

Empowerment deal in Barclays Africa's sights

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17 May 2017

With financial services transformation in the spotlight at parliamentary hearings, Barclays Africa is planning to conclude another large empowerment deal to meet the 25% ownership target required by the Financial Sector Code (FSC).



Wendy Lucas-Bull, Barclays Africa chair

Although the "once empowered, always empowered" rule still stands under the financial services charter and the group enjoys the credentials obtained from its previous large empowerment transaction, the banking group has indicated it is planning another deal.

Speaking after the group's annual meeting on Tuesday, Barclays Africa chairwoman Wendy Lucas-Bull said the group planned to conclude an empowerment deal, having obtained clarity on the "once empowered, always empowered" principle.

The group's South African operation, Absa, previously concluded an empowerment scheme worth R5bn with the Batho Bonke consortium led by politician-turned-businessman Tokyo Sexwale in 2004. This gave the consortium 10% of the shares in Absa.

Lucas-Bull said that by the time discussions had begun about the once empowered, always empowered principle - which suggests companies retain black ownership targets set in their respective industry charters and met through empowerment and other transformative deals even after black shareholders sell their shares - Absa's level of black ownership had declined

because Batho Bonke cashed in some of its shares to settle debt obligations.

When Barclays bought a majority interest in Barclays Africa, which owns Absa, the sector was still in discussions with the Department of Trade and Industry about the principle. Barclays Africa's hands were tied and it could not proceed with "topping up" the gap Batho Bonke left.

"All these things were in the process of being clarified," Lucas-Bull said.

Barclays Africa has about 4.9% indirect black ownership, compared with the 25% target required by the FSC. The latest version of the FSC, which took effect in 2010, states any loss or sale of shares owned by black shareholders, and which took place on or before December 31 2010, would continue to be recognised in calculating black ownership.

Batho Bonke sold its shares in 2012.

Barclays Africa was not being forced to introduce another empowerment deal.

"We want to do the deal," said Lucas-Bull. "It arises from the fact that it has been on the table for some time.

"What we're doing is we are moving to additional [empowerment] transactions.

"This will help us arrive at the proper structure within the framework of the targets set in the FSC."

Barclays Plc, which is selling down its 50.1% share in the local banking group, has agreed to contribute 1.5% of Barclays Africa's market capitalisation - the equivalent to about R2.1bn at Barclays Africa's December share price values - to the empowerment scheme as part of the terms of separation.

Adrian Cloete, portfolio manager at PSG Wealth, said Barclays Plc's financial contribution could be used to fund a discount for black shareholders, while a portion of the shares it held in the bank could be placed with empowerment shareholders to facilitate the deal.

Satch Chetty, a private shareholder present at the annual meeting, said the deal had to be broad-based and should not be awarded to "big", politically connected businessmen.

On announcing the empowerment deal in 2016, CEO Maria Ramos said it would be broad-based and that there would also be a staff component.

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