



"ENSURING INVESTOR PROTECTION"

# SEC News

SECURITIES AND EXCHANGE COMMISSION GHANA QUARTERLY NEWS

Vol. #6 Issue 2 Mar - June. 2016

## Public Advice

Members of the general public are advised to use the Commission's Toll Free Line 080010065 or Main Line 030768970-2 to contact the Commission on any issue they may have relating to the securities market and investments, including:

- Seeking general information about the securities market and products.
- Seeking information about licensed capital market operators.
- Reporting persons suspected to be operating in the securities market without a license.
- Reporting fraudulent investment schemes (e.g. ponzi schemes).
- Reporting fraudulent activities of capital market operators.
- Making complaints against capital market operators.

## 3 Ds of Capital Market

- Don't lie
- Disclose fully
- Deal fairly

## SME Financing Fair

The maiden edition of the Small and Medium Enterprises (SMEs) Financing Fair was held at the Accra International Conference Center from 16th to 17th of July, 2016. It was part of an initiative by the government and the Minister of State in charge of Private Sector Development and Public-Private Partnerships to bridge the financing gap faced by small and medium enterprises (SMEs).

According to the organizers, the fair is aimed at reducing the cost of information irregularity and its attendant effect by bringing the banks, government agencies and multilateral agencies together to bridge the financial intermediation gap. The SMEs which constituted over 90 per cent of registered businesses are the key drivers and major pillars of the Ghanaian economy with the highest potential for growth and employment creation.

The first part of the programme consisted of presentations on the topics below:

- The transformation of EDAIF into an EXIM Bank and its role in reducing cost of finance by EDAIF
- Innovative Approach to SME Financing in Ghana, the role of Fund Manager, by Liberty Assets Management Ltd.
- Venture Capital as a reduced Source of Finance, by Venture Capital Trust.

The second session was a panel discussion to discuss innovative approaches and programs in SME Finance. The discussion was led by Dr. John Gatsi, a lecturer from University of Cape Coast Business School with other discussants coming from banking and non-banking sectors, policy making institutions and Ghana Assurers Association.

# Launch of Capital SME

The Capital SME was launched in Accra on Friday, 15th July 2016 at GNAT Teachers Hall, Accra. The event which was sponsored by host of companies was aimed at boosting the capital market activities in Ghana and encouraging more SMEs to list on the Ghana Alternative Exchange (GAX).

GAX is a parallel market operated by the Ghana Stock Exchange (GSE). The aim of the GAX is to focus on Small and Medium scale Enterprises (SME's) with high growth potential that desire to raise additional capital through the Stock Exchange but may not meet the requirements for listing on the main bourse.

Mr. Jon Benjamin, the British High Commissioner who launched the programme in Accra, said the initiative is aimed at growing small and medium enterprises. Dubbed "Capital SMEs" he stated that Capital SMEs' immediate goal is to support at least five SMEs on listing on the Ghana Alternative Market (GAX) within one year of its implementation.

He mentioned that, most of the developing countries including Ghana need job creation to turn the economy around and believed that SMEs must be supported to do that. He stressed that governments must set-up the framework and create the congenial atmosphere, which would allow the private sector to create jobs.

According to him, the British High Commission would continue to work with the government and civil societies to help SMEs to overcome barriers to growth; thereby secure a competitive environment within which businesses could thrive.

Dr Adu Anane Antwi, the Director General of the Securities and Exchange Commission, acknowledged the importance of SMEs in the Ghanaian economy. He mentioned

that, a 2013 Banking Survey Report estimated that about 90 per cent of companies registered in Ghana were SMEs and that the sector contributed to about 49 per cent of Ghana's Gross Domestic Product in 2012.

He said these SMEs were, however, facing many challenges with the major one being how to access finance. He continued by saying GAX has been established to assist these SMEs access funds in the capital market so as to enhance their operations. According to Dr Adu Anane Antwi, the Ghana Alternative Market do not only affords SMEs a way of raising capital, but also offers incentives that will enable them to build a solid business. He mentioned some of the incentives such as mandatory underwriting for the offers, where the sponsoring institution will be required to take up to 20 percent of the offer, companies listed on the GAX will also be able to access the SME Listing Support Fund -- which will be used to assist companies to meet their listing expenses.

Mrs. Magdalene Apenteng, the Director of the Public Investment Division, Ministry of Finance, said SMEs would continue to remain the backbone of Ghana's economy due to their important role of stimulating domestic demand through job creation, innovation and competition.

"There is no doubt that SMEs have the potential to mobilise domestic resources and boost international trade and demand," she said. She emphasized "Prioritising SME development is, therefore, critical for promoting inclusive economic growth globally." She affirmed the government's commitment to supporting the rapid growth of the SMEs sector to position it to play the desired role in Ghana's pursuit for efficient, vibrant and liquid Capital Market.

## 41st IOSCO Annual Conference in Peru

During the period from the 8th to 12th May 2016, global capital market securities regulators attended the 41st Annual Conference of the International Organization of Securities Commissions (IOSCO) in Lima, Peru.

The IOSCO conference brings together market regulators from over 115 jurisdictions—together representing over 95 percent of global capital markets by value. IOSCO is recognized for setting the global standard in securities regulation, and its 2016 conference was no different.

Here are five key issues from the conference for securities regulators;

### 1. Crowdfunding rules

It was made known that in comparison to other parts of the world; the United States has taken the

lead in setting standards around crowdfunding. Bert Chanetsa, Deputy Executive Officer of a South African investment institution, echoed similar statements about his region not being aware of the potential of crowdfunding by stating that there's no market uptake of crowdfunding in South Africa and other emerging markets.

As a presenter on the panel "New Ways for the Financing of Small and Medium Enterprises and the Challenges of Crowdfunding", Mary Jo White, Chair of the U.S. Securities and Exchange Commission, stated that the U.S SEC has issued new rules on securities crowdfunding, which went into effect on May 16, 2016.

The goal of these new rules is to protect inventors, streamline capital formation for smaller issuers, and help to accelerate market adoption.

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The new crowdfunding requirements under Title III of the JOBS Act include:

- SEC-registered intermediaries of broker-dealers
- SEC-registered crowdfunding portals to serve as gatekeepers to protect investors
- Limiting raising capital by crowdfunding to \$1 million in a 12-month period for each issuer
- Specific initial and ongoing disclosure requirements regarding the business, the securities offering, and the requirements for financial statements

## 2. Audit firm transparency reporting

IOSCO recognizes that the reputation of an audit firm is an important factor investors may consider in their decision-making process. In an effort to improve audit quality, the IOSCO Board approved the 2016 publication of “Survey Report on Audit Committee Oversight of Auditors” during their meeting in Lima. In this publication, IOSCO states that it recognizes audit firm transparency reporting is a fairly recent practice that continues to evolve.

According to the IOSCO, transparency in audit firm reporting can foster introspection and discipline within firms, and may encourage them to sharpen their focus on audit quality—which would also benefit investors and other stakeholders. By comparing audit firms competing for an audit engagement, audit firm transparency reporting can provide valuable information regarding audit quality to those responsible for selecting a public company’s auditor.

IOSCO has hosted roundtables to discuss whether audit firms should provide more information to the public on their governance structure and internal operations—including quality control systems—and whether such reporting might contribute in some way to enhanced audit quality. The marketplace can expect to see more IOSCO discussions emerging on this topic throughout 2016.

## 3. International benchmark for cross-border co-operation among security regulators

The IOSCO Board unveiled plans for an enhanced Multilateral Memorandum of Understanding (MMoU) between IOSCO members that would bolster regulators’ enforcement capabilities globally. Established in 2002, it has provided securities regulators with the tools for combating cross-border fraud and misconduct that can weaken global markets and

undermine investor confidence.

The IOSCO President’s Committee approved the text of a new Enhanced MMoU on co-operation and the exchange of information. The Enhanced MMoU, which is aspirational in nature, provides for the additional powers that IOSCO believes are necessary for its member regulators to ensure their continued effectiveness in deterring cross-border misconduct and fraud in securities markets.

It builds on the success of the current MMoU on cooperation and exchange of information, while taking into account technological and regulatory developments since the launch of the original MMoU 14 years ago.

The Enhanced MMoU sets out five new powers in addition to those in the current MMoU:

- To obtain and share audit papers
- To compel attendance for testimony by being able to apply a sanction in the event of non compliance
- To advise and provide existing information to another regulator on how to freeze assets, or to freeze assets on behalf of another regulator
- To obtain existing Internet service provider records, not including the content of communications
- To obtain existing telephone records, not including the content of communications.

## 4. Corporate governance

In the area of corporate governance, the board gave an update on an upcoming report about how capital market regulators can apply the Organization for Economic Co-operation and Development (OECD) principles to corporate governance to ensure more resilient capital markets. The report is expected to be released in 2016 and will affect all IOSCO members.

## 5. Other IOSCO Board policy updates

The IOSCO Board discussed the issue of liquidity in corporate bond markets. The board will soon publish a consultation paper on corporate bond market liquidity. The board also agreed to take up further work on corporate bond market transparency in the coming years.

On the issue of infrastructure finance, the board agreed to establish a working group comprised of board members that will engage with development banks, institutional investors, and other stakeholders to discuss issues relevant to market based finance for

# Training and Capacity Building of SEC Staff

## US SEC International Training Program in Washington

Three members of staff attended the 26th Annual International Institute for Securities Market Growth and Development from 4 - 14 April, 2016 in the United States of America. It was a programme designed for senior regulatory officials and staff of Capital/Securities Market Regulators. The Programme covered all aspects of market development and oversight, and offers participants an unparalleled opportunity to share and learn from each other's challenges and achievements in regulation and oversight of the capital markets. The objective of the seminar was to equip the Regulator with best practices and also raise international standards for building vibrant capital markets.

Areas covered in the programme included- Managing an effective disclosure program for issuers, Building an effective program for broker-dealers and investment advisers, lessons on Corporate Governance, Best practices in self-Regulation: Lesson from FINRA, The challenges of Securities Regulation: The tool box, Risk based supervision, Privacy and Cybersecurity in the Securities Market, Investment Adviser and Investment Company Oversight and Examinations.

## Regional Course on Managing Human Resources for organizational Effectiveness

Two members of staff attended the regional course on managing Human Resources (HR) for organisational effectiveness organized by West African Institute of Financial and Economic Management (WAIFEM) from April 11 - 20, 2016 in Abuja, Nigeria.

The course was attended by twenty-eight (28) senior and middle level staff of public and private institutions from Ghana, The Gambia, Liberia, Sierra Leone and Nigeria.

The main objective of the course is to examine the role efficient human resource management can play in organizational effectiveness and economic development.

Areas covered under the programme included – Evolution and overview of human resource management; strategic and policy issues in HR management; technology in HR management: HR information system; automated scheduling and time keeping systems; technology aspects of workplace security; trends in technology; recruitment; etc.; organizational ethics: issues and challenges; effective communication skills in HR management; outsourcing – its implication in HRM; gaining and maintaining strategic rele-

vance: the human resource agenda; competency based interview methods; learning need analysis managing performance and reward for organizational success; gender issues at the work place: effects of the African culture and the way forward; training and development strategy and organizational effectiveness: analysis of training needs; training design and delivery

## 25th Technical Commission/Plenary meeting of the Inter-Governmental Action Group against Money Laundering in West Africa

A member of staff attended the Inter-Governmental Action Group against Money Laundering in West Africa's (GIABA) 25th Technical Commission/Plenary meeting in Praia, Cabo Verde from 2nd-6th May, 2016. The objective of the program was to identify deficiencies in member countries' AML/CFT systems and design appropriate strategies to address them.

