

**2018 CAPITAL MARKET WEEK - THE ROLE OF GOOD
CORPORATE GOVERNANCE IN
THE TRANSFORMATION OF GHANA'S CAPITAL MARKET**

Remarks by Rev. Daniel Ogbarmey Tetteh, Director-General, Securities & Exchange Commission

Mr. Chairman, Hon. Ken Ofori-Atta, Finance Minister, Mr. Sampson Akligoh, Director, Financial Sector Division, MoF, Mrs. Elsie Awadzi, 2nd Deputy Governor of BOG, Commissioners of the SEC, the President and Governing Council of the GSIA, other distinguished panellists, executives and officers of all capital market operators, ladies and gentlemen. It is exciting to witness another week that is dedicated to highlighting and showcasing the Capital Market or Securities Industry in Ghana and I'm pleased with this opportunity to share a few remarks.

Let me start by commending the Governing Council and the members of the Ghana Securities Industry Association for the able manner the GSIA has handled the responsibility entrusted to them to organise the Capital Market Week ever since the Commission decided that the CMW should be market driven and therefore challenged the GSIA to step up to the plate. I must say that the GSIA is demonstrating that it is ready to partner the Regulator in achieving a transformation of the capital market in Ghana. We have also received an application from the GSIA to be granted a Self-Regulatory Organization status in accordance with the provisions of the Securities Industry Act, 2016 Act 929 and I can confirm that the application is being processed.

Self-regulation is an important part of the regulatory structure of securities markets in many developing, as well as developed, economies. There are a number of areas I wish to bring to the attention of the GSIA while you are waiting for the Commission to grant the application for an SRO status. Performance measurement and reporting especially by fund managers is of huge concern as what pertains currently tends to be eclectic and in some cases questionable. We intend to engage the industry in the coming months on a process to achieve some convergence and restore credibility in performance measurement and reporting. We expect the GSIA to ultimately own this process and exact compliance by its members.

There is also the issue of the framework for complaints resolution. While we do encourage investors to submit issues they have with market operators to the Commission, we believe we can have a complaints resolution framework with the active involvement of the GSIA that will resolve complaints effectively so that investors do not need any further recourse to the Commission.

There is also the issue of miss-selling and misinforming prospective and existing clients. This is typically done through personal selling as well as advertising using mass media and social media. It is important for all market operators to understand that you can neither lie to investors nor miss-inform them. Lying to investors and miss-informing them are considered to be serious breaches and the Commission will respond without any equivocation to such infractions. When granted the SRO status, the GSIA can again elicit compliance from its members to agreed standards on communicating with clients including the copious provisions in our regulations on frequency, publication of standardized fact sheets on funds, NAV, and what to say/not say in communicating with clients.

The Finance Minister has articulated the vision of having Ghana emerge as an International Financial Services Centre (IFSC) and the capital market is a core part of this vision given its role in mobilising long term capital. The question therefore is what the capital market operators can and must do to realise this vision for us to witness huge capital inflows, a big and vibrant bond market in the sub-region, mega private funds (private equity and hedge funds), a thriving asset management business with AUM rivalling total banking assets and representing a significant share of Ghana's GDP among others. A strong regulator and an effective regulatory framework, a strong corporate governance culture and competent, well capitalized market operators are some elements that must be in place within the securities industry as a whole to support the quest to attain the IFSC for Ghana.

This year marks the 20th anniversary of the Securities and Exchange Commission and we are taking steps to position the Commission to facilitate the transformation of the capital market in Ghana. We have recently restated the vision and mission of the Commission to make it sharper and also crystallized core values that will influence the behaviour and response of the Commission to market needs. To strengthen and deepen capacity at the Commission, we have recently completed our human resource audit and we will institute a capacity development program which will include the hiring of fine professional talents such as chartered accountants, lawyers and CFA holders. We have also initiated a comprehensive review of our IT infrastructure and software with the goal of

digitising the operations of the Commission. Ultimately, this will lead to paperless interactions with market operators and lead to greater efficiency and effectiveness and enable us to deliver on our mandate of achieving an efficient, fair and transparent securities market in which investors and the integrity of the market are protected. Needless to say, our ability to deliver on our mandate will be contingent on the financial resources we are able to generate so I will like to appeal to all capital market operators to support our revenue mobilization efforts. Ahead of formal invitations, allow me to verbally invite you to our 20th anniversary celebrations that will be marked in November of this year.

