

SECURITIES AND EXCHANGE COMMISSION



Ensuring Investor Protection

GUIDELINES FOR INVESTMENT IN COMMERCIAL PAPER

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1.0 Preamble:

A Commercial Paper (CP) is a money-market security with a fixed maturity of 15 days to 270 days. CPs may either be unsecured or asset backed. Unsecured CPs consist of promissory notes backed by the issuer's promise to pay the face value on the maturity date specified on the note. On the other hand, an asset-backed CP is collateralized by other financial asset, making it a secured form of borrowing.

The formal introduction of CPs onto Ghana's money market will support the provision of working capital to a broad population of companies enabling them to diversify their sources of short-term borrowings and also provide an additional investment instrument for investors to deepen the financial markets.

2.0 Criteria for Commercial Paper acceptable to the Commission

A Commercial Paper which is acceptable to the Commission and which the Commission will allow Fund Managers to invest in must satisfy the following criteria:

- I. Must be issued by a Limited Liability Company registered under the Companies Act 1963 (Act 179) or a corporation established under an enactment for the time being in force.
- II. Must be issued by an issuer with tangible net worth of not less than GH¢500,000.00 as per its latest audited financial statements which should not be more than 15 months old.
- III. Must be denominated in the local currency.
- IV. Must be issued at face value with a fixed coupon rate.
- V. Must be issued for maturities of 15 days to 270 days from the date of subscription.
- VI. Must be issued by an issuer without any other unretired CP
- VII. Must be issued by an issuer with no overdue loans or defaults as per any report obtained from any credible Credit Referencing Bureau (CRB) in Ghana. The said report should not be more than two months old
- VIII. Must be issued by an issuer who has per its latest audited financial statement (which should not be more than 15 months old) a minimum current ratio of 1:1 and debt/equity ratio of 60:40.
- IX. Must be issued by an issuer having at least three years audited financial statements and has made profit in at least 2 of the last 3 years preceding the issue.
- X. Must be issued to raise funds solely for operating capital purposes and shall not be used for the granting of loans.

- XI. Pledged assets (if any) for the purpose of security in a CP issue, should be registered with the Collateral Registry.
- XII. The CP must not be issued in tranches and the amount issued shall be within the limit as approved by the issuer's Board of Directors.
- XIII. The issue shall have a selling memorandum which should contain the following in the minimum-
 - Name of the Issuer
 - Names of Directors and key Management Staff
 - Name of Auditor
 - Board resolution authorizing the issue
 - Amount to be raised
 - Currency of issue
 - Risks associated with the issue
 - Purpose of the issue
 - Total number and amount of CPs already issued by the issuer and not retired
 - Denominations and multiples thereof
 - Repayment plan including conditions for early redemptions
 - Whether the CP is to be secured or unsecured
 - Form of Security (if any)
 - Directors' Guarantee (if any)
 - Name of Investment Advisor/Arranger (if any)
 - Tenor of the Paper
 - Coupon rate
 - Period of the offer
 - Whether or not there has been any material adverse change in the issuer's financial position since the date of its last audited financial statements

3.0 Restrictions on the Investment in Commercial Paper

- I. A fund managers' total exposure in Commercial Paper investments using discretionary funds should not be more than 20% of the total funds under management. This will be applicable to each fund in the case of a Collective Investment Scheme
- II. Not more than 10% of the Net Assets Value of funds under management shall be invested in the CP of a single issuer.
- III. A fund manager shall not invest in more than 60% of a single issue

4.0 Rollovers

The fund manager shall allow a rollover upon request by the issuer for a period not exceeding 90days.

5.0 Certificate

The fund manager shall ensure that every CP investment is covered by a certificate duly stamped and signed.

6.0 Record Keeping

The following records shall be kept by a Fund Manager investing clients fund in Commercial Paper:-

- a register of investments in CPs.
- offer documents on CPs invested in.
- full records of due diligence conducted on the issue.

7.0 Default Reporting

The fund manager shall report any incidence of default to the Credit Referencing Bureau and advise the Commission.

8.0 Clearance

The Commission may, on a written request from a fund manager give clearance in writing to the fund manager to invest in a CP where the CP does not meet any part of the criteria set out in (2.0) and the non-compliance is deemed justified by the Commission.

9.0 Application

These Guidelines apply to all instruments issued for a period up to 270 days regardless of the terms used to describe the instruments.

10.0 Sanctions

The Commission shall sanction any fund manager who fails to comply with these guidelines.

11.0 Effective Date

These Guidelines take immediate effect.

ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION