

**SECURITIES AND EXCHANGE
COMMISSION, GHANA**



ANNUAL REPORT
2003

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CHAIRMAN'S STATEMENT

INTRODUCTION

In 2003, the Securities and Exchange Commission of Ghana continued with its mission to achieve three main objectives for Ghana's securities market, namely,

- Protection of investors
- Ensuring a fair, efficient and transparent market
- Reduction of systemic risk

The pursuit of the above objectives is made relevant in the light of the dynamic nature of modern capital markets and the challenges posed by globalization and movement of capital worldwide. The scandals and corporate failures such as Enron, WorldCom, Tyco, and Parmalat that hit some advanced economies in recent times, further reinforce our commitment towards the attainment of our strategic objectives. The increasing wave of money laundering and terrorism financing in recent times equally calls for proactive tightening of our regulatory framework and institutional collaboration with other jurisdictions.

In addition to pursuing the attainment of these strategic objectives, the Commission in the course of the year, also vigorously pursued the fulfillment

of its fundamental statutory mandate spelt out under the Securities Industry Law 1993 (PNDCCL 333 as amended). These include:

- Regulatory functions
- Licensing functions
- Investigative, Supervisory & Surveillance functions
- Market Development functions

MACRO - ECONOMIC INDICATORS

The statutory mandate and strategic objectives of the COMMISSION as outlined above cannot be smoothly achieved without a sound macro - economic environment.

In 2003, all the key economic indicators pointed to a sound and vibrant economy. For instance, Real GDP growth was 5.2%, higher than the projected 4.7%. Year- on- year inflation declined to 23.6% at the end of December after peaking at 30% at the end of April in the same year due to upward adjustment in the price of fuel.

Our local currency, the Cedi, remained relatively stable against major international currencies throughout the year, depreciating by 4.7% against the US dollar. Budget deficit was 3.4% of GDP. Government's net repayment on domestic borrowing was down to 0.4% of GDP representing the best performance since 1995. Interest rates assumed a downward trend, with the benchmark 91 - day Treasury bill rate falling sharply from 35.3% in June to 18.6% at the end of the year.

THE STOCK MARKET

The performance of the national economy as indicated above, undoubtedly impacted positively on the performance of the stock market in 2003. All the basic performance indicators of the market showed positive outturns. The GSE ALL - SHARE INDEX, the main gauge of performance on the Ghana Stock Exchange (GSE), appreciated by 154.7% (or 142.7% in US dollar terms), making it the best performing year to date in the history of the Exchange and ranking the exchange the best performing market in the world in 2003.

MARKET TURNOVER in both volume and value terms increased by 118.3% and 335.4%, respectively. Furthermore, the majority of listed stocks (64%) on the GSE outperformed the effective yield of the benchmarked 91 and 182 - DAY Treasury (T -) BILL rates. About half of the total equities listed on the Exchange recorded price appreciations of over 100%. For the first time in the history of the Exchange, price appreciations in excess of 400% were recorded by some of the listed equities.

PRIMARY MARKET ACTIVITIES

Primary market transactions consisting of Initial Public Offerings (IPO's) and Rights Issues increased significantly over that of 2002. The total

amount of capital raised by these processes in the primary market was ₵ 250.6 billion compared to ₵ 19.63 billion in 2002. This indicates that companies are beginning to turn to the stock market as a source of raising equity capital to undertake projects. This facility has become important to the corporate bodies, as borrowing from banks has been found to be too costly with high interest rates.

SECONDARY MARKET ACTIVITIES

The bullish nature of the Stock Market translated into increased secondary market transactions. Demand by both institutional and retail investors for shares on the Exchange increased significantly in the year under review.

The Ghana stock market also caught the attention of high profile foreign portfolio investors such as Societe Generale, which acquired a 53.58% controlling interest in SSB BANK LIMITED. The volume and value of this share transaction was unprecedented in the history of the GSE.

THE BOND MARKET

The bond market in Ghana can be said to be in its infant stage, being relatively small with low activity in the secondary market. It is an area that needs a lot of attention to create substantial investment and funding opportunities for Ghanaian households, corporate entities, the government, metropolitan and municipal authorities, statutory bodies and corporations and institutional investors (e.g. mutual funds, unit trusts, pension funds,

insurance companies etc.). Further fall in the benchmarked Treasury bill rates, stable macro - economic environment and the subsequent attainment of a normal yield curve in addition to the establishment of a reputable credit rating agency can lead to a viable, vibrant and internationally competitive bond market in Ghana. Market education is also needed to sensitize and create awareness among all stakeholders towards the development of a sustainable bond market.

In 2003, only 4 listed bonds from the Home Finance Company (HFC) and 24 Government of Ghana Index Linked Bonds (GGILBS) were available on the GSE. Unfortunately, due to the fact that most of the bondholders (principally institutional investors), prefer to hold to maturity than to trade in them on the Exchange, secondary market activity in bonds was minimal.

As compared to year 2002, the total amount of capital raised in year 2003 by the Government of Ghana through the GGILBS declined by 64.27%. This was due to government's commitment to reduce and stabilize the stock of its domestic debt during the course of the year. No new capital was raised with regard to corporate bonds.

COLLECTIVE INVESTMENT SCHEMES

In broad terms, one of the capital market development objectives of the Commission is to encourage the formation of collective investment schemes such as unit trusts, and mutual funds, to serve as vehicles for mobilizing medium to long-term funds for national economic development. These

schemes also have the potential to provide investment opportunities for Ghanaian households, thereby complementing the efforts of government to create wealth.

In the year under review, the COMMISSION formalized the licenses of three (3) collective investment schemes, which had been operating before the passage of the Unit Trusts and Mutual Funds Regulations, LI1695 in 2001. The investment objectives of these funds include, investing in equities of listed and unlisted companies, real estate and money market instruments.

REGULATORY FRAMEWORK

In furtherance of its commitment to pursue stated strategic objectives and its statutory functions, the COMMISSION in 2003 saw to the passage of SEC Regulations (L.I. 1728), which among other things, provides regulations on licensing of market operators. It also provides regulations on reporting by Stock Exchanges, Dealers and Investment Advisers, regulations on disclosure of information by Issuers of Securities and regulations for Transactions Levy.

MARKET DEVELOPMENT

Despite the limited financial resources of the Commission, our immediate stock market development goal for 2003 was to increase the demand side of investment. To do this, our strategy has been to encourage investor participation on the stock market as well as in other securities instruments

through such vehicles as legally established Collective Investment Schemes - that is, mutual funds and unit trusts. To achieve its market development goals, the Commission mounted a well-targeted public education programme.

PUBLIC EDUCATION

Public participation in the capital market constitutes one of the key pillars for the development of the market. During the year under review, the COMMISSION took advantage of the fall in the 91 and 182 - Day Treasury Bill rates to attract investors to the capital market. A series of public education campaigns aimed at reducing certain cultural barriers inhibiting the public's interest in the capital market were organised. The COMMISSION provided the public and other stakeholders with information on investment opportunities on the stock market through workshops, seminars, radio programmes and publication of brochures.

ENFORCEMENT

It is of interest to note that as part of our objective to secure the integrity of the market thereby winning the confidence of investors, we also saw to the enforcement of financial reporting requirements under the law. The year under review saw imposition of fines on non - compliant corporate entities in the industry for the first time, in accordance with the provisions of Legislative Instrument 1728 (L.I. 1728) which came into force in June, 2003. As a result of this enforcement action, the COMMISSION reports

that compliance by companies in the market including listed companies has now improved.

SUPERVISION AND SURVEILLANCE

In addition to developing rules and regulations, the effective supervision and surveillance of market operators forms an essential part of realizing the Commission's strategic and statutory goals. Building investor confidence and participation in the securities market is directly linked to how effectively and efficiently this role is carried out. The Commission has in place a comprehensive on - site and off - site inspection programme of licensed market operators.

CHALLENGES FACING THE COMMISSION

Our market has expanded and is still growing at an appreciable rate. This poses serious challenges to our regulatory, supervisory and market development roles. There is an urgent need to increase resources for the Commission in all respects - office accommodation, professional staffing level, logistics, capacity building and funding, which will enable us discharge our statutory functions with utmost efficiency and effectiveness.

CONCLUSION

In conclusion, I would like to welcome the new professional staff members who have joined the Commission. I wish them a happy but challenging stay. I would also thank other members of the Commission for their sacrifices, hard work and devotion to duty.

I commend the market operators for their cooperation, understanding and hard work. Without them there would be no capital market to regulate. Their valuable complaints and suggestions have given us fresh insight into the operations of the market, which in turn has contributed towards the enrichment of our regulatory, supervisory and market development functions.

Finally but more importantly, I must extend my appreciation to the entire staff of the Commission who have remained committed to their assigned tasks, especially under the very challenging circumstances of the time. The entire staff have displayed exemplary professionalism, commitment and passion towards the development of a fully fledged securities market in Ghana at the centre of which are investor protection, fairness, efficiency, transparency and reduction of systemic risk.

PROFESSOR G.K.A OFOSU-AMAAH

DIRECTOR GENERAL'S REVIEW

INTRODUCTION

During the year under review, the Securities And Exchange Commission (SEC), Ghana, concentrated its activities to five main areas, namely, creating a conducive legal and regulatory framework for the smooth guidance and development of our young but dynamic securities market; surveillance and enforcement of the securities industry laws, rules and regulations; public education and market development; training and capacity building and; forging cross border cooperation and collaboration with other jurisdictions with a view to linking Ghana fully into the global capital market.

The year under review saw the Commission playing a stricter regulatory role aimed at guiding Ghana's fledgling securities market to a steady and sustained growth. The year saw the promulgation and active enforcement of the Securities And Exchange Commission Regulations, 2003 (L. I. 1728).

The Regulations provided for increase in minimum capital requirements for market operators, licensing, financial and compliance requirements for market operators, imposition of transaction levy, qualification of directors and other executive officers of market operators and requirements on disclosure of information by issuers of securities.

THE ECONOMY AND DEVELOPMENT OF THE CAPITAL MARKET

The achievement of monetary and fiscal policy objectives by Government in 2003 created the stable macro - economic environment for an impressive performance of the Ghana Stock Exchange (GSE) during the year.

In addition to this, the stable political climate among other things induced sustained investor confidence in the Ghanaian economy resulting in increased investor trading activities on the Stock Exchange. This was evidently reflected in the unprecedented increase in volume of shares traded on the Exchange. For instance, volume and value of transactions increased by 118.34% and 335.41% respectively. The All - Share Index appreciated by 142.7% in dollar terms, making it the best performing year in the history of the Exchange since 1994.

One of the most important economic developments that favored the growth of the stock market was the decline in the short - term money market 91-day and 182 - day Treasury Bill rates. This development caused many investors to turn to the stock market as an alternative source of investment with positive returns. Hitherto, investors' behaviour largely favored short-term money market instruments especially Treasury Bills. This partly accounted for slow growth of the capital market for almost a decade.

It is expected that sustained policy initiatives of government leading to adequate returns on medium- to long - term securities instruments and other incentives will help the growth of Ghana's capital market. This will facilitate

mobilization of long-term funds for corporate growth and national economic development.

STOCK MARKET LIQUIDITY

Despite the impressive performance of the stock market, the market faced liquidity problems, mainly from the supply side. This has called for measures aimed at increasing the volume of stocks on the exchange. Small to medium scale enterprises (SME,S) and other local companies are being encouraged to list on the exchange. The government has assisted in this developmental effort by way of providing tax incentives to listed companies and by divesting some viable and state owned enterprises through the GSE.

Other measures that have been considered to solve the liquidity problem on the supply side include, amending aspects of the Securities Industry Law (PNDCL 333 as amended) to allow for introduction of innovative products, trading rules and systems and more foreign participation in our market. Automation of GSE's trading system, a shift to a paperless transaction, establishment of an automated central securities depository and clearing system, encouraging cross- border listings among others are all part of our considerations.

Most of these considerations and concerns are being addressed under the ongoing Financial Sector Strategic Implementation Plan (FINSSP) of Ghana of which the SEC is an active implementing partner.

As part of measures to increase listings on the Exchange, the Commission is also seriously considering taking the exchange to the doorstep of entrepreneurs through a series of road shows in all the regional capitals.

We believe that the physical presence of the GSE in key regional capitals would enable it appreciate and address the concerns of entrepreneurs better, encouraging listings and thereby improving liquidity. The Commission is however mindful of logistics, financial and other resource implications that the regional expansion of the exchange might impose.

On the demand side, the SEC has identified certain necessary steps that have to be taken to improve liquidity on the GSE. This involves encouraging more active institutional investor participation, a focused and consistent communication and marketing drive targeted at household units and corporate bodies to get them to actively invest in capital market instruments. There is also the need to encourage broker - dealers and other market operators to increase their distribution channels to cover other regions of the country, than those they are currently serving.

There is a concentration of the activities of securities market operators in Accra. The Commission is of the view that the achievement of broader national investor participation would result in a positive effect on the overall economy and society at large.

Our commitment is therefore to engage market operators to provide vital information to the public on their respective investment products available

on the capital market. Market operators will be called upon to undertake aggressive marketing of their services to Ghanaian households, the business community and the international investor community in concert with the SEC.

STEPS TAKEN TO ADDRESS THE LIQUIDITY PROBLEM

It is of interest to note that the SEC and the GSE have already taken certain key strategic steps to address aspects of the liquidity problem confronting our stock market. For example, on May 1, 2003, the Africa Project Development Facility (APDF) entered into a Memorandum of Understanding (MOU) with the GSE to promote listing of SME's on the stock exchange. The Agreement focused in part on APDF absorbing a substantial portion of the listing cost of SME's. Furthermore, the Ghana Stock Exchange created another window with less stringent listing requirements for the SME's - (i.e., Provisional List). The combined effect of these initiatives was the provisional listing of CLYDESTONE (the first ICT company to be listed on the GSE). Another attempt to improve liquidity and speedy transaction on the exchange was the reduction of the clearing and settlement cycle from T+5 to T+3 effective June 2003.

The SEC also undertook an educational drive targeted at both investors and issuers of securities (i.e., the business community) to encourage them to be active participants on the stock market, thereby, helping to improve liquidity on the market. Our educational campaign succeeded in raising a substantial level of investor awareness and response.

MEMORANDUM OF UNDERSTANDING WITH SEC, NIGERIA

Also in August of 2003, the SEC signed a memorandum of understanding (MOU) with the Nigerian SEC to promote greater cooperation and enhance the integration of the capital markets of the two countries in the spirit of the protocol of the Economic Community of West - African States (ECOWAS). It is anticipated that some of the end results of this MOU will be cross listing of firms on the exchanges of the two sisters west - African countries in the near future.

BOND MARKET DEVELOPMENT

As already indicated in the Chairman's statement, in 2003 there were only four (4) listed corporate bonds in Ghana coming from only one issuer, HFC Bank, and 24 sovereign bonds (ie, Government of Ghana Index Linked Bonds - GGILBS). They both had very minimal secondary market trading activity.

The development of a liquid and viable bond market in Ghana is therefore at the core of SEC's capital market development commitment. It is gratifying to note that we played an active role on the **National Bond Market Committee** set up to deliberate and advise government on the orderly development of a vibrant and liquid bond market in Ghana.

Despite the absence of certain basic pre - conditions identified by the Bond Market Committee as necessary for the development of a liquid and viable

bond market, we are encouraged by the interest so far shown in the limited available listed bonds. It is on record that virtually all the HFC BONDS, which were issued and denominated in foreign currencies, were over - subscribed. This demonstrates the readiness of institutional and other investors to fully participate in thriving fixed income securities (bond) market.

We are committed to dialogue with all the five principal stakeholders on whom the development of a vibrant bond market in Ghana depends, namely,

- The Government
- Other Financial Regulators (Bank of Ghana and National Insurance Commission).
- Market Operators (including banks and securities firms)
- Quality issuers of bonds (corporate, agency/ sovereign and sub-sovereign entities)
- Interested Institutional and Household Investors committed to holding fixed income securities in line with their investment objectives (e.g. Social Security And National Insurance Trust (SSNT), Mutual funds, Unit Trust, Contractual Savings Institutions etc.)

The persistent pursuit of sound monetary and fiscal policy objectives aimed at creating a stable macro-economic stability coupled with the willingness of government to develop deep and liquid government bond market will go a long way to laying the foundation for an eventual takeoff of Ghana's bond market.

The government bond market will serve as benchmark yield curve, against which corporate bonds, notes and other commercial papers can be priced,

It is therefore expected that the government will renew its efforts at deepening and popularizing the GGILBS (i.e with medium to long- term yields) to help establish the needed yield curve for our economy.

CENTRAL SETTLEMENT & DEPOSITORY SYSTEM

As part of developing essential market infrastructure towards a deep, liquid and efficient securities market, the GSE and Bank of Ghana in the course of 2003, have collaborated to initiate the establishment of an automated central securities depository, clearing and settlement system (CSD). The system will cater for both money market and capital market instruments. It is expected to support and facilitate trade and transfers of instruments and eliminate paper transactions associated with our current trading system.

It is hoped that the establishment of the CSD System together with other market enabling variables will modernize and facilitate the development of various capital market instruments including bonds.

It is of interest to note that to achieve systems harmonization with the CSD, the GSE is also feverishly preparing to automate its trading system. It is however still looking for funding to undertake the project. We are optimistic that this will materialize soon. As part of making the CSD system

operational and for it to be properly regulated, the Commission is seriously putting together the entire necessary legal framework.

COLLECTIVE INVESTMENT SCHEMES (CIS)

The Commission is aware of the fact that there is a positive correlation between development of Collective Investment Schemes (mutual funds and unit trusts), Contractual Savings Institutions (Pension Funds, Life Insurance Companies etc.) on one hand and the size, depth and efficiency of capital markets on the other.

Their presence and portfolio allocation activities exerts competitive pressure on existing commercial and investment banks. This promotes financial innovation and modernization of trading systems as well as lowering of interest rates particularly in the banking sector. It is for this reason that the Commission has dedicated itself to the development, licensing and regulation of a vibrant Collective Investment Scheme sector, which directly falls under our ambit.

The collective investment schemes have come at an opportune time when the investing public, particularly the small investors, are beginning to take keen interest in the securities market. The CIS's are becoming viable vehicles through which mobilization of national savings from the public are being channeled to finance the economy.

In the light of this, we have streamlined the processing of CIS licensing applications with the aim of encouraging the setting up of many more CIS schemes in the economy. The Commission is equally building capacity to cope with the regulatory demands and proper supervision and surveillance that the increase in numbers of CIS's schemes will impose on us. Our principal concern to regulate the CIS scheme operators is therefore to ensure that they are well managed and that investor confidence is perpetually upheld and safeguarded.

COMMITTEE OF REGULATORS

In the year under review, the Committee of Regulators comprising the three main financial regulators appointed Dr. Charles Asembri, the Director General of the SEC as Chairman of the Committee. The Committee is made up of the three main financial regulators in Ghana, namely the SEC, NIC and BOG. The year witnessed more collaboration among the regulators, part of which centred on achieving a coherent regulatory framework, aimed at closing any regulatory gaps that may exist between the three sectors.

COMMITMENT TO CORPORATE GOVERNANCE

The commission recognizes the importance of corporate governance in ensuring investor confidence and growth of our capital market. In order to achieve high level of transparency, we have enforced corporate governance standards by our reporting and disclosure requirements. We have also produced comprehensive guidelines on corporate governance for all market

participants. This has been quite useful to listed and unlisted companies alike. Being the forerunner of good corporate governance practices in the country, the Commission organized a workshop for directors of boards, managing directors, auditors of listed companies, accountants and managers on the subject. It is of interest to note that, this received wide media coverage.

In order to reinforce this commitment, the Commission held a meeting with the Institute of Chartered Accountants of Ghana to discuss how best we could collaborate to promote and possibly enforce high governance standards among their practicing members, particularly, member auditors (both internal and external) and accountants working for listed companies. Presently the institute in response to our needs is working on a set of guidelines on internal audit functions for its members. The outcome is expected to be a breakthrough that will compare with internationally established best practices and standards of internal auditing.

In the course of the few coming years we hope to enter into memoranda of understanding with all relevant professional bodies to collectively champion the cause of good governance so that it will soon permeate the entire corporate culture of the country. It is by so doing that many local companies will have the understanding and confidence to partake in our capital market activities, leading to the growth of the market and the economy as a whole.

COMMODITIES EXCHANGE MARKET

In the latter part of 2003, the SEC was entrusted with the task of seeing to the establishment of a Commodities Exchange (i.e. commodities clearing house system) in the country using a warehouse receipts.

The Commission has accepted the challenge and has initiated the process of providing the requisite legislative and regulatory framework for the smooth takeoff of the project. The Bank of Ghana, which was initially handling the project, has formed a working group with the SEC staff to facilitate the formal handing over of the project to the Commission.

In order to play an effective and efficient regulatory role over the pioneering commodities exchange market, the SEC intend to undertake a comprehensive capacity building and training programme. This will help us to meet the regulatory challenges that the operations of the commodities market will bring to bear.

CODE ON TAKEOVERS AND MERGERS

In anticipation of increased takeover and merger activity in our market, the SEC has put together a draft code to guide the commercial conduct and behavior of such business combinations with the overriding objective to safeguard fair treatment of shareholders.

The code will be reviewed in accordance with international standards and best practices, and with the possibility to give it the force of law.

CAPITAL MARKET DEVELOPMENT OUTLOOK

The capital market development intent of the commission is two-fold. The first is to see to the establishment of a fully-fledged capital market in Ghana, with all the major capital market segments in place, namely,

- An active stock market
- A vibrant and liquid bond market
- A dynamic stock exchange - based venture capital market
- A vigorous derivatives market

In view of the above, the SEC has shown commitment to seeing to the establishment of the needed building blocks for the realization of our capital market development agenda. This includes laying the foundation for a solid capital market structure by encouraging the establishment of sound:

- Fund management industry
- Investment advisory industry
- Collective investment schemes and other investment institutions
- Trusteeship and Custodial services
- Underwriting services
- Stockbrokerage industry
- Legal, Accounting and Auditing support services
- An active financial press and industry of financial analysts

The second is to position Ghana as the centre of capital market operations in the sub- region and at best in sub- Saharan Africa. This implies making

Ghana the centre for both investors and issuers of securities and the best attractive destination for global portfolio investment. To achieve this would involve among other things:

- A review of existing legal and regulatory framework aimed at removing obstacles in the way of market development; removal of regulatory overlaps and plugging the gaps in the law.
- Multilateral and bilateral Memoranda of Understanding with countries in the sub-region and sub-Saharan Africa. This will enhance sharing of information with the regulatory authorities in those jurisdictions and subsequently facilitate cross border listings and other cross border capital market business activities. As already indicated, one such MOU exists between the SEC, Ghana, and that of Nigeria. We therefore expect our licensed market operators to fully take advantage of this opportunity.
- Provision of market infrastructure such as automated trading and settlement systems.
- Capacity building, research and training institutions for industry participants including the setting up of a capital market resource and Training Centre of Excellence.
- Regulatory collaboration and harmonization with Bank of Ghana and the National Insurance Commission.
- Active participation of banks and insurance companies in the securities market.
- Education and awareness creation of all stakeholders

- Promotion of minority investor rights and supporting the formation of a strong independent investor advocacy group or association
- Establishment of enforceable good corporate governance standards in Ghana
- Deepening the capital market
- Promoting market efficiency, particularly, in the stock broking and fund management industries
- Improving and projecting the SEC's regulatory capacity
- Inclusion of capital market development issues in macroeconomic policy initiatives of government.

We know that it will take sometime for our capital market development to materialize in full. However with the support of all stakeholders and the right environmental hygiene in place, the time lag can be shortened. As already indicated in this review, the Commission has already initiated aspects of the development agenda. The other aspects are being addressed under the ongoing **Financial Sector Strategic Plan for Ghana (FINSSP)** of which the SEC is playing an active implementation role for the capital market.

Our development challenges are huge, but we are determined to surmount them with the commitment and support of our highly dedicated professional staff working as a team. The chairman of the SEC and his able board members (Commissioners) made invaluable contributions to our work, which went a long way to enrich the implementation of our legal mandates, corporate vision and market development strategies. The support of

government, market operators and other stakeholders particularly members of the investing public, helped make the year 2003 the most interesting one for the securities market.

Finally the investor community and all stakeholders are assured of our total commitment to always ensure security, fairness, efficiency and transparency in the market.

DR. CHARLES ASEMBRI

MEMBERS OF THE COMMISSION

The current Commissioners of the SEC who were appointed by the President, in consultation with the Council of State, on the 17th of January 2002, were sworn into office on 28th March 2002.

The Commissioners are responsible for establishing the overall policy framework of the Commission. These responsibilities include reviewing strategic and operating plans of the Commission as well as reviewing the performance of the work of the Commission.

The Commission is headed by a Chairman who is assisted by nine (9) other Commissioners. The Commissioners of the SEC hold office for 3 years and are eligible for re-appointment at the end of their three-year term. With the exception of the Director General and the Deputy Director General, the other Commissioners are non - executive members of the Commission.

Members of the Commission are:

Professor G.K.A. Ofosu -Amaah	- Chairman
Dr. Charles Asembri	- Director General
Mrs. Eudora Koranteng	- Deputy Director General
Dr. Nii K. Sowa	- Member
Ms. Elsie Addo	- Member
Mrs. Amma Gaisie	- Member (Rep. of Registrar General's Dept.)

Mr. Francis Badasu	- Member (Rep. of Bank of Ghana)
Mr. K.B. Oku-Afari	- Member (Rep. of Ministry of Finance)
Ms. Dorothy Gyamfi	- Member
Mr. P.K. Buabeng	- Member

COMMITTEES OF THE COMMISSION

To ensure the effective supervision of the Commission and in keeping with the key principles and spirit of the Commission's own guidelines on corporate governance, issued to the market in 2002, four (4) standing Committees of the Commission have been set up with the power and authority of the full Commission. The Committees are as follows:

- Finance And Audit Committee
- Administration And Human Resource Management Committee
- Approvals And Licensing Committee
- Research And Market Development Committee

The respective mandates of the Committees fit into the existing departmental structure and functions at the SEC. Each Committee in turn submits a report on its work to the Commission at each meeting of the Commission, for its final decision and /or endorsement.

The membership of the Committee is made up of three non-executive Commissioners. The Director General or the Deputy Director General is expected to be present at meetings of each Committee.

Finance & Audit Committee

The Finance And Audit Committee is responsible for overseeing the finance and audit functions of the Commission. During the year under review, the Committee met four (4) times.

In line with its terms of reference, the Committee met to review quarterly Management Accounts and deliberated on issues in pursuance of its general responsibility of overseeing finance and audit functions of the Commission.

Major activities undertaken by the Finance & Audit Committee

1. The Committee considered a request from the Research and Market Development Committee to help source for funds for the Market Research and Development activities of the Commission.
2. Based on the authorization of the Commission, the Finance and Audit Committee reviewed the state of the Commission's Internally Generated Funds and apportioned the funds amongst major competing needs of the SEC including securities market development and public education
3. The Committee discussed and reviewed Management's report on the financial position of the Commission, Subvention releases and budgetary performances for the nine months period to 30th September 2003.

4. The Committee considered and approved of the opening of a separate account for the Commission to cater for the payment of the Transactions Levy to the Commission in compliance with Regulation 47 of the Securities and Exchange Commission Regulations, 2003, L.I.1728.

Administration and Human Resource Management Committee

The Administration and Human Resource Management Committee has oversight responsibility for administration and human resource management/development requirements of the Commission.

The Committee met five (5) times during the year under review. In line with its terms of reference, the Committee discussed various issues including:

- The recruitment process of the Commission
- The staffing needs of the Commission for the short to medium term
- Policy on disposal of used assets

Approvals and Licensing Committee

The Committee is responsible for overseeing the Commission's functions of approving invitations to the public, takeovers and mergers, and registering/licensing/approving market operators' request.

The Committee met four (4) times during the year under review. In line with its terms of reference, the Committee gave approvals to various applications for licenses and offer documents.

(A) APPROVALS OF COLLECTIVE INVESTMENT SCHEMES

1. The Committee approved applications submitted to the Commission by three Companies for the establishment of Collective Investment Schemes as follows:

Gold Fund: An open ended Unit Trust Scheme with the objective of seeking income and long-term appreciation for unit holders by investing primarily in Ghanaian equity securities.

Databank Money Market Fund: An open-ended Mutual Fund Company with the objective of providing high income consistent with the maintenance of liquidity and preservation of capital by investing primarily in a diversified portfolio of money market securities of varying maturities with an average portfolio maturity of not more than 91 days.

NTHC Horizon Fund: An open-ended Mutual Fund Company with the objective of attaining long-term capital appreciation by investing in a variety of equities and securities listed on the Ghana Stock Exchange or any other regulated market or exchange.

This brought to total six (6) Collective Investment Schemes approved and licensed by the Commission by the end of 2003.

2. The Committee also approved the application of Insurance Company, Provident Insurance Company, which applied to act as a Trustee for the Gold Fund Unit Trust.

Under the Securities Industry (Amendment) Act, Act 590, a trustee must either be a bank, an insurance company or a financial institution or a wholly owned subsidiary of any of them approved by the SEC.

3. The Committee approved two (2) applications for a Dealer's License (Stock Broker) and One (1) application for an Investment Adviser's License.

(B) OFFER DOCUMENTS

1. The Committee approved a circular to shareholders of Ghana Breweries Limited (GBL) for a proposed Renounceable Rights issue. The Rights Issue was part of GBL's capital restructuring exercise.

(C) GSE MATTERS

The Approvals and Licensing Committee also received and approved the following applications from the Ghana Stock Exchange;

1. Approval to the Ghana Stock Exchange to amend its clearing and Settlement Rules from T+5 to T+3 pursuant to Section 26 of the Securities Industry Law, 1993, PNDCL 333 as amended.
2. Approval to the Ghana Stock Exchange to issue guidelines on Provisional (Fast Track) Listing. The purpose of this procedure is to encourage divestiture of state-owned enterprises (SOEs) through the Exchange and also to facilitate listing of small to medium scale enterprises (SME's) on the Exchange, through the adoption of faster and simpler procedures without sacrificing rules or standards.

Market Research and Development (RM & D) Committee

The Market Research And Development Committee is responsible for overseeing the Commission's function of conducting market research and creating the necessary atmosphere for the orderly growth and development of the securities market.

The Committee identified major areas of research and market development as follows:

- i) Taking a lead role in training and capacity building:
 - a) Within the Commission to keep up with the pace of market development;
 - b) Among market operators; and

- c) Among faculty members and students of relevant educational institutions.
- ii) Increasing public awareness and understanding on the basics of the securities market, and the Commission's role and functions;
- iii) Playing a lead role in Securities Market Research;
- iv) Improving Technology for the Commission and for the Market;
- v) Coordinating Market Development Efforts of the Commission and the GSE;
- vi) Coordinating Regulatory and Development Efforts of the Commission, the National Insurance Commission, and the Bank of Ghana; and
- vii) Strengthening the Commission's role of advising Government with respect to the Securities Market.

Major activities undertaken by the RM & D Committee

During the year under review, the RM & D Committee made some major decisions / recommendations for the development of the Capital market as well as the Commission in general. This includes the following recommendations, which were subsequently endorsed by the Commission:

1. The activities of the Commission required more funds than that available from government under subvention. Therefore the Committee recommended that approval be sought from the Ministry of Finance and Economic Planning to seek assistance from donor agencies in areas of Technical Assistance, Capacity Building for both

the staff of the SEC and the Market operators and the Commission's i
Information Technology requirements.

2. With respect to research, the Committee decided that the SEC should collaborate with the tertiary institutions in Ghana to undertake research in areas relating to the securities industry. By so doing, students and members of the various faculties of the tertiary institutions would increase their interest in the activities of the securities industry to help develop the industry in Ghana.
3. The Committee approved the establishment of a Securities Industry Resource and Training Centre. The centre which will have a library will focus on providing training and capacity building for securities market operators, and access to securities industry related material / information for students and lecturers in both secondary and tertiary institutions as well as the general investing public.

It is envisaged that with the Commission providing information on securities market issues, more people in Ghana will benefit from the advantages of investing in securities and acquire the understanding and education of securities industry issues.

Administrative Hearings Committee

The Securities Industry (Amendment) Act, 2000 (Act 590), provides for the establishment of an Administrative Hearings Committee (AHC) in the

Commission. The functions of the (AHC) are to examine and determine violations, complaints and disputes related to and arising out of any matter to which the Law applies. The membership is made up of the Chairman of the Commission and four other members elected by the members of the Commission.

In the year under review, the Commission completed its investigations involving alleged acts of unethical conduct against a former Managing Director of the Ghana Stock Exchange. In accordance with the Securities Industry Law, 1993 PNDCL 333 (the Law), the Commission thereafter referred the matter to the Administrative Hearings Committee for determination.

The AHC found the former Managing Director culpable and therefore imposed the following sanctions on him:

- Disqualification from serving as a director or officer of a licensed Stock Exchange, Dealer, Investment Adviser, Mutual Fund, Unit Trust or any other institution licensed by the Commission, for a period of six (6) months with effect from 27th March 2003.
- Reprimand for his conduct.

COMPOSITION OF COMMITTEES

Finance & Audit committee	Dr. Nii K. Sowa Mr. P.K. Buabeng Mr. Francis Badasu Dr. Charles Asembri or Mrs. Eudora Koranteng or both	Chairman Member Member Executive Members
Market Research & Development Committee	Ms Elsie Addo Ms Dorothy Gyamfi Dr. Nii K. Sowa Dr. Charles Asembri or Mrs. Eudora Koranteng or both	Chairman Member Member Executive Members
Approvals and Licensing Committee	Prof. G.K.A. Ofosu-Amaah Mr. Francis Badasu Ms. Elsie Addo Dr. Charles Asembri or Mrs. Eudora Koranteng or both	Chairman Member Member Executive Members
Administration and Human Resource Management Committee	Mrs. Amma Gaisie Mr. Francis Badasu Ms. Dorothy Gyamfi Dr. Charles Asembri or Mrs. Eudora Koranteng or both	Chairman Member Member Executive Members
Administrative Hearings Committee	Prof. G.K.A. Ofosu-Amaah Mr. P.K. Buabeng Ms. Elsie Addo Dr. Nii K. Sowa Mrs. Amma Gaisie	Chairman Member Member Member Member

MAJOR CIRCULARS OF THE COMMISSION

A. ISSUED CIRCULARS

In line with the philosophy of disclosure based regulation as against merit based regulation, and the passage of the Securities and Exchange Commission Regulations, 2003, L.I 1728, the Commission during the year under review issued circulars to all licensed Dealers and Investment Advisers, the Ghana Stock Exchange and all listed companies in relation to the following:

1. Financial Reporting Requirements of Dealers and Investment Advisers

Under the SEC Regulations, 2003, the Financial Reporting Requirements of Dealers and Investment Advisors can be summarized as follows:

REGULATIONS	COMPLIANCE REQUIREMENTS
Regulation 15	- License Fees
Regulation 18	- Notification of change in particulars
Regulation 21	- Notification of appointment, removal and resignation of auditor of dealer and investment adviser
Regulation 24	- Deposits from Clients
Regulation 25	- Internal Control and Compliance

- Regulation 26 - Maintenance of Complaints Register
- Regulation 27 - Trading in Securities by employees / agents of a broker-dealer
- Regulation 33(1) - Monthly Cash Flow / Statement of Liquid Funds
- Regulation 33(1)(b) - Quarterly Financial Statements
- Regulation 33(1)(c) - Audited Annual Financial Statements
- Regulation 33(4) - Report on Underwriting of Securities
- Regulation 33(5) - Report on Offer of Securities
- Regulation 34 - Report to clients
- Regulation 39 - 44 - Advertisements
- Regulation 45 - 49 - Transaction Levy (Applicable to broker - dealers only)

2. Reporting Requirements of the Stock Exchange

REGULATIONS	COMPLIANCE REQUIREMENTS
--------------------	--------------------------------

- | | | |
|--------------------|---|---------------------------------------|
| Regulation 18 | - | Notification of change in particulars |
| Regulation 30 | - | Annual Returns |
| Regulation 31 | - | Quarterly Returns |
| Regulation 32 | - | Trading Day Report |
| Regulation 45 - 49 | - | Transaction Levy |

3. Disclosure Requirements of Issuers of Securities to the Public

REGULATIONS	COMPLIANCE REQUIREMENTS
--------------------	--------------------------------

- | | | |
|------------------|---|---------------------------|
| Regulation 51-53 | - | Invitations to the public |
|------------------|---|---------------------------|

- Regulation 54 - Annual Reports
- Regulation 55 - Quarterly Financial Statements on
Corporate Securities
- Regulation 57 - Sworn Statement
- Regulation 60 (1) - Obligation to Disclose Information
- Regulation 61 - Audit Sub-Committee
- Regulation 39 - 44 - Advertisements

B. COMPLIANCE WITH REGULATION 55 OF LI 1728

Regulation 55 of the SEC Regulations, 2003, L.I 1728 provides that an issuer of corporate securities (listed companies) shall furnish the SEC, and its shareholders / bondholders and the stock exchange quarterly financial statements as prescribed under Regulation 55 before the expiry of a month from the end of each quarter

All the compliance requirements contained in the various circulars as enumerated above, are meant to improve market transparency and timely disclosure of information for the ultimate protection of investors and the integrity of the market. These were enforced by the Legal & Enforcement and Market Surveillance Departments.

MAJOR DECISIONS OF THE COMMISSION

During the year under review the Commission met six times and in addition to endorsing decisions of the four standing committees, it also took certain major decisions to advance the development of the capital market and to strengthen the SEC to assert itself as an independent regulator. The essential decisions included the following:

- Directive to the GSE to establish a FIDELITY FUND as required under section 99 of PNDCL 333. The establishment of the fund itself was subject to the approval of the SEC.
- Decision for the SEC to take steps towards the setting up of a FIDELITY FUND into which future deposits will be paid in accordance with rules and regulations approved by the Commission. The fund when set up will serve as a form of insurance to compensate investors in the event of losses arising out of the possibility of a market failure or insolvency of securities firm(s).
- Mandatory opening of an ESCROW ACCOUNT by all issuers of securities. By this directive, all proceeds of an offer would be lodged and kept in this account until the end of the offer. This is meant to prevent misapplication of proceeds from an unsuccessful offer. The escrow account will be under the control of a bank and funds lodged in it cannot be accessed by the issuer of securities until the successful outcome of the offer.

- A study into the issue of unclaimed/unpaid dividends by listed companies. The study is ongoing and the findings will inform the Commission on what steps to take in addressing this issue.
- The Commission approached the Ministry of Works and Housing to secure its own office accommodation.

PROFESSIONAL STAFF / DEPARTMENTS

The Secretariat of the Commission operates on a directorate / departmental basis and as at the end of 2003 had a total staff strength of 21 made up of 12 professional staff and 9 supporting staff. The organizational structure of the Commission (see appendix6) reflects the basic functions it is called upon to perform under the Law. The directorates including supporting departments of the Commission are as follows:

DIRECTORATE		SUPPORTING DEPARTMENTS
Legal and Enforcement	1. 2.	Legal Enforcement & Investigations
Surveillance	1. 2.	Licensing & Monitoring Inspections
Corporate Finance and Investment Management	1. 2.	Corporate Finance Investment Management
Finance and Administration	1. 2.	Finance & Accounting Administration & Human Resource

Other departments of the Commission which report directly to the Deputy Director General's office are as follows:

1. Research and Market Development Department.
2. Information Technology Department.
3. Legal and enforcement

In the course of the year under review, three new staff were recruited to complement the work of the Secretariat as follows:

Name	Designation
Mr. Kenneth Okwabi	Senior Manager, Legal
Mr. Emmanuel Ashong-Katai	Manager, Research and Market Development
Mr. Jacob Aidoo	Manager, Accounts

The Director, Corporate Finance and Investment Manager, Mr. Adu Anane Antwi, proceeded on voluntary retirement in the year under review after four (4) meticulous service with the Commission.

PROFESSIONAL STAFF OF THE COMMISSION AND THEIR DESIGNATIONS

STAFF	DESIGNATION
Dr. Charles Asembri	Director General
Mrs. Eudora Koranteng	Deputy Director General
Ms. Patricia Asaam	Board Secretary
Mr. Ekow Acquah-Arhin	Director, Surveillance
Mr. Kenneth Okwabi	Snr. Manager, Legal & Enforcement
Mr. Mark Made	Manager, Legal & Enforcement
Mr. Emmanuel Ashong-Katai	Manager, Research & Market Development
Mr. Robert Dowuona Owoo	Assistant Manager, Research and Market Development
Mr. Alex Amankwah-Poku	Manager, Information Technology
Ms. Gladys Quaye	Manager, Human Resource and Administration
Mr. Emmanuel Mensah-Appiah	Manager, Surveillance
Mr. Jacob Aidoo	Manager, Accounts

FUNCTIONS

Legal and Enforcement Directorate

The duties and responsibilities of the departments in the Directorate include the following:

a) Legal Department

- Reviewing Rules and Regulations
- Drafting Rules and Regulations
- Provide legal advisory services
- Processing of complaints (AHC)

b) Investigation and Enforcement Department

- Investigations
- Referral and prosecution of offences

Surveillance Directorate

The main duties and responsibilities of the departments under this Directorate include the following:

a) Licensing and Monitoring Department

- Review of reports of Dealers / Investment Advisers
- Processing applications / renewals
- Reporting on the financial and systemic stability of the stock exchange and all other exchange related entities.

b) Inspections Department

- Inspections of market operators
- Inspections of fund operators
- Ensuring compliance of all licensed market operators.
- Handling of investor complaints.

On - site inspections

In addition to the departments off - site inspection programmes and procedures, it also undertook scheduled and unscheduled on - site inspection visits to a number of stock broking firms in 2003. Out of 14 licensed stockbrokers, 10 were visited in the course of the year as follows:

- NTHC LTD.
- STRATEGIC AFRICAN SECURITIES LTD.
- DATABANK BROKERAGE LTD.
- CAL BROKERS LTD.
- SDC BROKERAGE SERVICES LTD.
- WORLD WIDE INVESTMENTS LTD.
- CAPITAL ALLIANCE
- FIRST ATLANTIC BROKERS LTD.
- CDH SECURIRIES LTD
- STERLING SECURITIES LTD.

Areas reviewed during the on-site inspection visits included compliance with capital adequacy, licensing, client and trade documentation, directorship,

level of automation / information technology, work and level of cooperation with internal compliance officers, accounting standards, nature of front and backroom operations, adequacy of staffing levels, know your client rule and all other areas spelt out in the Commission's Compliance Manual and relevant securities industry laws, rules and regulations.

The inspection report of the department revealed that compliance was generally satisfactory and recommended few areas for improvement. Various letters were therefore sent to brokerage firms, which could not fully meet the compliance requirements, with directives to meet them according to laid down timeframe.

Corporate Finance and Investment Management

The main duties and responsibilities of the departments include the following:

a) Corporate Finance Department

- Ensuring disclosure of information by issuers of securities
- Review of prospectuses
- Review of Mergers and Acquisitions
- Examining financial reports of public companies
- Working with private -sector activity bodies to formulate accounting standards

b) Investment Management Department

- Licensing of Collective Investment Schemes and approval of fund prospectuses

- Examining financial reports
- Formulating financial reporting standards for funds

Finance and Administration Directorate

The departments under the Finance and Administration Directorate have the following duties and responsibilities:

a) Finance and Accounting Department

- Financial administration and management of the finances and funds of the Commission
- Liaising with the auditing and the accounting profession

b) Administration / Human Resources

- Human Resource Management
- General Administrative duties

Research and Market Development Department

The main duties and responsibilities of the departments include the following:

a) Research and Market Development Department

- General research in the fields of finance and capital market development
- Providing information for the Commission web site updates
- Analyzing data on market activities that may require attention by the Commission

- Analyzing potentially significant market developments
- Supplying information for presentations by staff of the Commission
- Preparation of all Commission publications including annual reports.
- Media, Public and international Relations
- Marketing and Investor Education

SIGNIFICANT ACTIVITIES OF THE RESEARCH AND MARKET DEVELOPMENT DEPARTMENT

- In the light of assisting the commission achieve its immediate strategic objective of improving liquidity on the Stock Exchange and increasing public participation in the capital market, the department organized series of discussion programmes together with some of the market operators on some selected FM RADIO STATIONS on the topic, **Collective Investment Schemes and buying shares on the stock market.**
- In order to develop the culture of investment in the youth, one of the key target groups in the department's public education programme has been university students. Being potential good income earners, investors and future leaders, a number of educational and awareness creation programmes were undertaken on securities market instruments and issues at the university of Ghana. This has increased the interest of the student population in the securities industry. As a result of the enthusiasm shown, the Commission intends to duplicate this in most tertiary institutions throughout the country next year.

- The department also published an information brochure on **Investors Guide To The Administrative Hearing Committee Of the SEC**. This brochure spelt out for the benefit of investors, the complaints handling procedure of the Commission. It was also meant to encourage investors to lodge complaints against market operators with the Commission for redress.
- As part of activities to protect investors, especially **minority shareholders**, and to promote transparency, accountability and adherence to international accounting standards by listed companies, the department organized a workshop on good corporate governance for auditors, directors and managers of listed companies as well as Securities Industry Firms. This workshop was a follow up to a series of articles on the subject published in the business columns of Ghanaian dailies.
- In the year under review, the Research and Market Development Department also researched into the issue of **unpaid / unclaimed dividends in listed companies**. It presented an interim report. The study is still ongoing with the final report and recommendations expected in 2004.

Information Technology Department

The main duties and responsibilities of the departments include the following:

- Provide IT support for Commission's staff including training
- Integrating IT into the Commission's activities
- Establishing and maintaining the Commission's web site

The department discharged its functions satisfactorily which enabled the Commission to maintain regular electronic communication with the market and also enhanced its off - site surveillance and inspection capability of the market all year round in 2003. For example, the department was able to make it possible for the Commission to receive the GSE Trading results and statistics on - line and on time as well as monthly cash flow statements and shareholding positions in other equities by market operators and their staff. Quarterly returns of financials indicating cash flow, profit and loss positions etc. were received electronically from all market operators by the Commission.

TRAINING AND CAPACITY BUILDING

Due to the dynamic nature of the securities industry, the Securities and Exchange Commission recognizes the importance of training and development to keep it abreast with new developments in the industry. During 2003, members of staff took part in both local and international training

programmes and conferences to acquire skills and knowledge to enhance the efficiency and effectiveness of the Commission.

The most notable ones included the annual conference of the International Organization of Securities Commissions (IOSCO) on the theme *New Challenges For Securities Markets And Regulators*, in Seoul, South Korea, and OECD/World Bank Market Forum in Washington DC on *the Development of Bond Market In Emerging Markets*.

In view of the limited number of professional staff in the Commission, the SEC recruited three new professional staff to strengthen the organization. They were recruited into the Legal, Accounts and Research and Market Development Departments respectively.

ECONOMIC REVIEW

BRIEF GLOBAL ECONOMIC OVERVIEW

Despite the general pessimism about the health of the world economy in the run - up to the Iraq war, the global economy in 2003 began to show signs of recovery after an economic downturn in 2002. It grew by 1.5% to 2.0%. In the second half of the year under review, there was an increase in world commodity prices including gold, cocoa and oil which positively affected the fortunes of most commodity producing countries, particularly those in Africa. For example, real GDP growth rate in Africa went up from 3.2% in 2002 to 3.6% in 2003, making her the second fastest growing region in the developing world, behind Eastern and Southern Asia. Africa's current account deficit also fell from 1.6% of GDP in 2002 to 0.7% in 2003 with improved oil and commodity revenue and inward remittances from abroad being the main drivers of the improved current account position.

It is believed that Africa could have done better had it not been the incidence of civil, political and military strife in certain parts of the continent such as the Sudan, DR Congo, Liberia and Cote d'Ivoire. Moreover, high crude oil prices and slow pace of recovery in the Euro zone (being important trading partners to most countries in sub - Saharan Africa), impacted negatively on mostly oil importing Sub - Saharan African countries.

The world price of cocoa continued to rally from £1,374 per metric tonne at the end of December, 2002 to a peak price of £1,467 per metric tonne during the course of 2003 before easing to £901 at the end of 2003. The

political and military crises in Cote d'Ivoire, the leading world producer of cocoa, partly accounted for the increase in world cocoa prices. Gold also benefited from the decline in the value of the US dollar in relation to other international currencies and the volatile equity markets in Japan, US and Europe. Ridding on these international economic developments among others, the world price of gold shot up from \$US 346.85 per fine ounce at the beginning of 2003 to \$US 414.37 at the end of the year, representing price gain of 19.4% in that year.

Crude oil prices continued to be high in anticipation of the Iraq war. The average weekly spot price for Brent crude from January to December 2003 was \$28.40 per barrel compared to \$25.03 in 2002. In general terms, high oil prices had negative effect on the growth in oil importing countries, particularly in sub - Saharan Africa.

The global economic recovery was boosted further by monetary policy measures of the G - 8 countries whose central banks were compelled by circumstances of the economic downturn in the previous year (2002), to reduce interest rates. Thus by mid 2003, interest rates had hit their lowest level for almost half a century. This partially eased the debt service burden on many highly indebted developing countries, particularly in Africa. This helped to free resources to productive sectors of the economy.

THE ECONOMY OF GHANA IN 2003

Ghana benefited immensely from the favorable global economy in 2003. She maximized the favorable increase in world commodity prices with corresponding increases in gold and cocoa production. For example cocoa production for the 2002/2003-crop season was 496,869 tonnes, the highest since 1964. This, together with HIPC debt relief, prudent management of the macro economy, poverty reduction strategies and relatively favorable weather conditions combined to stimulate growth in virtually all sectors of the economy. Ghana's real GDP growth in 2003 was 5.2%, higher than Africa's average of 3.6% and 3.1% of West - Africa. Below is a summary of key macroeconomic indicators for the year under review:

INDICATOR	YEAR 2003	YEAR 2002
GDP Growth (%)	5.2	4.5
End of Year Inflation (%)	23.6	15.2
Cedi / US Dollar Exchange (¢)	8,805.50	8,351.91
Discount Rate (91 Day Treasury Bill) - %	18.7	23.6

Source: Government's 2004 Budget Statement

OVERALL GROWTH

The year under review experienced substantial growth in almost all sectors of the economy. Real GDP growth was higher than expected, that is, 5.2% against the projected 4.7% for the year.

The Agricultural sector led the way with a growth of 6.1% as against 4.4% achieved in 2002. The strong performance of the sector was spearheaded by the strong recovery of the cocoa sub-sector, which improved, from a decline of -0.5% in 2002 to a positive growth of 16.4%. Various factors can be attributed to this remarkable performance. This includes increase in the producer price of cocoa for the local farmers and government's initiative of continuous mass spraying exercise of cocoa farms in the country.

All the other sub-sectors outperformed their projected targets with the exception of the crops and livestock sub sectors, which experienced a decline. The industrial sector growth of 5.1% exceeded the 2002 growth of 4.7%, while the service sector growth rate of 4.7% matched the 2002 performance. The tables below give a breakdown of the performance of the various sectors of the economy:

	YEAR 2002	YEAR 2003
AGRICULTURE	4.4	6.1
Crops and Livestocks	5.2	5.3
Cocoa	-0.5	16.4
Forestry	5.0	6.1
Fishing	2.8	3.0

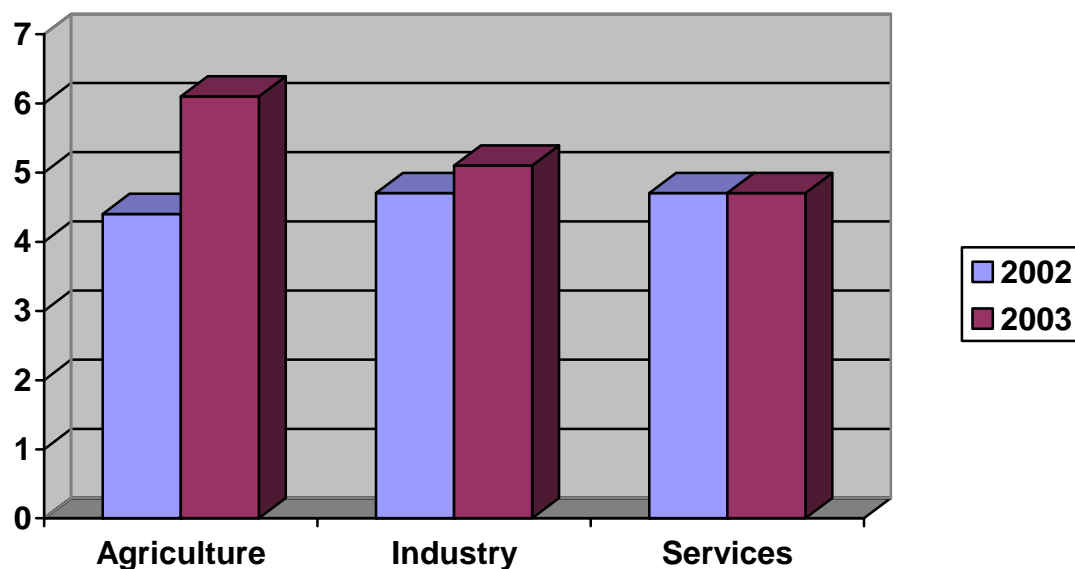
Source: *Government's 2004 Budget Statement*

	YEAR 2003	YEAR 2002
INDUSTRY	5.1	4.7
Mining & Quarrying	4.7	4.5
Manufacturing	4.6	4.8
Electricity & Water	4.2	4.1
Construction	6.1	5.0

Source: Government of Ghana 2004 Budget Statement

	YEAR 2003	YEAR 2002
SERVICES	4.7	4.7
Financial, Insurance, Real Estate and Business Services	5.2	5.5
Transport Storage & Communication	5.8	5.7
Government Services	4.0	4.0

Source: Government's 2004 Budget Statement



INFLATION

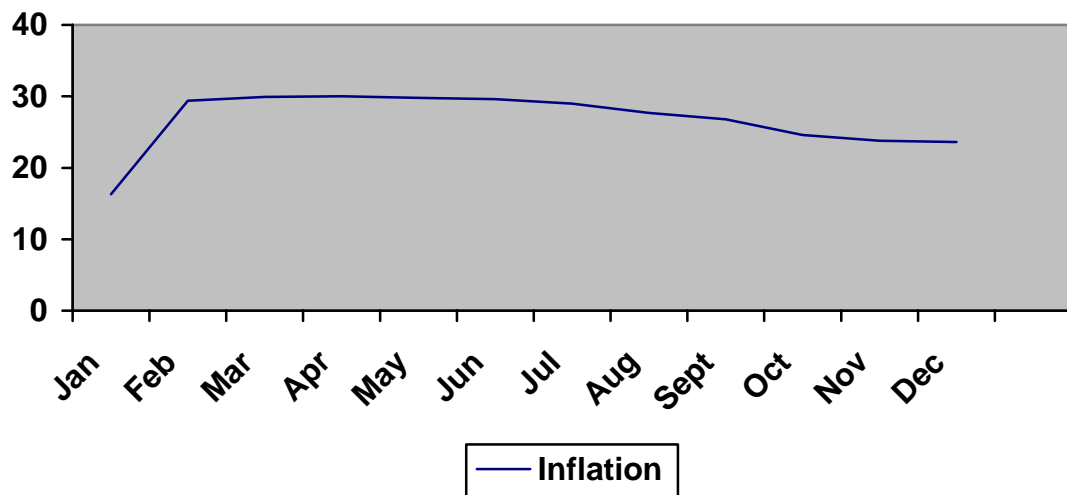
At the beginning of the year, the rate of inflation was 16.3%. This shot up to 29.4% at the end of February after the government had announced an increase in the price of petroleum products by 95% in January. The increase was meant to correct fiscal distortions to the economy induced by incorrect parity pricing in the petroleum sector. However, sustained implementation of prudent fiscal policy framework by government coupled with prudent monetary policies implemented by the Bank of Ghana initiated the process of reducing inflation. As a result, inflation dropped from its peak of 30.0% in April 2003 to 23.6% at the end of the year.

Apart from petroleum, other sources of inflationary pressures in 2003 came from the Housing, Utility, transportation and communication sub-sectors of the economy. Particularly, increase in communication tariffs in October 2003

added to fuel the inflationary pressure in the year under review. Despite these pressures the government succeeded through its disinflation policy to keep inflation on a sustained decline for the rest of the year as illustrated below:

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Inflation Rate	16.3	29.4	29.9	30.0	29.8	29.6	29.0	27.7	26.8	24.6	23.8	23.6

2003 Monthly Inflation Rates



EXCHANGE RATE

The cedi remained relatively stable on both the inter bank and the foreign exchange market against the US dollar although the relative strength of the Euro and British pound sterling coupled with the increased utilization of

these currencies by local importers from Europe caused a higher depreciation of the cedi against those currencies.

On the inter bank market, the cedi depreciated by approximately 4.7% against the US dollar, and against the Euro and the British pound, it depreciated by 22.5% and 13.0% respectively.

INTEREST RATES

The year under review witnessed a general decline in interest rates. The benchmark 91-day Treasury bill moved from the beginning of the year from 26.6% to 18.67% by the end of the year 2003. The rates for the 182-day Treasury bill and the 1-year note similarly fell from 30.2% and 32.4% in June to 23.31% and 20.5% respectively at the end of December 2003. Reduced government borrowing coupled with favorable economic performance contributed significantly to the decline in interest rates.

This development created a shift in preference from short- term to long dated financial instruments. For instance, the share of 91-day Treasury bills declined from 50% in December 2002 to 43.3% at the end of December 2003, while the share of long dated government financial instruments also increased from 50% to 56.7%.

The inter - bank market also experienced similar decline in interest rates. From 27.3% in June 2003, it declined to 17.0% by the end of December of the same year. **Commercial bank rates** on the other hand responded slowly

to reduction in the inter- bank rates. The rates fell from 32.0% to 28.5% between the same periods. The general reduction in interest rates in the money market and that of inflation favored the growth of the stock market in 2003.

BALANCE OF PAYMENT

There was a deficit of \$670.4 million on Ghana's merchandise trade. However, the overall current account balance showed a surplus of \$402.3million as against \$39.8 million in the previous year. This represents 5.1% of GDP compared to 0.7% last year. The net international reserve position stood at \$788.5million as against \$130.86 million in 2002, adequate to finance 4.17 months of the country's import requirements. Inward remittances through the banking and financial system from NGO'S, Ghanaian nationals abroad, religious groups and other individuals increased by 57.5% from \$1.4 billion in 2002 to \$2.2 billion in 2003.

ECONOMIC OUTLOOK FOR 2004

Global macroeconomic outlook for 2004 looks promising despite the incidence of war in Iraq and advent of Sars epidemic in East Asia. Consumer confidence and spending as well as investment spending in the US and Japan are likely to remain strong. According to the World Bank Group, world trade is likely to increase by 8% with the attendant firming up of non- oil commodity prices. International interest rate is also likely to remain low with capital flows projected to increase by 20% - 30% over that of 2003. The

fact that the OECD countries are beginning to have a change of heart on the effect of their agricultural subsidies on poverty in developing countries is likely to lead to new trade policies aimed at granting more market access to developing countries.

GHANA

For Ghana and other non-oil producing countries in Sub-Saharan Africa, the downside risks that will be worrying in 2004 are the likelihood of rising world oil prices due to the instability in Iraq and spread of Terrorism in the middle- East as well as slow recovery and growth in the Euro zone, being the biggest trading partner to Sub-Saharan Africa.

Apart from possible hike in oil prices, international economic pressure such as debt service, low commodity prices and trade barriers on Ghana's economy are expected to ease. This, coupled with improved revenue at home and through exports of increase in cocoa and gold production are likely to improve the country's current account balance, foreign exchange reserves and stability of its currency in relation to other international currencies. Inflation and attendant interest rates in the money market are also expected to fall further than the rates in 2003.

STOCK MARKET DEVELOPMENTS

Introduction

Developments in the money market, which induced investor preference for long-dated securities, had a positive spillover effect on the Ghanaian stock market. Demand for equity increased substantially as many local and international investors began to turn their attention to the stock market, thus creating a situation of excess demand over supply of stocks.

The Ghana Stock Market as a result, performed remarkably well during the year 2003 making it the best performing year in the history of the Ghana Stock Exchange. It was also among the best performing markets in the world. All the basic performance indicators of the market showed positive outturns. For instance, the GSE ALL-SHARE INDEX appreciated by 154.67%; MARKET CAPITALISATION also went up by 104.03%; whilst MARKET TURNOVER in both volume and value terms increased by 118.34% and 335.41% respectively.

In fact, 16 out of the 25 listed stocks outperformed the effective yield of the benchmarked 91 and 182-DAY Treasury (T-) BILLS. 13 of the best performing stocks recorded CAPITAL GAINS of over 100% at the close of 2003. Three of the equities even recorded over 400% in capital gains. On the whole, the year 2003 witnessed an impressive bullish market.

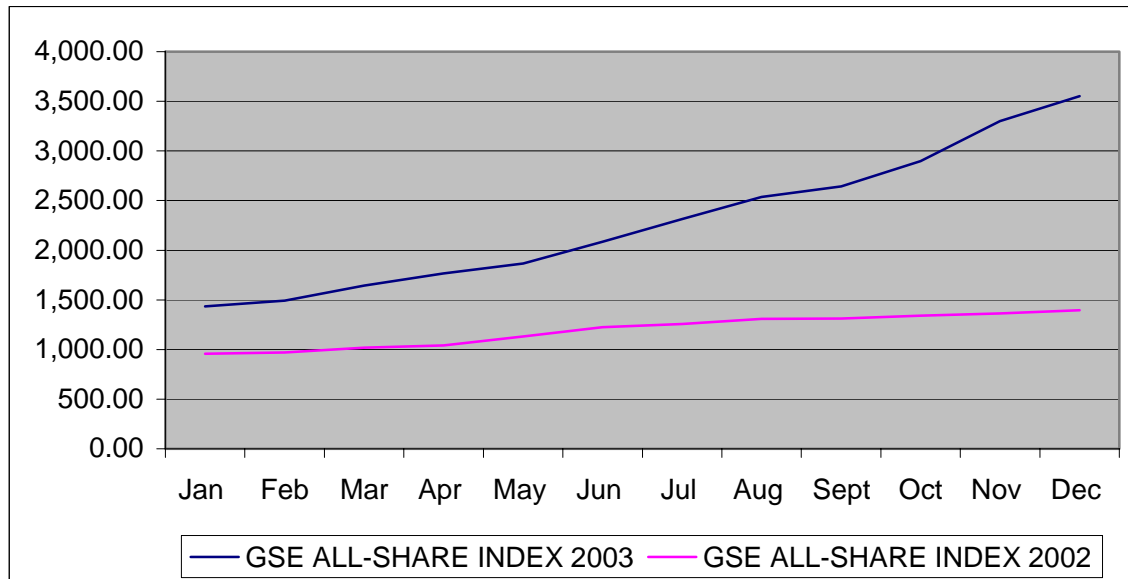
The exceptional performance of the Exchange in 2003 can be attributed to a number of factors. They include the fact that most of the listed

companies posted good operating results during the course of the year ; There was also an improvement in the country's macro - economic fundamentals, namely, declining inflation, interest rate and relative stability in the exchange rate regime.

The performance of the stock market was also enhanced by the steady decline in the 91- day Treasury bill rate, which went below 20%. By the end of December 2003, it had fallen to 18.66% from 26.63% in 2002. The corresponding discount rate also dropped from 24.96% in December 2002 to 17.83% at the end of 2003. It is expected that further decline in the Treasury bill rate in 2004 coupled with the sustenance of the impressive capital gains on the stock market would lead many investors to turn to the capital market.

Market Performance

The GSE All- Share Index increased from 1,395.31 points in December 2002 to 3,553.42 points by the end of December 2003 recording a percentage change in index of 154.67% (or 142.7% in dollar terms). The graph below illustrates the Index' performance for 2003 against that of 2002.



Turnover

The total volume of shares traded was 96.33 million for the year 2003 as against 44.12 million shares for the year 2002. This represents an increase of 118.34%.

Total value traded also increased by 335.41% from ₵89,410.66 million during the year 2002 to ₵389,299.92 million for the year 2003.

Primary Market Activity in the Equities Market

In 2003 two Initial Public Offerings (IPOs) amounting to ₵134.61 billion were made on the Ghana Stock Exchange as against ₵2.00 billion in 2002. Rights issues were ₵116.04 billion in 2003 as against ₵17.63 billion in 2002.

This brings the total value of primary market activity for the year under review to \$250.6 billion compared to \$19.63 billion in 2002. This implies a marked improvement of 1,176.62% of primary market activity in 2003 over that of the previous year.

The Market at a glance

	% Change (2003- 2002)	Jan-Dec 2003	Jan-Dec 2002	Jan-Dec 2001	% Change (2002- 2001)
No. of Listed Companies	8.33%	26	24	22	8.33%
No. of Listed Bonds					
Corporate	-20%	4	5	5	-
Government	9%	24	22	17	22.73%
New Listings					
Equities	0	2	2	0	-
Bonds - Corporate	-100%	0	1	1	-
Government	-60%	2	5	17	-240%
EQUITIES					
Turnover					
Volume (Million)	118.37%	96.33	44.12	55.3	-25.34%
Value (\$m)	335.41%	389,299.9	89,410.66	92,276.14	-3.20%
Total Market Capitalization	104.03%	12,616.8	6,183.84	3,904.03	36.87%
Total No. of Listed Issued Share (m)	81.85%	3,077.05	1,692.04	1,603.53	5.23%
GSE All-Share Index					
End of Period		3,553.42	1,395.31	955.95	
% Change in index (year to date)		154.67%	45.96%	11.42%	
BONDS					
Turnover Value					
Corporate Bonds (US\$)	-24.62%	606,600	804,699	873,132	-8.50%
GGILBs (\$ m)	454.53%	123,249	22,226	-	

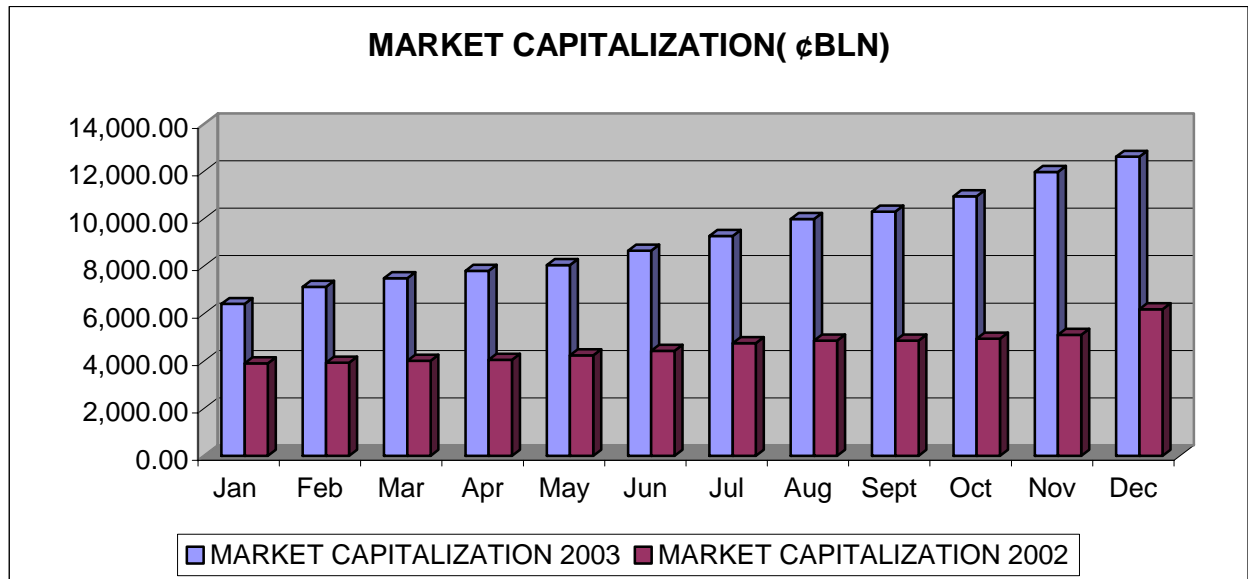
CAPITAL RAISED			
Equities (¢b)	250.6	19.63	0
Bonds - Corporate	0	\$3.03Mil	£1.2Mil
- Government (¢b)	115.5	323.22	1,003.72

Source: Ghana Stock Exchange Market Statistics (Dec. 2003)

Market Capitalization

Market capitalization of companies on the stock exchange increased from ¢6,183.84 billion in 2002 to ¢12,616.80 billion in 2003. This represents an increase of 104.03%. The graph below indicates that market capitalization in 2003 outperformed that of 2002 throughout the year. This was due to increase in volume of shares traded and share price appreciation on the stock market.

As at the end of December 2003, Ashanti Goldfields Company Limited still had the highest market capitalization value (¢3,754.48 billion) followed by the SSB Bank Ltd. (¢1,496.25 billion) and the Ghana Commercial Bank (¢1,348.05 billion).



Source: Ghana Stock Exchange Market Statistics (2002/03)

Ten Most Active Equities in Volume and Value

The table below shows actively traded equities that improved market turnover by volume and value in 2003. SSB Ltd was the most actively traded stock in both volume and value. It contributed 45.83% in total turnover volume of the market and 71.76% in value terms.

This was attributed to Société Générale's purchase of 33.2 million shares of SSB Bank Ltd. on the Stock Exchange, making it the biggest single transaction to ever take place in the history of the Exchange. ABL was the second largest contributor to volume turnover (18.10%). However it contributed only 2.46% in value terms making it the sixth largest in this category.