The importance of corporate governance in ensuring well-heeled and well-oiled companies, including those operating in the capital market, cannot be overemphasized especially in the light of recent corporate failures in the financial industry in our country. Two interventions of the Commission worthy of note is the development of the Corporate Governance Code for Listed Companies and the Conduct of Business Guidelines for Market Operators. The Corporate Governance Code aims to strengthen accountability, promote best practices and ensure that board members are both conscious of and live up to their responsibilities. The Conduct of Business Guidelines will be replacing certain elements of L.I. 1728 and strengthen records retention requirements, corporate governance frameworks and information disclosure to prospective and existing clients. If we are really sincere about growing and transforming the capital market in Ghana, we must not pay lip service to the need to practice good corporate governance but we must commit to an avowed adherence to best practices in corporate governance throughout the securities industry.

In terms of the regulatory framework, the Commission has been working on a raft of regulations and the plan is to issue them initially as guidelines after which they will be consolidated into regulations. An advantage of this approach is that it will afford the chance to receive feedback from market operators regarding any kinks that may emerge during implementation and that needs to be sorted out before they are crystalized into regulations. The list of Guidelines that we intend to issue before the end of the year include:

- Corporate Governance Code for listed companies
- Conduct of Business Guidelines for market operators
- The Licensing Requirements which includes enhanced capital requirements for capital market operators;
- The Financial Resources which outlines liquidity requirements to be maintained by market operators;

- Private Funds which provides the framework for regulating Private Funds (Private Equity, Venture Capital and Hedge Funds);
- Investment Guidelines that places restrictions on investment activities of fund managers including related party transactions which has proved to be a bane in the asset management industry.
- Commodity Exchange Guidelines for the operationalization of the Ghana Commodities Exchange.
- Warehouse Receipts Guidelines to provide the framework for the warehouses that will be linked to the Ghana Commodities Exchange.
- REITS guidelines to provide the framework for the development of REITS in Ghana to spur the development of the real estate sector in Ghana.
- AML/CFT Guidelines and Sanctions to ensure that the securities industry does not become the weak link when it comes to the issue of containing the problem posed by money laundering.
- Credit Rating Agencies Guidelines to provide the framework for the establishment and operations of credit rating agencies.
- Regulatory Sandbox License (RSL) which is our response to support rather than stifle innovation in the market. The RSL provides the framework for the conduct of a business or capital market activity for which there is the absence or no adequate provisions under any laws regulating the business or capital market activity.

Investor Education is an activity that cannot be put on the back burner. Indeed, our view at the Commission is that a well-informed investor is a well-protected investor. We intend to embark on a sustained campaign to raise the awareness of the rights of investors as well as their knowledge of the various products and what to expect from market operators. We are committed to building investor confidence in our market and our market operators. I need to indicate that the Commission alone cannot successfully achieve the goal of informing and educating investors so I will urge the GSIA to complement the efforts of the Commission to educate investors and shore up their confidence.

Another important element in achieving transformation of the capital market is to have the capacity of the market operators deepened. The Commission, in collaboration with the GSIA, Ghana Stock Exchange (GSE) and the Central Securities Depository have set up the Ghana Investment and Securities Institute (GISI) to handle the training of personnel that work in the industry. From 2019, GISI will take over the running of the securities courses that is

currently being hosted by the GSE. The course structure has been restructured and continuous professional development programs will be introduced. We want to make sure that the skills set in the industry remains on the cutting edge.

We are also taking steps to strengthen the Enforcement function at the Commission. We want to foster a strong culture of compliance among market operators. We are going to strengthen our sanctions regime and introduce measures such as failure to supervise and barring of directors/officers. It must be made abundantly clear to all that the securities industry is regulated and the options really are to comply or face the full rigour of the sanctions regime.

Let me end by commenting on the need for initiatives and products that will lead to Market Development. The range of diversity of products and services on our market remains narrow. It is important for the market operators to lead the charge in this direction. It is not uncommon for market operators to balk at the thought of product innovation because of a preconceived notion that regulators typically react in a lethargic fashion when it comes to uncharted or unfamiliar terrain. Our promise to the market operators is that we will at best strive to stay ahead of the curve or at worst work ahead at playing catch-up in case we are outpaced by the innovation in the market place. At least the creation of the RSL should signal our intent to support the market as they do what remains their forte - innovation and product development.

Meanwhile, it is noteworthy that under the auspices of the Ministry of Finance, we have launched a committee to work on the Capital Market Master Plan to guide our market development path for the next ten years. The GSIA is well represented on this committee and a series of market engagements has been planned. I trust that we will collaborate effectively in producing a master plan for the development of the capital market that will make us and our posterity proud.

Permit me to end with the words of James E Henshaw that 'This is our chance' and it probably is our best chance at vaulting the capital market in Ghana to dizzying heights.

Long live the GSIA

Long live the SEC

God bless the securities industry in Ghana and make our nation great and strong.