In a final communique issued at the meeting, member countries were advised to ensure that financial sector regulators in particular:

- a. Deepen the implementation of AML/CFT measures in order to enhance the integrity and stability of the financial system. This will involve the establishment of well-resourced AML/CFT departments or units, undertaking on-site and off-site reviews of the operations of accountable institutions (Capital Market Operators in the case of the capital market).
- b. Support national and regional efforts at combating ML/TF, and other predicate offences.
- c. Undertake holistic/robust ML/TF risk assessments of accountable institutions to better understand the risks they face and apply the Risk Based Approach (RBA) in the implementation of their AML/CFT programs. The outcome of such assessments would also serve as inputs into the financial sector and/or National ML/TF Risk Assessments,
- d. Impress on their accountable institutions to grant sufficient operational independence to Anti-Money Laundering Reporting Officers (AMLROs) and Compliance Officers and adequately resource them to enhance their capacity to effectively comply with national and international AML/CFT requirements.
- e. Sanction CMOs very heavily for non-compliance in order to promote a clean financial sector.
- f. Collaborate with the Financial Intelligence Units (FIC) and Legal and Enforcement Authorities (LEAs).

## Brief History of Commodity Exchange in Africa

The term commodity is specifically used for an economic good or service when the demand for it has no qualitative differentiation across a market. A commodity good or service has full or partial but substantial fungibility, thus the market treats its instances as equivalent or nearly so with no regard to who produced them.

Generally speaking, investors categorise commodities into two: "consumption" and "investment." Consumption also known as soft commodities are typically agricultural produce, while Investment commodities are mostly sought for investment purposes i.e. gold, diamond, silver etc.

A Commodities Exchange on the other hand is a market in which multiple buyers and sellers trade commodity linked contracts on the basis of rules and procedures laid down by the Exchange (UNCTAD, 2007).

Around the world, Commodities Exchanges have really thrived and it has been able to play three basic functions: price transparency (everyone has access to a neutral reference price); price discovery (demand and supply developments are readily reflected in price levels); and reduced transaction costs (it's easier to find buyers or supply through a centralized market place Interestingly, Africa created one of the world's first commodity exchanges, in Alexandria, Egypt, which was disbanded in 1961. The Alexandria Exchange not only played an important role in Africa, but attracted participants from as far away as the USA and India.

In the recent past, there has been a proliferation of initiatives across the length and breadth of the African continent, all aiming to establish Commodities Exchanges with efficiency and scope similar to the original Alexandria model.

Africa's most active and important Commodity Exchange is the South African Futures Exchange (SAFEX), now a department in the South Africa's Johannesburg Stock Exchange. It was informally launched in 1987 and has evolved into one of the leading emerging markets. The first "modern" Commodities Exchanges created in the continent were in Zimbabwe and Zambia in 1994 and in South Africa in 1995. Thereafter in 2008, the Ethiopian Commodity Exchange (ECX) which was mainly driven by government and donor support has built a reasonable volume in spite of infrastructure and commodity sector development challenges.

Many African governments have hailed this as being of great benefit to poor farmers in Africa. This has been regarded as a big success by many and is being touted by other African countries, including Ghana.

### Terms Associated with Commodity Exchange

- Delivery location- The place where the seller is obliged to give delivery to the buyer
- Contract size- Quantity deliverable in each contract. The Exchange specifies volume or size
- Fundamental analysis- the study of basic, underlying factors that will affect the supply and demand, and therefore the price of the Commodity.
- Technical analysis- Using market indicators and chart pattern to forecast the market.
- Lot- the smallest unit of delivery which varies from Exchange to Exchange.
- Price- the money offered per unit of the commodity.
- Trading member-A commercial actor in the Commodity Exchange who can only trade and clear for themselves.
- Broker Member- A commercial actor in the Commodity Exchange who can trade and clear for themselves and /or for their client.
- Clearing member- trading, broker, or institutional member who can clear for Associate Members.
- Identity preservation- The practice of tracking the details of agriculture commodities so that the specific characteristic of each shipment is known. Delivery of the commodity is the actual quantity deposited.
- Co-mingling-Under this system, commodities of similar characteristics is mingled together according to grading. Delivery of the commodity is not the actual, but the grade and the quantity deposited.

