to number nothing: Japan's fin de siecle blues. *Japanese Studies*, 18(1): pp. 31--44.

McKinnon, R.I. (2004). *The East Asia exchange rate dilemma and the world dollar standard*. In ADB, ed., *Monetary and Financial Integration in East Asia*. The Way Ahead. Volume 2. New York: Palgrave MacMillan. Chapter 3, pp. 177=208.

Miller, K. D., and Reuer, J. J. (1998). *Firm strategy and economic exposure to foreign exchange rate movements*. *Journal of International Business Studies*, 29(3): 493-513.

Murray, J. Y. (1996). *A currency exchange rate-driven vs. strategy-driven analysis of global sourcing*. *Multinational Business Review*, 4(1): 40-51.

Ouchi, W. G., and Wilkins, A. L. (1985). *Organizational culture*. *Annual Review of Sociology*, 11: 457-483.

- Pantzalis, C., Simkins, B., and Laux, P. (2001). *Operational hedges and the foreign exchange exposure of U.S. multinational corporations*. *Journal of International Business Studies*, 32(4): 793-812.
- Sachs, J.D., et al (1996). *Financial crises in emerging markets: the lessons from 1995*. *Brookings Papers on Economic Activity*, 1996 (1): 147-215.
- Sawyer, O. (1993). *Environmental uncertainty and environmental scanning activities of Nigerian manufacturing executives: a comparative analysis*. *Strategic Management Journal*, 14(4): 287-299.
- Simmons, B. (1994). *Who Adjusts?* Princeton, NJ: Princeton University Press.
- Thompson, J. D. (1967). *Organizations in Action--Social Science Bases of Administrative Theory*, New York: McGraw-Hill.
- Whittaker, D. H., and Kurosawa, Y. (1998). *Japan's crisis: evolution and implications*. *Cambridge Journal of Economics*, 22(6): 761-771.

APPENDIX I: LETTER OF REFERENCE

SENIOR MANAGERS

STANDARD CHARTERED BANK OF KENYA LIMITED

STANCHART HOUSE

Dear Sir/ Madam,

RE: RESEARCH ON FACTORS INFLUENCING SETTLEMENT OF FOREIGN ACCOUNTS

I am a student at the University of Nairobi doing Masters Degree in Business Administration (MBA).

I am undertaking the above research programme as part of the academic requirements for a Masters. I would be grateful if you could spare sometime and attend to by interview questions answering the questions as honestly as possible.

Your response will be kept completely confidential and will be used only for the purpose of this research. Should you be interested in the outcome of the study , we shall be willing to share with you the results.

Your cooperation in participating in this study will be highly appreciated.

Thank you in anticipation.

Yours Faithfully,

Josephine K. Kirimi

APPENDIX II: INTERVIEW GUIDE

Tick Where Appropriate and For Explanation, Please Be Brief

SECTION A: PERSONAL INFORMATION

1) Gender Male Female

2) Which of the following describes your highest education level?

Secondary College university graduate

Post Graduate

3) For how long have you been working for this organization?

Less than a Year 1 Yr-5Yrs 6 Yrs – 10 Yrs

11Yrs – 15 Yrs 16 Yrs – 20 Yrs Over 21 Yrs

SECTION B: EXCHANGE RATES

1. Describe the nature of the exchange rates in the settlement of foreign accounts in the organization?

2. Who controls the exchange rates in the settlement of foreign accounts in the organization? (Please Specify)

3. Explain the effects of foreign exchange on the settlement of foreign accounts

4. How does foreign exchange affect the settlement of foreign accounts in the organization?

SECTION C: TECHNOLOGY

5. What kind of technology does the organization use in the settlement of foreign accounts? (Please specify)
6. Does the use of technology affect the settlement of foreign accounts in your organization? (Please explain your answer)
7. How would you describe the effects of technology on the settlement of foreign accounts?

SECTION D: INTER-BANK LINKAGES

8. Please state the kind of linkages that exist between your organization and other banks in the settlement of foreign accounts
9. Do inter-bank linkages affect the settlement of foreign accounts in the organization? (Please explain your answer)
10. How would you describe the level of inter-bank linkages in the settlement of foreign accounts?
11. In what ways do inter-bank linkages affect the settlement of foreign accounts in the organization? (Please specify)

SECTION E: KNOWLEDGE OF CUSTOMERS

12. What kind of knowledge required by customers in the settlement of foreign accounts in the organization? (Please Specify)

13. What are the efforts made by your organization to create the knowledge required?

14. Please state the effects of knowledge of customers on the settlement of foreign accounts in the organization

15. In what ways does the customer knowledge affect the settlement of foreign accounts in the organization? (Please specify)