TEN MOST ACTIVE EQUITIES BY VOLUME AND VALUE					
Equity	Volume Traded	% Of Total Volume	Equity	Value Traded (\$m)	% of Total Value
SSB	44,144,400	45.83	SSB	279,346	71.76
ABL	17,436,600	18.1	ALW	23,167	5.95
ALW	5,866,700	6.09	GCB	13,338	3.43
BAT	5,253,900	5.45	GGL	10,962	2.82
MLC	4,484,500	4.66	BAT	9,889	2.54
GGL	4,269,300	4.43	ABL	9,571	2.46
HFC	3,518,200	3.65	UNIL	9,287	2.39
GCB	2,259,900	2.35	EIC	7,505	1.93
PBC	1,963,500	2.04	HFC	7,177	1.84
GBL	1,565,400	1.63	TBL	5,479	1.41

Source: Ghana Stock Exchange Market Statistics

BEST PERFORMING STOCKS (2003)

The best performing stock for the year under review was Guinness Ghana Ltd (GGL). Its opening year price was ₵1,050. The share price closed at ₵5,650 per share at the end of 2003, thus appreciating by 438.1%. It was followed by SSB which opened the year with ₵3,966 per share and closed with ₵21,000, appreciating by 429.5%. The other best performing stocks were that of GGL, SSB, BAT, HFC, PBC, UNIL, GBL, MLC, GCB and EIC in that order. They all had gains in share price in excess of 100%

In all, 16 of the twenty five listed equities outperformed the effective yield of 91 and 182-day Treasury bills of 31.50 and 32.40 per cent per annum respectively. The performance of these stocks partly accounted for the

bullish nature of the stock market in 2003. The table below depicts the ten best performing stocks in 2003.

10 BEST PERFORMING STOCKS (2003)			
Stock	Share Price		% Gain in Share Price
	Dec. 2002	Dec. 2003	
<i>GGL</i>	1,050	5,650	438.1
<i>SSB</i>	3,966	21,000	429.5
<i>BAT</i>	1,001	5,200	419.5
<i>HFC</i>	955	4,000	318.8
<i>PBC</i>	390	1,300	233.3
<i>UNIL</i>	4,805	14,041	192.2
<i>GBL</i>	500	1,460	192.0
<i>MLC</i>	270	700	159.3
<i>GCB</i>	3,516	8,170	132.4
<i>EIC</i>	4,600	10,500	128.3

The Bond Market

Turnover Value

Corporate Bonds made up of HFC bonds recorded a turnover value of US\$606,600 in 2003 as against US\$804,699 in 2002. This represents a percentage change of -24.62%. The Government of Ghana Index Linked Bonds (GGILBS) recorded a turnover value of ₵123,249 Million in 2003 as against ₵22,226 Million in 2002. This represents a percentage increase of 454.53%.

Total Value of Listed Bonds

The total value of corporate bonds listed in 2003 was US\$8.98 million as against US\$10.98 million in 2002 representing a percentage change of -

18.21%. On the other hand, Government of Ghana Index Linked Bonds (GGILBS) increased from ₵1,326.94 billion in 2002 to ₵1,442.44 billion representing a percentage increase of 8.70%.

Number of Listed Bonds

At the end of 2003 the total number of corporate bonds from HFC listed on the Exchange was 4 . There were also 24 GGILBS listed on the Exchange, 17 of which are maturing in 2004, 5 in 2005 and the remaining 2 in 2006

Capital Raised

The Government of Ghana raised ₵115.5billion on the bond market in 2003 as compared to ₵323.22billion raised in 2002. This represents a percentage decrease of -64.27%. No new capital was raised in 2003 with regard to corporate bonds.

Secondary Market Activity

Much of the market activity on the bond market was basically confined to the primary market. Secondary market activity was minimal due to the fact that bondholders prefer to hold them to maturity rather than to trade them.

OTHER MAJOR STOCK MARKET EVENTS IN 2003

The year under review witnessed some major events that had an impact on the performance of the market. These include the following:

1. On 27th August 2003, the **Securities and Exchange Commissions of Ghana and Nigeria** signed a **Memorandum of Understanding** between them. The MOU was aimed at fostering greater cooperation between them in order to enhance the integration of the capital markets of the two countries.
2. Signing of a Memorandum of Understanding between Ghana Stock Exchange and Africa Project Development Facility (APDF). This was effected on May 1, 2003 to promote listing of small and medium sized enterprises (SMEs).
3. Listing of Cocoa Processing Company Ltd (CPC) on the Ghana Stock Exchange in February 2003.
4. In March 2003, Société Générale acquired 33.2 million shares of SSB representing 47.66% interest in the Bank. This made it the single biggest transaction in the history of the Ghana Stock Exchange. Societe Generale was able to do this through their subsidiary, GENEFINITEC. Again in August 2003, Societe General made further acquisitions of SSB Shares, which brought its total controlling interest in the Bank to 53.58%. Subsequently, in accordance with the Ghana Stock Exchange rules on Takeovers and Mergers, Société Générale made a tender offer to all shareholders of SSB Bank Ltd.

5. On 1st April 2003, the appointment of Mr K.S. Yamoah as the Managing Director of the Ghana Stock Exchange was confirmed by the Council of the Exchange. This followed the retirement of Mr F.D. Tweneboa.
6. In June 2003, Ghana Breweries Ltd (GBL) completed its capital restructuring exercise and subsequently undertook a rights issue. It raised ₵106 billion involving the sale of 230.4 million shares.
7. The memorandum of understanding between the GSE and APDF paid off when Clydestone Ghana Ltd was given a provisional listing on the Ghana Stock Exchange, making it the first Information Communication Technology (ICT)company to be listed on the exchange. Full listing takes effect six months after the provisional listing.
8. Ashanti Gold Fields Company (AGC) announced proposals to merge with AngloGold of South Africa.
9. Guinness Ghana Ltd. (GGL) and Ghana Breweries Ltd. (GBL) also announced their intention to merge to become Guinness Ghana Breweries Ltd. (GGBL).
10. Clearing and Settlement cycle on the exchange was reduced from T+5 to T+3 effective June 2003.

11. In June 2003, The Securities And Exchange Commission Regulations, L.I 1728 was passed into law.
12. The GSE in collaboration with Bank of Ghana set in motion the project for a Central Clearing, Settlement and Depository System in Ghana. This is aimed at facilitating trading on the Stock Exchange and the Capital Market in general.
13. Camelot Ghana LIMITED was upgraded from the second official list to the first official list on the Ghana Stock Exchange in November 2003.

THE COLLECTIVE INVESTMENT SCHEME SECTOR

Out of a total of six (6) collective investment schemes licensed to operate, only three (3) were operational in 2003 with the rest gearing up to begin operations in 2004. At the time of publishing this report, a total of eight (8) collective investment schemes have been licensed and have all began to operate. The three operating schemes were EPACK, managed by DataBank Assets Management Services; HFC UNIT TRUST and HFC REAL ESTATE INVESTMENT TRUST, both managed by HFC INVESTMENT SERVICES LTD, a subsidiary of HFC BANK LTD.

In 2003, the total value of funds under the management of EPACK, a mutual fund that invests in listed equities on the Ghana Stock Exchange and other international exchanges, particularly the Nigerian Stock Exchange, grew by 613% from ₵10.51 billion in 2002 to ₵74.99 billion.

Similarly, that of HFC UNIT TRUST grew from ₦45.41 billion in 2002 to ₦74.54 billion in 2003, representing an increase of 64%. The fund value of the HFC REAL ESTATE INVESTMENT TRUST also increased by 6%, from ₦14.4billion to ₦15.39billion over the same period.

This brings the total net asset value of funds under the management of the three collective investment scheme operators from ₦70.41billion in 2002, to ₦164.92 billion in 2003, an increase of 134.2%.

SIZE OF SHARE / UNIT HOLDERS

Apart from the growth in total net asset value of funds under the management of the three CIS operators, their respective shareholder or unit holder base also increased in 2003. The number of shareholders of the EPACK mutual fund increased from 2,236 to 7,612 between 2002 and 2003, an increase of approximately 240%.

Similarly, the total number of unit holders in the HFC UNIT TRUST scheme increased from 5,759 in 2002 to 6,780 in 2003, representing an increase of 18%.

The promulgation of the Securities Industry (Amendment) Act, 2000 Act 590 and the Securities And Exchange Commission Regulations, 2003 (L.I. 1728) together with on - site and off - site inspections by the SEC have

helped to promote transparency and investor confidence in these schemes. These in turn also contributed to enhance their performance in 2003

Other reasons for the schemes' outstanding performance is attributed to the overall bullish nature of the Ghana Stock Market in 2003 where most of their funds were invested. Moreover, improvement in macroeconomic fundamentals, particularly, reduced government borrowing in the money market resulting in the decline in Treasury Bill rates assisted to induce many investors to shift from investing in treasury bills and other money market instruments to the capital market through the collective investment schemes. Better fund management practices and investment analyses coupled with public education have all contributed to the impressive performance of the collective investment schemes.

CAPITAL MARKET OUTLOOK

On the whole, the improved world economic expectation as indicated above is likely to impact positively on the economic performance of Ghana, which in turn is also expected to favour the development of the country's capital market. The government's commitment to sustain the pursuit of prudent management of the economy in spite of the upcoming general elections in December 2004 is likely to sustain the gains of the stock market in 2003.

THE BOND MARKET

The projected achievement of the government's single digit inflation at the end of 2004 will certainly lay the foundation for the take-off of Ghana's long dated fixed income securities (bond) market. It is anticipated that the local bond market can effectively take-off by 2006 if the current macroeconomic management policies of government is sustained and the world economy also continue to be favourable.

THE STOCK MARKET

The bullish nature of the stock market in 2003 is also expected to continue. More firms are expected to be listed on the GSE by the end of 2004. The merger between AngloGold and AGC and that of Guinness and GBL are likely to substantially improve stock market liquidity and GSE's market capitalisation. Apart from these developments, it is expected that retail investor base of the market will increase as many more collective investment schemes are licensed in 2004. This will increase public participation in the stock market leading to increased mobilisation of national savings through the schemes.

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LIST OF SEC PUBLICATIONS

Brochure on "who we are, what we do"

Brochure on "Getting started with Unit Trusts and mutual Funds"

Brochure on "An Investors' guide to Unit Trusts and Mutual Funds"

Brochure on "An Investors' guide to the Administrative Hearings Committee of the Securities and Exchange Commission"

Guidelines on Best Practices in Corporate Governance

SEC Annual Reports 2000,2001 & 2002