*Compiled by Joseph Ackah*

infrastructure development.

The board also discussed its work on cyber resilience and FinTech. It agreed to consider different mechanisms for securities regulators to share and gather information on cyber-risk and cyber-security issues that are relevant to securities regulators across its membership.

In addition, the board discussed the update on IOSCO work on the potential impact of FinTech and RegTec, and digitalization on securities markets and regulation. IOSCO will culminate in a report that draws on contributions from members, and the report is expected to be released in 2016.

The board appointed a new chair, Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong.



## “Early Bird” for the Quarter

Mr. William Obli of the Human Resource Department has been adjudged the most punctual employee for the period April – June 2016. SEC News congratulates him on being the “Early Bird” for the quarter.

## SEC’s Message to Entrepreneurs

*Get your company listed on the Ghana Stock Exchange, get access to capital to grow your business, create employment and help develop the economy. Contact a broker-dealer or an investment adviser for support.*

## Stock Market Statistics

	End Mar. 2016	End June 2016	Change
<i>Number of Listed Companies (Main Market)</i>	35	35	0%
<i>Number of Listed Companies (Alternative Market)</i>	4	4	0%
<i>Volume of Trades*</i>	36,924,371	26,125,564	-29.25%
<i>Value of Trades (GH¢)*</i>	51,303,354	85,404,813.54	66.47%
<i>Market Capitalization (GH¢Million)</i>	54,796.35	54,790.80	-0.01%
<i>GSE-Composite Index</i>	1,912.02	1,787.50	-6.51%
<i>GSE- Financial Stock Index</i>	1,823.93	1,671.30	-8.37%

\* Total for the Quarter

## Approvals

### a. Licenses

During the first quarter of 2016, approvals were given to various entities to operate as follows.

Company	License Category
10TH Capital Investment Ltd.	Investment Advisor (Advisory & Fund Mgt.)
Strategic Hedge Capital Ltd.	Investment Advisor (Advisory & Fund Mgt.)
Universal Capital Management Ltd.	Investment Advisor (Advisory & Fund Mgt.)
Linx Capital Ltd.	Investment Advisor (Advisory & Fund Mgt.)

### b. Offer documents and other approvals

- i. The SEC approved the Ghana Fixed Income Market (GFIM) manual for trading of debt securities.
- ii. The SEC granted approval of the Fees and Penalty Schedule of the Central Securities Depository (CSD).

# Enforcement Actions

During the quarter under review the following market operators were sanctioned for various violations of the Securities Industry Law.

Company	Infringement	Penalty (GH¢)
New Generations Investment Services Ltd	Late submission of Auditor's Long Form Report	1, 200.00
National Investment Bank	Late submission of Annual Report	4,300.00
Continental Capital Ltd	Late submission of Annual Report	1,300.00
Investa Capital Fund Management Ltd	Late submission of Quarter Report	700.00
Agricultural Development Bank	Late submission of Annual Report	1,400.00
Regal Alliance Investments Ltd	Late submission of Auditor's Long Form Report	1,100.00
Temple Investments Ltd	Late submission of Auditor's Long Form Report	1,200.00
GloryGate Capital Ltd	Late submission of Annual Report	1,100.00
Tikowire Capital Ltd	Late Submission of Statutory Returns- Annual Returns	600.00
Glico Capital Ltd	Late Submission of Statutory Returns- Annual Returns	1,500.00

## Funds under Management of Licensed Fund Managers

	End Mar. 2016 (GHC)	End June 2016 (GHC)	% Change
<i>Pension</i>	3,035,714,330.89	1,499,820,680.88	(50.59)
<i>Collective Investment Scheme</i>	827,635,263.24	905,065,919.40	9.36
<i>Others</i>	11,252,863,364.83	12,359,354,979.78	9.83
<b>TOTAL FUNDS</b>	<b>15,116,213,158.96</b>	<b>14,764,241,580.06</b>	-----

## Capital Market Operators

Category of Licensed Operators	End Mar2016	End June 2016	Change
<i>Broker-Dealers</i>	23	23	-
<i>Custodians</i>	18	18	-
<i>Exchange Traded Fund</i>	1	1	-
<i>Investment Advisors (Advisory Only)</i>	3	3	-
<i>Investment Advisors (Advisory &amp; Fund Mgt.)</i>	128	132	4
<i>Mutual Funds</i>	29	29	-
<i>Primary Dealers</i>	15	15	-
<i>Registrars</i>	4	4	-
<i>Securities Depository</i>	1	1	-
<i>Stock Exchange</i>	1	1	-
<i>Trustees</i>	5	5	-
<i>Unit Trusts</i>	18	18	-
<b>TOTAL</b>	<b>239</b>	<b>243</b>	<b>4</b>

# Performance Of Equities on the Ghana Stock Exchange

Name of Company	Closing Price(GH¢) Mar. 2016	Closing Price(GH¢) June. 2016	Gain / (Loss) (GH¢)
1 African Champion Ltd.	0.02	0.01	-0.01
2 Aluworks Ltd.	0.08	0.09	0.01
3 AngloGold Ashanti Ltd.	37.00	37.00	-
4 Ayrton Drug Manufacturing Ltd.	0.13	0.12	-0.01
5 Benso Oil Palm Plantation Ltd.	3.13	2.90	-0.23
6 Cal Bank Ltd.	1.00	0.80	-0.20
7 Camelot Ghana Ltd.	0.12	0.12	-
8 Clydestone (Ghana) Ltd.	0.03	0.03	-
9 Cocoa Processing Co. Ltd.	0.01	0.01	-
10 Ecobank Ghana Ltd.	7.00	6.60	-0.40
11 Ecobank Transnational Inc.	0.18	0.19	0.01
12 Enterprise Group Ltd.	2.45	2.42	-0.03
13 Fan Milk Ltd.	7.35	8.50	1.15
14 GCB Bank Ltd.	3.65	3.07	-0.58
15 Ghana Oil Company Ltd.	1.45	1.36	-0.09
16 Golden Star Resources Ltd.	1.99	1.99	-
17 Golden Web Ltd.	0.01	0.01	-
18 Guinness Ghana Breweries Ltd.	1.93	1.85	-0.08
19 HFC Bank (Ghana) Ltd.	0.85	0.82	-0.03
20 HORDS Ltd.	0.10	0.10	-
21 Mechanical Llyod.Co. Ltd.	0.20	0.18	-0.02
22 Mega African Capital Ltd.	6.00	6.00	-
23 Meridian Marshal Holdings Ltd.	0.11	0.11	-
24 Pioneer Kitchenware Ltd.	0.05	0.05	-
25 Produce Buying Company Ltd.	0.08	0.06	-0.02
26 PZ Cussons Ghana Ltd.	0.29	0.24	-0.05
27 Samba Foods Ltd.	0.73	0.73	-
28 Sam Woode Ltd.	0.04	0.04	-
29 Societe Generale Ghana Ltd.	0.81	0.77	-0.04
30 SIC Insurance Company Ltd.	0.17	0.15	-0.02
31 Standard Chartered Bank Gh. Ltd.	16.15	14.24	-1.91
32 Starwin Products Ltd.	0.02	0.02	-
33 Total Petroleum Ghana Ltd.	5.10	3.99	-1.11
34 Transactional Solutions (Ghana) Ltd	0.03	0.03	-
35 Trust Bank Ltd. (The Gambia)	0.35	0.35	-
36 Tullow Oil Plc.	27.92	27.92	-
37 Unilever Ghana Ltd.	8.70	8.48	-0.22
38 UT Bank Ltd.	0.11	0.09	-0.02
39 Intravenous Infusions Ltd	0.09	0.09	-

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